



CASCADE WATER ALLIANCE
RESOLUTION No. 2012 – ____

A RESOLUTION of the Board of Directors of Cascade Water Alliance, Relating to the Water Transmission and Supply System of Cascade Water Alliance; Authorizing the Borrowing of Money and the Issuance and Sale of Water System Revenue Bonds for the Purposes of Paying Part of the Cost of Financing Capital Projects, Providing for a Debt Service Reserve and Paying the Costs of Issuing and Selling Those Bonds; Fixing or Setting Parameters with Respect to Certain Terms and Covenants of Those Bonds; Delegating Authority to a Designated Representative to Set Final Terms of the Sale and Issuance of those Bonds; and Providing for Other Matters Properly Related Thereto.

Adopted September 26, 2012

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A RESOLUTION of the Board of Directors of Cascade Water Alliance, Relating to the Water Transmission and Supply System of Cascade Water Alliance; Authorizing the Borrowing of Money and the Issuance and Sale of Water System Revenue Bonds for the Purposes of Paying Part of the Cost of Financing Capital Projects, Providing for a Debt Service Reserve and Paying the Costs of Issuing and Selling Those Bonds; Fixing or Setting Parameters with Respect to Certain Terms and Covenants of Those Bonds; Delegating Authority to a Designated Representative to Set Final Terms of the Sale and Issuance of those Bonds; and Providing for Other Matters Properly Related Thereto.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF CASCADE WATER ALLIANCE AS FOLLOWS:

Section 1. Definitions. As used in this resolution and for the purposes of this resolution the following words shall have the following meanings:

(a) **“Accreted Value”** means, with respect to any Capital Appreciation Bond, as of the date of calculation, the sum of the initial principal amount of that Capital Appreciation Bond plus the interest accumulated, compounded and unpaid thereon.

(b) **“Annual Debt Service”** means, with respect to any Parity Bonds outstanding as of the date of calculation, for any fiscal year (or other designated twelve-month period), all amounts required to be paid in that fiscal year (or other designated twelve-month period) in respect of Principal of and interest on those Parity Bonds, subject to the following:

(1) the interest rate on Variable Interest Rate Bonds shall be assumed to be equal to the average SIFMA Municipal Swap Index during the fiscal quarter preceding the quarter in which the calculation is made;

(2) notwithstanding clause (1) of this definition, if a Payment Agreement is in effect with respect to any Variable Interest Rate Bonds pursuant to which Cascade receives payments based on a variable rate in exchange for making payments based on a fixed rate, the interest rate on those Variable Interest Rate Bonds during the period that Payment Agreement is scheduled to be in effect shall be assumed to be the fixed rate specified in that Payment Agreement;

(3) if a Payment Agreement is in effect with respect to any Parity Bonds pursuant to which Cascade receives payments based on a fixed rate in exchange for making payments based on a variable rate, the interest rate on those Parity Bonds during the period that Payment Agreement is scheduled to be in effect shall be assumed to be the sum of (a) the interest rate on those Parity Bonds determined as if those Parity Bonds were Variable

Interest Rate Bonds, plus (b) the positive difference, if any, between the fixed rate payable on those Parity Bonds and the fixed rate Cascade receives pursuant to that Payment Agreement;

(4) notwithstanding clause (1) of this definition, the interest rate on Paired Bonds shall be assumed to be the aggregate fixed rate to be paid by Cascade with respect to those Paired Bonds; and

(5) the outstanding Principal of any Balloon Bonds shall be assumed to become due and payable in equal installments in each fiscal year from the date of calculation to the final scheduled maturity of those Balloon Bonds.

(c) “**Average Annual Debt Service**” means, with respect to any Parity Bonds outstanding as of the date of calculation, the sum of the Annual Debt Service on those Parity Bonds for each fiscal year during which those Parity Bonds are scheduled to remain outstanding, divided by the number of those fiscal years.

(d) “**Balloon Bonds**” means a series or subseries of Parity Bonds designated as such in the applicable Parity Bond Authorizing Resolution, the aggregate Principal of which becomes due and payable, either at maturity or by mandatory redemption, in any fiscal year in an amount that constitutes 25% or more of the initial aggregate Principal of that series or subseries of Parity Bonds.

(e) “**Board**” means the Board of Directors of Cascade.

(f) “**Bond Fund**” means the Water System Revenue Bond Fund created pursuant to Resolution No. 2006-03 of Cascade.

(g) “**Bond Counsel**” means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by Cascade for any purpose under this resolution applicable to the use of that term.

(h) “**Bond Insurance**” means any bond insurance policy guaranteeing the payment when due of all or part of the Principal of and interest on any Parity Bonds.

(i) “**Bond Insurer**” means any provider of Bond Insurance approved by the Board by resolution or resolutions.

(j) “**Bond Owners’ Trustee**” has the meaning assigned to that term in Section 26(b).

(k) “**Bond Purchase Contract**” means an offer to purchase the 2012 Bonds presented by the Underwriter and accepted by the Designated Representative. In the case of a competitive sale of 2012 Bonds, the offer shall mean the submitted bid (which incorporates all of the terms and conditions set forth in the official notice of bond sale), and the award by the Designated Representative to the successful bidder shall constitute the acceptance.

(l) “**Bond Register**” means the books or records maintained by the Bond Registrar on which are recorded the names and addresses of the Registered Owner of each of the Parity Bonds.

(m) “**Bond Registrar**” means the fiscal agent of the State of Washington (as the same may be designated by the State from time to time).

(n) “**Capital Appreciation Bonds**” means any Parity Bonds, all or a portion of the interest on which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in the applicable Parity Bond Authorizing Resolution and is payable only upon redemption or on the maturity date of those Parity Bonds. Parity Bonds that are issued as Capital Appreciation Bonds, but later convert to obligations on which interest is paid periodically, shall be Capital Appreciation Bonds until the conversion date and thereafter shall no longer be Capital Appreciation Bonds, but shall be treated as having a Principal amount equal to their Accreted Value on the conversion date.

(o) “**Cascade**” means Cascade Water Alliance, a Washington joint municipal utility services authority under Chapter 39.106 RCW, and its permitted predecessors and successors.

(p) “**Chief Executive Officer**” means the Chief Executive Officer of Cascade or any other officer who succeeds to substantially all of the responsibilities of that office specified in this resolution.

(q) “**Code**” means the Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

(r) “**Construction Fund**” means the Construction Fund created pursuant to Resolution No. 2006-03 of Cascade.

(s) “**Coverage Requirement**” in any fiscal year (or other designated twelve-month period) means that Net Revenue in that fiscal year (or other designated twelve-month period), minus RCFs received in that fiscal year (or other designated twelve-month period) plus amounts on deposit in the Debt Service Account on the last business day prior to the commencement of that fiscal year (or other designated twelve-month period), is at least equal to the Annual Debt Service on all outstanding Parity Bonds and the amount, if any, required to be deposited in any reserve account securing Parity Bonds in that fiscal year (or other designated twelve-month period).

(t) “**Debt Service Account**” means the Debt Service Account in the Bond Fund created pursuant to Resolution No. 2006-03 of Cascade.

(u) “**Designated Representative**” means the Chief Executive Officer of Cascade appointed in Section 4 hereof to serve as Cascade’s designated representative in accordance with RCW 39.46.040(2) for purposes of negotiating and executing, on behalf of Cascade, the Bond Purchase Contract on terms consistent with this resolution.

(v) “**DTC**” means The Depository Trust Company, New York, New York.

(w) “**Event of Default**” has the meaning assigned to that term in Section 26(a).

(x) **“Final Terms”** means, with respect to the 2012 Bonds, the amount, date or dates, denominations, interest rate or rates, payment dates, final maturity, redemption rights and price.

(y) **“Future Parity Bonds”** means all revenue bonds and other obligations of Cascade for borrowed money (including, without limitation, financing leases) issued or incurred after the date of the issuance of the 2012 Bonds, the payment of which constitutes a lien and charge on the Net Revenue equal in rank with the lien and charge upon the Net Revenue required to be paid into the Bond Fund to pay and secure the payment of the Principal of and interest on the Outstanding Parity Bonds and the 2012 Bonds.

(z) **“Government Obligations”** means those government obligations defined by RCW 39.53.010(9) as it now reads or hereafter may be amended or replaced.

(aa) **“Gross Revenue”** means all of the earnings and revenues received by Cascade from any source whatsoever including but not limited to: (a) Member Charges; (b) revenues from the sale, lease or furnishing of other commodities, services, properties or facilities; (c) the receipt of earnings from the investment of money in any maintenance fund or similar fund; (d) federal credit payments received by Cascade in respect of the 2009B Bonds; and (e) withdrawals from the Rate Stabilization Fund. However, the Gross Revenue shall not include: (a) Principal proceeds of Parity Bonds or any other borrowings, or earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund obligations relating to the System (until commingled with other earnings and revenues included in the Gross Revenue) or held in a special account for the purpose of paying a rebate to the United States Government under the Code; (b) income and revenue which may not legally be pledged for revenue bond debt service; (c) improvement district assessments; (d) federal or state grants allocated to capital projects; (e) payments under bond insurance or other credit enhancement policy or device; (f) insurance or condemnation proceeds used for the replacement of capital projects or equipment; (g) earnings in any construction fund or bond redemption fund; (h) deposits to the Rate Stabilization Fund; or (i) any revenues generated by any Member’s Water Supply Assets that are not part of the System, except those amounts that are payable to Cascade pursuant to the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement or another ~~interlocal~~ agreement.

(bb) **“Independent Consulting Engineer”** means either (1) an independent licensed professional engineer experienced in the design, construction or operation of municipal utilities of comparable size and character to the System or (2) an independent certified public accountant or other professional consultant experienced in the development of rates and charges for municipal utilities of comparable size and character to the System.

(cc) ~~“Interlocal Contract” means the Interlocal Contract effective April 1, 1999, as amended and restated on December 15, 2004, and as that Interlocal Contract~~“Joint Municipal Utility Services Agreement” means the agreement effective March 28, 2012, by which Cascade Water Alliance converted to a municipal corporation under the Joint Municipal Utilities Services Act, Chapter 39.106 RCW and as may be further amended from time to time consistent with Section 25.

(dd) **“Issue Date”** means the date of initial delivery of the 2012 Bonds to the Underwriter.

(ee) **“Letter of Representations”** means the Blanket Issuer Letter of Representations between Cascade and DTC dated April 26, 2006, as it may be amended from time to time.

(ff) **“MSRB”** means the Municipal Securities Rulemaking Board.

(gg) **“Maximum Annual Debt Service”** means, with respect to any Parity Bonds outstanding as of the date of calculation, the maximum amount of Annual Debt Service that will mature or come due in the current year or any future year on those Parity Bonds.

(hh) **“Member”** means a member agency of Cascade under the [Interlocal Contract Joint Municipal Utility Services Agreement](#).

(ii) **“Member Charges”** means all payments that Members are required by the Interlocal Contract to make to Cascade, including but not limited to all Rates and Charges, RFCs, dues, assessments and other payments from Members.

(jj) **“Net Revenue”** for any fiscal year (or other designated twelve-month period) means the Gross Revenue for that fiscal year (or other designated twelve-month period) less Operations and Maintenance Costs for that fiscal year (or other designated twelve-month period). In calculating Net Revenue, Cascade shall not take into account any non-cash gains or losses with respect to any real or personal property, investment or agreement that it may be required to recognize under generally accepted accounting principles, such as unrealized mark-to-market gains and losses.

(kk) **“Operations and Maintenance Costs”** means all expenses incurred by Cascade to operate and maintain the System in good repair, working order and condition, including without limitation, payments made to any other public or private entity for water or other utility service. Operations and Maintenance Costs shall not include any depreciation, capital additions or capital replacements to the System.

(ll) **“Outstanding Parity Bonds”** means the 2006 Bonds, the 2009A Bonds and the 2009B Bonds.

(mm) **“Paired Bonds”** means two series of Parity Bonds (1) that are issued simultaneously, (2) that are designated as Paired Bonds in the applicable Parity Bond Authorizing Resolution, (3) equal in Principal amount, (4) that mature and are subject to mandatory redemption on the same date and in the same amount and (5) the interest rates on which, taken together, result in an irrevocable fixed interest rate obligation of Cascade until the maturity or prior redemption thereof.

(nn) **“Parity Bond Authorizing Resolution”** means one or more resolutions of Cascade (including the 2006 Bond Resolution, the 2009 Bond Resolution and this resolution) that authorize the issuance and sale and establish the terms of a particular series of Parity Bonds and other matters relating to the same plan of finance.

(oo) **“Parity Bonds”** means the Outstanding Parity Bonds, the 2012 Bonds and any Future Parity Bonds.

(pp) **“Payment Agreement”** means a written agreement that (1) is entered into by Cascade for the purpose of managing or reducing Cascade’s exposure to fluctuations or levels of interest rates for Parity Bonds or for other interest rate, investment, asset or liability management purposes related to Parity Bonds, (2) is entered into on either a current or forward basis with a Qualified Counterparty, (3) is authorized by any applicable laws of the State in connection with, or incidental to, the issuance, incurring or carrying of particular bonds, notes, bond anticipation notes, commercial paper, or other obligations for borrowed money, or lease, installment purchase or other similar financing agreements or certificates of participation therein, (4) provides for an exchange of payments based on interest rates, ceilings or floors on those payments, options on those payments, or any combination thereof or any similar device and (5) expressly provides that Cascade’s obligation to make regularly scheduled payments thereunder constitutes a charge on Net Revenue equal in rank with the charge upon Net Revenue required to be paid into the Bond Fund to pay the Principal of and interest on the Parity Bonds.

(qq) **“Payment Agreement Payments”** means the regularly scheduled amounts (netted, if applicable) required to be paid by Cascade to the Qualified Counterparty pursuant to a Payment Agreement.

(rr) **“Payment Agreement Receipts”** means the regularly scheduled amounts (netted, if applicable) required to be paid by the Qualified Counterparty to Cascade pursuant to a Payment Agreement.

(ss) **“Principal”** means, as of any date of calculation, (1) with respect to any Capital Appreciation Bond, the Accreted Value thereof as of the date on which interest on that Capital Appreciation Bond is compounded next preceding that date of calculation (unless that date of calculation is a date on which interest is compounded, in which case, as of that date of calculation), and (2) with respect to any Parity Bond other than a Capital Appreciation Bond, the principal amount thereof.

(tt) **“Qualified Counterparty”** means a party (other than Cascade or a party related to Cascade) who is the other party to a Payment Agreement and (1) at the time of execution of the Payment Agreement, (a) whose claims-paying ability is or senior unsecured debt obligations are rated in one of the three highest rating categories of each of at least two Rating Agencies or (b) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by an entity whose claims-paying ability is or senior unsecured debt obligations are rated in one of the three highest rating categories of each of at least two Rating Agencies (in each case, without regard to any gradations within a rating category), and (2) who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

(uu) **“Rate Stabilization Fund”** means the Rate Stabilization Fund created pursuant to Resolution No. 2006-03 of Cascade.

(vv) **“Rates and Charges”** means the rates and charges (not including RCFCs) chargeable to each Member under the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement plus any late payment or other charge that may be due.

(ww) **“Rating Agencies”** means any nationally-recognized securities rating agency or agencies rating any of the Parity Bonds at the request of Cascade.

(xx) “**RCFC Fund**” means the RCFC Fund created pursuant to Resolution No. 2006-03 of Cascade.

(yy) “**RCFCs**” means the regional capital facilities charges to each Member for new equivalent residential units connected to that Member’s water distribution system, as calculated consistently with the ~~Interlocal Contract~~[Joint Municipal Utility Services Agreement](#).

(zz) “**RCW**” means the Revised Code of Washington.

(aaa) “**Registered Owner**” means a person shown on the Bond Register as the owner of a Parity Bond.

(bbb) “**Reserve Account**” means any reserve account securing Parity Bonds into which deposits are required to be made pursuant to a Parity Bond Authorizing Resolution, including the 2006 Reserve Account and the 2009 Reserve Account.

(ccc) “**Reserve Insurance**” means any bond insurance, letter of credit, guaranty, surety bond or similar credit enhancement device obtained by Cascade equal to part or all of the Reserve Requirement that is issued by an institution which has been assigned a credit rating at the time of issuance of the device in one of the two highest rating categories of each of at least two Rating Agencies (without regard to any gradations within a rating category) and is not cancelable on less than three years’ notice.

(ddd) “**Reserve Requirement**” means, as of any date of calculation, (1) with respect to Parity Bonds secured by the 2006 Reserve Account, the lesser of Maximum Annual Debt Service on outstanding Parity Bonds secured by the 2006 Reserve Account or 125% of Average Annual Debt Service on outstanding Parity Bonds secured by the 2006 Reserve Account, but at no time shall the Reserve Requirement for Parity Bonds secured by the 2006 Reserve Account exceed 10% of the original proceeds of the Parity Bonds secured by the 2006 Reserve Account, and (2) with respect to Parity Bonds secured by the 2009 Reserve Account, the lesser of Maximum Annual Debt Service on outstanding Parity Bonds secured by the 2009 Reserve Account or 125% of Average Annual Debt Service on outstanding Parity Bonds secured by the 2009 Reserve Account, but at no time shall the Reserve Requirement for Parity Bonds secured by the 2009 Reserve Account exceed 10% of the original proceeds of the Parity Bonds secured by the 2009 Reserve Account. In calculating Annual Debt Service for purposes of determining the Reserve Requirement for Parity Bonds secured by the 2009 Reserve Account, the amount of interest payable on the 2009B Bonds for any fiscal year (or other designated twelve-month period) shall be reduced by the federal credit payments scheduled to be received by Cascade in respect of the 2009B Bonds in such fiscal year (or other designated twelve-month period).

(eee) “**Rule**” means paragraph (b)(5) of Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as such Rule may be amended from time to time.

(fff) “**SEC**” means the United States Securities and Exchange Commission.

(ggg) “**SIFMA Municipal Swap Index**” means the index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria

established from time to time by the Securities Industry and Financial Markets Association, or the successor to that index.

(hhh) “**State**” means the State of Washington.

(iii) “**State Auditor**” means the office of the State Auditor of the State or such other department or office of the State authorized and directed by State law to make audits.

(jjj) “**System**” means the water transmission and supply system of Cascade as it now exists, including Water Supply Assets owned or controlled by Cascade, and all additions thereto and betterments and extensions thereof at any time made, together with any utility systems of Cascade hereafter combined with the System. The System shall not include any water transmission and supply or other utility system service or other facilities that may be created, acquired or constructed by Cascade as a separate utility system as provided in Section 20.

(kkk) “**Tax-Exempt Bonds**” means Parity Bonds of any series on which the interest is intended on the date of issuance to be excluded from gross income for federal income tax purposes.

(lll) “**Term Bonds**” means Parity Bonds that are subject to scheduled mandatory redemption prior to their scheduled maturity date or dates.

(mmm) “**Transmission and Supply Plan**” means the Transmission and Supply Plan adopted by Cascade on September 28, 2005 pursuant to Resolution No. 2005-06.

(nnn) “**Treasurer**” means the treasurer of Cascade appointed pursuant to the Bylaws of Cascade and other persons or entities carrying out treasury operations under the direction of that treasurer.

(ooo) “**2006 Bonds**” means the Cascade Water Alliance Water System Revenue Bonds, 2006.

(ppp) “**2006 Reserve Account**” means the Reserve Account in the Bond Fund created pursuant to Resolution No. 2006-03 of Cascade and renamed the 2006 Reserve Account in Section 13 of Resolution No. 2009-11.

(qqq) “**2009A Bonds**” means the Cascade Water Alliance Water System Revenue Bonds, 2009A.

(rrr) “**2009B Bonds**” means the Cascade Water Alliance Water System Revenue Bonds, 2009B (Taxable Build America Bonds – Direct Payment).

(sss) “**2009 Bond Resolution**” means, collectively, Resolution No. 2009-11 and Resolution No. 2009-12 of Cascade, as the same may be amended or supplemented in accordance therewith.

(ttt) “**2009 Reserve Account**” means the 2009 Reserve Account in the Bond Fund created pursuant to Resolution No. 2009-11 of Cascade.

(uuu) “**2012 Bond**” means each bond authorized to be issued pursuant to, under the authority of and for the purposes provided in this resolution.

(vvv) “**2012 Construction Account**” means the 2012 Bonds Construction Account created pursuant to Section 14.

(www) “**Undertaking**” means Cascade’s undertaking pursuant to Section 22 to provide annual financial information and notice of listed events.

(xxx) “**Underwriter**” means the firm or firms selected by the Designated Representative as the underwriter(s) for a negotiated sale or awarded as the successful bidder in a competitive sale.

(yyy) “**Variable Interest Rate Bonds**” means, for any period of time, any Parity Bonds that bear interest at a rate that is not fixed and is not specified in the applicable Parity Bond Authorizing Resolution.

(zzz) “**Water Supply Assets**” means tangible and intangible assets usable in connection with the provision of water supply, including without limitation, real property, physical facilities (e.g., dams, wells, treatment plants, pump stations, reservoirs, and transmission lines), water rights, capacity and/or contractual rights in facilities or resources owned by other entities, and investments in conservation programs and facilities.

Section 2. Findings and Determinations. The Board hereby makes the following findings and determinations.

(a) Cascade is a Washington joint municipal utility services authority under Chapter 39.106 RCW composed of municipal corporations and special purpose municipal corporations.

(b) Pursuant to a Joint Municipal Utility Services Agreement, effective March 28, 2012, n ~~Interlocal Contract effective April 1, 1999, as amended and restated as of December 15, 2004 (the “Interlocal Contract”)~~, and the provisions of Chapter 39.106 RCW, Cascade is authorized to issue revenue bonds.

(c) Pursuant to Resolution No. ~~2005-062012-~~, Cascade adopted its 2012 Transmission and Supply Plan on September 28, 2005 ~~July 25, 2012~~.

(d) The Transmission and Supply Plan describes various capital projects and associated rights, properties and facilities necessary to carry out Cascade’s mission.

(e) Cascade desires to issue water system revenue bonds to provide for part of the cost of carrying out certain of the capital projects described in the Transmission and Supply Plan, to provide for a debt service reserve and to pay the costs of issuing and selling those bonds.

(f) Designated Representative. RCW 39.46.040(2) provides that a resolution authorizing the issuance of bonds may authorize an officer of Cascade to serve as the Cascade’s designated representative and to accept, on behalf of Cascade, an offer to purchase those bonds so long as the acceptance of such offer is consistent with terms established by a

resolution that establishes the following terms for the bonds (or parameters with respect thereto): the amount, date, denominations, interest rates (or mechanism for determining interest rates), payment dates, final maturity, redemption rights, price, minimum savings for refunding bonds (if the refunding bonds are issued for savings purposes), and any other terms or conditions deemed appropriate by the Board of Directors of Cascade.

Section 3. Authorization of 2012 Bonds. For the purpose of providing all or a part of the money required to (1) pay part of the cost of carrying out certain of the capital projects described in the Transmission and Supply Plan, (2) provide for a debt service reserve for the 2012 Bonds, and (3) pay the costs of issuing and selling the 2012 Bonds, Cascade is authorized to issue and sell the 2012 Bonds in one or more series, subject to the terms and conditions described in this resolution.

Section 4. Appointment of Designated Representative; Description of 2012 Bonds. The Chief Executive Officer is appointed as the Designated Representative and is authorized to conduct the sale of the 2012 Bonds in the manner and upon the terms deemed most advantageous to Cascade, as further specified in Section 27, and to approve the Final Terms within the parameters established in this Section. The Final Terms shall be evidenced in the Bond Purchase Contract or by a Certificate of Designated Representative executed on the date of sale of the 2012 Bonds to the Underwriter.

(a) Amount. The aggregate Principal amount of the 2012 Bonds shall not exceed \$[_____].

(b) Date. The 2012 Bonds shall be dated the Issue Date, which date may not be later than December 31, 2012.

(c) Denominations and Designation. The 2012 Bonds shall be designated "Cascade Water Alliance Water System Revenue Bonds, 2012," with such other designation as may be established by the Designated Representative; shall be numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; and shall be issued in denominations of \$5,000 or any integral multiple thereof within a maturity.

(d) Interest Rates. The 2012 Bonds shall bear interest at fixed rates per annum (computed on the basis of a 360-day year of twelve 30-day months) from the Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, whichever is later. One or more rates of interest may be fixed for the 2012 Bonds. No rate of interest for any maturity may exceed [_____]%, and the "all-in" true interest cost to Cascade for the 2012 Bonds may not exceed [_____]%.

(e) Payment Dates. Interest must be payable at fixed rates semiannually (on each [_____] 1 and [_____] 1, commencing no earlier than [_____] 1, 2013. Principal must be payable annually on each [_____] 1, commencing no earlier than [_____] 1, 2013.

(f) Final Maturity. The 2012 Bonds shall mature no later than [_____].

(g) Redemption Rights. The 2012 Bonds may be issued subject to optional redemption and, in the case of any 2012 Bonds designated as Term Bonds, mandatory redemption, as set forth in Section 8.

(h) Price. The purchase price for the 2012 Bonds may not be less than [_____] % or more than [_____] % of the par value of the 2012 Bonds.

(i) Tax Status. The 2012 Bonds may be issued as Tax-Exempt Bonds.

(j) Parity Conditions. The 2012 Bonds may not be issued unless, as of the Issue Date, the Designated Representative certifies that the amounts required to have been paid into the Bond Fund for the Outstanding Parity Bonds have been paid and maintained as required and that all other conditions for the issuance of the 2012 Bonds as Future Parity Bonds (within the meaning of the Parity Bond Authorizing Resolutions that authorized the issuance of the Outstanding Parity Bonds) will have been satisfied before the 2012 Bonds are delivered to the Underwriter.

(k) Sufficiency of Gross Revenue. The 2012 Bonds may not be issued unless, as of the Issue Date, the Designated Representative certifies (i) that the Gross Revenue and benefits to be derived from the operation and maintenance of the System, taking into account the Member Charges to be imposed from time to time for water and other services and commodities from the System consistent with Section 17(b), will be sufficient to meet all Operations and Maintenance Costs and to permit the setting aside into the Bond Fund out of the Gross Revenue of amounts sufficient to pay the Principal of and premium, if any, and interest on the Outstanding Parity Bonds and to make all payments required to be made into the 2006 Reserve Account under this resolution and (ii) that in fixing the amounts to be paid into the Bond Fund Cascade has exercised due regard for Operations and Maintenance Costs, and has not bound and obligated itself to set aside and to pay into the Bond Fund a greater amount or proportion of the Gross Revenue than in the judgment of Cascade will be available over and above the Operations and Maintenance Costs.

Section 5. Registration and Transfer or Exchange of 2012 Bonds. The 2012 Bonds shall be issued only in registered form as to both Principal and interest and recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the Registered Owner of each 2012 Bond and the Principal amount and number of each of the 2012 Bonds held by each Registered Owner.

2012 Bonds surrendered to the Bond Registrar may be exchanged for 2012 Bonds in any authorized denomination of an equal aggregate Principal amount and of the same interest rate and maturity. 2012 Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer of 2012 Bonds shall be at the expense of Cascade, except that the Bond Registrar may make a charge to any Registered Owner requesting such exchange or transfer in the amount of any tax or other governmental charge required to be paid with respect thereto. The Bond Registrar is not required to exchange or transfer any 2012 Bond after the giving of notice calling that 2012 Bond for redemption, in whole or in part.

The 2012 Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. The 2012 Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of the Letter of Representations. Neither Cascade nor the Bond Registrar shall have any responsibility or obligation to DTC participants or to the persons for whom DTC participants act as nominees with respect to the 2012 Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of Principal of or premium, if any, or interest on the 2012 Bonds, or any notice that is permitted or

required to be given to Registered Owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC or its nominee).

For so long as any 2012 Bonds are held in fully immobilized form, DTC, its nominee or any successor depository shall be deemed to be the Registered Owner for all purposes hereunder and all references to Registered Owners shall mean DTC, its nominee or any successor depository and shall not mean the owners of any beneficial interests in the 2012 Bonds. Registered ownership of those 2012 Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of DTC or its nominee, if that successor shall be qualified under any applicable laws to provide the services proposed to be provided by it; (ii) to any substitute depository appointed by Cascade or that substitute depository's successor; or (iii) to any person if the 2012 Bonds are no longer held in immobilized form.

Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by Cascade that it no longer wishes to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), Cascade may appoint a substitute depository. Any substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

If (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) Cascade determines that the 2012 Bonds are to be in certificated form, the ownership of 2012 Bonds may be transferred to any person as provided herein and the 2012 Bonds no longer shall be held in fully immobilized form.

Section 6. Mutilated, Lost, Stolen and Destroyed 2012 Bonds. In case any 2012 Bond shall become mutilated or be destroyed, stolen or lost, Cascade may, if not then prohibited or otherwise required by law, cause to be executed and delivered a new 2012 Bond of like amount, interest rate, maturity date and tenor in exchange and substitution for and upon cancellation of that mutilated 2012 Bond, or in lieu of and in substitution for that destroyed, stolen or lost 2012 Bond, upon payment by the Registered Owner thereof of the reasonable expenses and charges of Cascade and the Bond Registrar in connection therewith, and in the case of a 2012 Bond destroyed, stolen or lost, the filing with the Bond Registrar of evidence satisfactory to it that that 2012 Bond was destroyed, stolen or lost, and of the ownership thereof, and furnishing Cascade and the Bond Registrar with indemnity satisfactory to each of them. If the mutilated, destroyed, stolen or lost 2012 Bond already has matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new 2012 Bond prior to payment. If the provisions of State law at any time differ from the provisions of this Section with respect to the requirements or procedures for replacing or otherwise handling mutilated, lost, stolen or destroyed bonds, then the provisions of State law shall prevail.

Section 7. Payment of 2012 Bond Principal, Premium and Interest. Principal of and premium, if any, and interest on the 2012 Bonds shall be payable in lawful money of the United States of America. For so long as the 2012 Bonds are registered in the name of DTC or its nominee, payment of any 2012 Bonds shall be made in accordance with the operational arrangements of DTC referred to in the Letter of Representations. If the 2012 Bonds cease to be in book-entry-only form, interest on the 2012 Bonds shall be paid by checks or drafts mailed by the Bond Registrar on the interest payment date to the Registered Owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment

date (the “2012 Record Date”) or, at the request of a Registered Owner of \$1,000,000 or more in aggregate Principal amount of 2012 Bonds, by wire transfer to an account in the United States designated in writing by that Registered Owner prior to the applicable 2012 Record Date. Principal of and premium, if any, on each 2012 Bond shall be payable upon presentation and surrender of that 2012 Bond by the Registered Owner thereof to the Bond Registrar.

Section 8. Redemption Provisions and Purchase of 2012 Bonds.

(a) Optional Redemption. The Designated Representative may designate certain maturities of the 2012 Bonds as being subject to redemption at the option of Cascade prior to their respective maturities on the dates and at the prices set forth in the Bond Purchase Contract. The Designated Representative may also, in his or her discretion, designate certain maturities of the 2012 Bonds as not being subject to optional redemption prior to maturity.

(b) Mandatory Redemption. The Designated Representative may approve the designation of certain maturities within a series of 2012 Bonds as Term Bonds, as set forth in the Bond Purchase Contract. Cascade shall redeem Term Bonds, if not previously redeemed under the optional redemption provisions set forth above or purchased and surrendered for cancellation or defeased under the provisions set forth below, at a price of par plus accrued interest on the annual redemption dates and in the annual redemption amounts approved by the Designated Representative. If Cascade redeems under the optional redemption provisions, purchases for cancellation or defeases Term Bonds, the Principal amount of the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) may be credited against one or more scheduled mandatory redemption amounts for those Term Bonds. The Chief Executive Officer shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of that allocation at least 60 days prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given.

(c) Partial Redemption. Portions of the Principal amount of any 2012 Bond, in integral amounts of \$5,000, may be redeemed. If fewer than all of the 2012 Bonds of a single maturity of a series are to be redeemed, the Bond Registrar shall select the 2012 Bonds or portions thereof to be redeemed from the 2012 Bonds of that maturity by lot, or in such other manner as the Bond Registrar shall determine, except that, for so long as the 2012 Bonds are registered in the name of DTC or its nominee, DTC shall select the 2012 Bonds or portions thereof to be redeemed in accordance with the Letter of Representations.

If less than all of the Principal amount of any 2012 Bond is redeemed, upon surrender of that 2012 Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge therefor, a new 2012 Bond (or 2012 Bonds, at the option of the Registered Owner) of the same series, maturity and interest rate in any of the denominations authorized by this resolution in the aggregate total Principal amount remaining unredeemed.

(d) Purchase of 2012 Bonds. Cascade reserves the right and option to purchase for cancellation any or all of the 2012 Bonds at any time at any price plus accrued interest to the date of purchase.

(e) 2012 Bonds to be Canceled. All 2012 Bonds purchased for cancellation or redeemed under this Section shall be canceled.

Section 9. Notice and Effect of Redemption. While the 2012 Bonds are held by DTC in book-entry only form, any notice of redemption shall be given at the time, to the entity and in the manner required by DTC in accordance with the Letter of Representations, and the Bond Registrar shall not be required to give any other notice of redemption. If the 2012 Bonds cease to be in book-entry only form, Cascade shall cause notice of any intended redemption of 2012 Bonds to be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of any 2012 Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not notice is actually received by that Registered Owner.

In addition, the redemption notice shall be mailed by the Bond Registrar within the same period, postage prepaid, to each of the Rating Agencies at their offices in New York, New York, and to such other persons and with such additional information as the Chief Executive Officer shall determine, but these additional mailings shall not be a condition precedent to the redemption of 2012 Bonds.

In the case of an optional redemption, the notice may state that Cascade retains the right to rescind that notice on or prior to the scheduled redemption date, and that notice and optional redemption shall be of no effect to the extent that Cascade gives notice to the affected Registered Owners at any time on or prior to the scheduled redemption date that Cascade is rescinding the redemption notice in whole or in part. Any 2012 Bonds subject to a rescinded notice of redemption shall remain outstanding, and the rescission shall not constitute an Event of Default.

Interest on each 2012 Bond called for redemption shall cease to accrue on the date fixed for redemption unless (a) that 2012 Bond is subject to a rescinded notice of redemption or (b) that 2012 Bond is not subject to a rescinded notice of redemption and is presented for payment pursuant to the call but is not redeemed by Cascade.

Section 10. Failure to Pay 2012 Bonds. If any 2012 Bond is not paid when properly presented at its maturity or redemption date, Cascade shall be obligated to pay interest on that 2012 Bond at the same rate provided in that 2012 Bond from and after its maturity or redemption date until that 2012 Bond, Principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund.

Section 11. Form and Execution of 2012 Bonds. The 2012 Bonds shall be prepared in a form consistent with the provisions of this resolution and State law and shall be signed by the Chair and Secretary of the Board, either or both of whose signatures may be manual or in facsimile.

Only 2012 Bonds bearing a Certificate of Authentication in substantially the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution: "Certificate of Authentication. This bond is one of the fully registered Cascade Water Alliance Water System Revenue Bonds, 2012, described in the 2012 Bond Resolution." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the 2012 Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

If any officer whose facsimile signature appears on a 2012 Bond ceases to be an officer of Cascade authorized to sign bonds before that 2012 Bond is authenticated or delivered by the Bond Registrar or issued by Cascade, that 2012 Bond nevertheless may be authenticated, delivered and issued and, when authenticated, issued and delivered, shall be as binding on Cascade as though that person had continued to be an officer of Cascade authorized to sign bonds. Any 2012 Bond also may be signed on behalf of Cascade by any person who, on the actual date of signing of that 2012 Bond, is an officer of Cascade authorized to sign bonds, although he or she did not hold the required office on the date of issuance of that 2012 Bond.

Section 12. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the 2012 Bonds which shall at all times be open to inspection by Cascade. The Bond Registrar is authorized, on behalf of Cascade, to authenticate and deliver 2012 Bonds transferred or exchanged in accordance with the provisions of the 2012 Bonds and this resolution, to serve as Cascade's paying agent for the 2012 Bonds and to carry out all of the Bond Registrar's powers and duties under this resolution and Resolution No. 2006-04 establishing a system of registration for Cascade's bonds and obligations.

Section 13. Bond Fund. So long as any Parity Bonds are outstanding, Cascade shall set aside and to pay into the Bond Fund, out of the Net Revenue, certain fixed amounts without regard to any proportion, namely:

(a) Into the Debt Service Account,

(1) On the first business day of each month, in the month after the date of issuance and continuing through the first month in which interest is payable on the 2012 Bonds, equal installments in an aggregate amount equal to the interest on the 2012 Bonds to become due and payable on the first month in which interest is payable on the 2012 Bonds, except that the deposit into the Debt Service Account to be made on the first business day of the month in which interest is first payable on the 2012 Bonds may be reduced to the extent the amount on deposit therein and available to be used therefor is sufficient to make that payment on that date;

(2) On the first business day of each month, beginning in the month succeeding the month in which interest is first payable on the 2012 Bonds and continuing for as long as any of the 2012 Bonds are outstanding and unpaid, an amount equal to one-sixth of the interest on the outstanding 2012 Bonds to become due and payable on the next interest payment date, except that the monthly deposits into the Debt Service Account with respect to any interest payment date may be reduced to the extent the amount on deposit therein and available to be used therefor is sufficient to make that payment on that interest payment date; and

(3) On the first business day of each month, beginning in the month succeeding the month in which interest is first payable on the 2012 Bonds and continuing for as long as any of the 2012 Bonds are outstanding and unpaid, an amount equal to one-twelfth of the Principal of the outstanding 2012 Bonds to become due and payable on the next Principal payment date, except that the monthly deposits into the Debt Service Account with respect to any Principal payment date may be reduced to the extent the amount on deposit therein and available to be used therefor is sufficient to make that payment on that Principal payment date.

(b) Into the Reserve Accounts, except as otherwise expressly provided herein, the amount necessary to make the amount on deposit therein equal to the Reserve Requirement.

Those fixed amounts shall be a lien and charge against the Net Revenue.

Cascade may provide for all or any part of the Reserve Requirement through Reserve Insurance. Except as otherwise expressly provided in this resolution, the Reserve Accounts shall be maintained at all times at not less than the Reserve Requirement.

On the date of issuance of the 2012 Bonds, Cascade shall deposit into the 2006 Reserve Account any combination of 2012 Bond proceeds, Reserve Insurance or other money legally available, in the amount necessary to make the amount on deposit in the 2006 Reserve Account equal to the Reserve Requirement for the 2006 Bonds and the 2012 Bonds. The payment of Principal of and premium, if any, and interest on the 2012 Bonds when due shall be secured by the 2006 Reserve Account. In the event that there shall be a deficiency in the Debt Service Account that prevents making any payment secured by the 2006 Reserve Account, that deficiency shall be made up from the 2006 Reserve Account, first, by the withdrawal of cash therefrom, second, from the proceeds of the sale of investments held therein, and third, from pro rata draws under each Reserve Insurance credited thereto. Any deficiency created in the 2006 Reserve Account by reason of any such withdrawal shall then be made up from the Net Revenue first available after making necessary provisions for the required payments into the Debt Service Account, first, to reinstate each Reserve Insurance, pro rata, and second, to make up any remaining deficiency. The money in the 2006 Reserve Account may be applied against the last outstanding Parity Bonds secured by the 2006 Reserve Account. If the Reserve Requirement for the Parity Bonds secured by the 2006 Reserve Account is fully provided for, any money in excess of the Reserve Requirement for the Parity Bonds secured by the 2006 Reserve Account may be withdrawn and deposited consistent with this Section and Section 18.

Cascade may provide for the purchase for cancellation, redemption or defeasance of Parity Bonds by the use of money on deposit in any account in the Bond Fund so long as the money remaining in those accounts is sufficient to satisfy the required deposits in those accounts for the remaining Parity Bonds.

Notwithstanding the foregoing, for any Future Parity Bonds Cascade may establish a separate reserve requirement for that issue of Future Parity Bonds and any related Payment Agreement Payments, to be held in a separate Reserve Account within the Bond Fund, for the purpose of securing that issue of Future Parity Bonds and Payment Agreement Payments, and that issue of Parity Bonds and those Payment Agreement Payments shall not be secured by amounts in the 2006 Reserve Account or the 2009 Reserve Account or by Reserve Insurance credited to the 2006 Reserve Account or the 2009 Reserve Account.

All money in the Bond Fund may be kept in cash or invested in legal investments maturing or subject to redemption or repurchase at the option of Cascade, (i) for investments in the Debt Service Account, not later than the dates when the funds are required for the payments therefrom, and (ii) for investments in the Reserve Accounts, not later than ten years from the date of investment. Earnings from investments in the Debt Service Account shall be retained therein. Earnings from investments in each Reserve Account shall be retained therein until the amount therein is equal to the Reserve Requirement for the Parity Bonds secured by such Reserve Account and thereafter may be withdrawn and deposited consistent with this Section and Section 18. In computing the amount on hand in each Reserve Account, Reserve

Insurance shall be valued at the lesser of the face amount thereof or the amount available, and all other investments shall be valued at market at least annually and on any business day following any withdrawal therefrom to make a payment from the Debt Service Account secured by such Reserve Account. Any deficiency in a Reserve Account resulting from the valuation of investments held therein shall be made up in approximately equal installments within four months after the date of that valuation.

Notwithstanding the provisions of the foregoing paragraph, so long as there is no deficiency in the Bond Fund, any earnings that are subject to federal arbitrage rebate requirements may be withdrawn from the Bond Fund for deposit in a separate account created for the purpose of complying with those rebate requirements.

Cascade may create sinking fund accounts or other accounts in the Bond Fund for the payment or securing the payment of Parity Bonds or Payment Agreement Payments so long as the maintenance of those accounts does not conflict with the rights of the Registered Owners.

Section 14. 2012 Construction Account. There is hereby created in the Construction Fund an account of Cascade known as the 2012 Bonds Construction Account (the "2012 Construction Account"). The proceeds of the sale of the 2012 Bonds remaining after the deposit of any proceeds into the 2006 Reserve Account (as determined by the Designated Representative) shall be deposited into the 2012 Construction Account to be used for the purpose of paying part of the cost of carrying out certain of the capital projects described in the Transmission and Supply Plan and the costs of issuing and selling the 2012 Bonds. Until needed to pay those costs, Cascade may invest those proceeds and interest thereon temporarily in any legal investment, and the investment earnings may, as determined by the Chief Executive Officer, be retained in the 2012 Construction Account and be spent for the purposes of that account or deposited in the Debt Service Account.

Section 15. Rate Stabilization Fund. Cascade may at any time, as determined by Cascade and consistent with Section 13 and Section 18, deposit Gross Revenue other than RCFCs in the Rate Stabilization Fund. Cascade may at any time withdraw any or all of the money from the Rate Stabilization Fund for inclusion in the Gross Revenue and disbursement consistent with Section 13 and Section 18. If a deposit or withdrawal is made within 90 days after the end of a fiscal year, Cascade may specify that the deposit or withdrawal is to be allocated to the prior fiscal year rather than to the fiscal year in which that deposit or withdrawal is made. No deposit of Gross Revenue may be made into the Rate Stabilization Fund to the extent that such deposit would prevent Cascade from satisfying the Coverage Requirement in any fiscal year.

Section 16. Pledge of Net Revenue. The Net Revenue and all money and investments held in the Bond Fund, the Rate Stabilization Fund, the RCFC Fund and the Construction Fund (except money and investments held in a separate fund or account created for the purpose of compliance with rebate requirements under the Code) are pledged to the payment of Principal of and premium, if any, and interest on the Parity Bonds, all Payment Agreement Payments and all payments required to be made into the Reserve Accounts under any Parity Bond Authorizing Resolution. This pledge of Net Revenue shall constitute a charge upon the Net Revenue superior to any other charges whatsoever. The Parity Bonds and Payment Agreements are payable solely from Net Revenue and the funds expressly set forth in this Section. Cascade has no taxing power. The Parity Bonds and Payment Agreements shall not be general obligations of Cascade. This resolution does not pledge, and neither the Parity

Bonds nor the Payment Agreements are payable from, the full faith and credit or taxing power of any Member. No Member is responsible for payment of the Parity Bonds or the Payment Agreements except as set forth in the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement.

Section 17. Covenants. Cascade covenants and agrees with each Registered Owner of each Parity Bond at any time outstanding, as follows:

(a) Operation and Maintenance. Cascade will at all times maintain, preserve and keep the properties of the System in good repair, working order and condition, will make all necessary and proper additions, betterments, renewals and repairs thereto, and improvements, replacements and extensions thereof so that at all times the business carried on in connection therewith will be properly and advantageously conducted, and will at all times operate or cause to be operated the properties of the System and the business in connection therewith in an efficient manner and at a reasonable cost.

(b) Establishment and Collection of Member Charges. For so long as any Parity Bonds are outstanding, Cascade irrevocably covenants to establish, maintain and collect Member Charges consistently with the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement so that:

(1) The Gross Revenue in each fiscal year will be sufficient to pay when due (i) all Operations and Maintenance Costs for that fiscal year, (ii) all amounts that Cascade is obligated to pay into the Bond Fund and the accounts therein for that fiscal year, (iii) all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof for that fiscal year and (iv) any and all other amounts that Cascade is obligated to pay from the Gross Revenue by law or contract in that fiscal year; and

(2) The Coverage Requirement will be satisfied in each fiscal year.

Consistent with its obligations under the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement, except as may be required under the provisions of any federal or State statute, regulation or license, Cascade will not furnish or supply or permit the furnishing or supplying of any service or facility in connection with the operation of the System free of charge to any person, firm or corporation, public or private.

(c) ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement. Cascade shall enforce the provisions of the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement, including without limitation the provisions of the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement providing for payment of Member Charges, the provisions of Section 7.98.2(b) of the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement obligating other Members to pay a defaulting Member's Member Charges, and provisions requiring any withdrawing Member to continue payment of its allocable share of debt service on the 2012 Bonds as a "then-existing obligation of Cascade." Cascade shall not waive any right or fail to declare any default under or in connection with the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement that would reduce the payments or extend the dates for payments to Cascade provided therein or would materially adversely affect the security of the Registered Owner of any Parity Bond then outstanding.

(d) Sale, Transfer or Disposition of the System. Except as provided in the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement, Cascade may sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part of the System or any real or personal property comprising a part of the System (each, as used in this paragraph, a “transfer”) only upon approval of the Board by resolution that contains one or more of the following determinations, to be made at the discretion of the Board:

(1) The facilities or property being transferred are not material to the operation of the System or to the receipt of Member Charges, or have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System; or

(2) The aggregate depreciated value of the facilities or property being transferred in any fiscal year comprises no more than five percent of the total assets of the System; or

(3) Cascade receives from the transferee an amount equal to the fair market value of the portion of the System transferred. As used in this subparagraph, “fair market value” means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the willing buyer and willing seller each acting prudently and knowledgeably and assuming that the price is not affected by coercion or undue stimulus.

In the case of a transfer under subparagraph (3): (A) the proceeds of the transfer shall be used (i) promptly to redeem or irrevocably set aside for the redemption of Parity Bonds and to make any payments under Payment Agreements required pursuant to that redemption and/or (ii) to provide for part of the cost of additions to and betterments and extensions of the System; (B) before any such transfer, Cascade must obtain a certificate of an Independent Consulting Engineer to the effect that in his or her professional opinion, upon that transfer and the use of proceeds of the transfer as proposed by Cascade, the remaining System will retain its operational integrity and the Coverage Requirement will be satisfied in each of the five fiscal years following the fiscal year in which the transfer is to occur, taking into account (i) the reduction in Gross Revenue resulting from the transfer; (ii) the use of any proceeds of the transfer for the redemption of Parity Bonds or the making of payments under Payment Agreements required pursuant to that redemption, (iii) the Independent Consulting Engineer’s estimate of Gross Revenue allocable to customers anticipated to be served by any additions to and betterments and extensions of the System financed by the proceeds of the transfer, and (iv) any other adjustment permitted in the preparation of a certificate under Section 19(e)(2); and (C) before any such transfer, Cascade must obtain confirmation from each of the Rating Agencies to the effect that the rating then in effect will not be reduced or withdrawn as a result of that transfer.

Cascade shall not create, grant or transfer to any person a mortgage, deed of trust or other security interest in any Water Supply Assets that constitute real property.

Nothing in this subsection (d) shall prevent Cascade from transferring or crediting Water Supply Assets to a Member pursuant to an agreement between Cascade and a Member by which the Member transfers title to Water Supply Assets to Cascade, with or without monetary consideration, to be operated and maintained as part of the System.

(e) Liens Upon the Net Revenue. Except as otherwise expressly provided in this resolution, Cascade will not at any time create or permit to accrue or to exist any lien,

charge or other encumbrance upon the Net Revenue or any part thereof, prior or superior to the lien and charge thereon for the payment of the Principal of and interest on the Outstanding Parity Bonds and the 2012 Bonds, and will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien, charge or other encumbrance upon the Net Revenue or any part thereof, prior or superior to, or on a parity with, the lien and charge thereon for the payment of the Principal of and interest on the Outstanding Parity Bonds and the 2012 Bonds, or which might materially adversely affect the security of the Registered Owner of any Parity Bond then outstanding.

(f) Books and Accounts. Cascade will keep proper books, records and accounts with respect to the operations, income and expenditures of the System in accordance with generally accepted accounting practices relating to municipal utilities and any applicable rules and regulations prescribed by the State, and will cause those books, records and accounts to be audited on an annual basis by the State Auditor and/or by a certified public accountant selected by Cascade. It will prepare annual financial and operating statements as soon as practicable after the close of each fiscal year showing in reasonable detail the financial condition of the System as of the close of that fiscal year, and the income and expenses for that fiscal year, including the amounts paid into the Bond Fund and into any and all special funds or accounts created pursuant to the provisions of this resolution, the status of all funds and accounts as of the end of that fiscal year, and the amounts expended for maintenance, renewals, replacements and capital additions to the System. That audit report and those statements shall be sent to any Registered Owner upon written request therefor being made to Cascade. Cascade may charge a reasonable cost for providing that audit report and those financial statements.

(g) Maintenance of Insurance. Cascade at all times will carry fire and extended coverage, public liability and property damage and such other forms of insurance with responsible insurers and with policies payable to Cascade on such of the buildings, equipment, works, plants, facilities and properties of the System as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, and against such claims for damages as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, or it will self-insure or will participate in an insurance pool or pools with reserves adequate, in the reasonable judgment of Cascade, to protect the System, the Registered Owners against loss.

(h) Condemnation Awards and Insurance Proceeds. If Cascade receives any condemnation awards or proceeds of an insurance policy in connection with any loss of or damage to any property of the System, it shall apply the condemnation award or insurance proceeds, in Cascade's sole discretion, as follows: (i) to the cost of replacing or repairing the lost or damaged properties, (ii) to the payment, purchase for cancellation or redemption of Parity Bonds and to make any payments under Payment Agreements required pursuant to that payment, purchase for cancellation or redemption, (iii) to the cost of improvements to the System or (iv) with respect to proceeds of business interruption insurance only, in accordance with Section 13 and Section 18.

Section 18. Flow of Funds. The Gross Revenue shall be used for the following purposes only and shall be applied in the following order of priority:

(a) To pay when due the Operations and Maintenance Costs;

(b) To make when due all payments required to be made into the Debt Service Account in respect of interest on Parity Bonds and Payment Agreement Payments;

(c) To make when due all payments required to be made into the Debt Service Account in respect of the Principal of and premium, if any, on Parity Bonds, whether at maturity or pursuant to prior redemption, and to make payments due under any reimbursement agreement with a Bond Insurer that requires those payments to be made on a parity with the Parity Bonds;

(d) To make when due all payments required to be made into the Reserve Accounts, all payments required to be made under any agreement relating to the provision of Reserve Insurance, and all payments required to be made under any reimbursement agreement with a Reserve Insurance provider that requires those payments to be made on a parity with the payments required to be made into the Reserve Accounts;

(e) To make when due all payments required to be made under any reimbursement agreement with a Bond Insurer other than payments to be made on a parity with the Parity Bonds, and all payments required to be made under any reimbursement agreement with a Reserve Insurance provider other than payments to be made on a parity with the payments required to be made into the Reserve Accounts, in any priority not inconsistent with this resolution that Cascade may hereafter establish by resolution;

(f) To make when due all payments required to be made into any revenue bond, note, warrant or other revenue obligation redemption fund, debt service account or reserve account created to pay or secure the payment of any revenue bonds, notes, warrants or other obligations of Cascade having a charge upon the Net Revenue junior and inferior to the charge thereon for the payment of the Principal of and premium, if any, and interest on the Parity Bonds, all payments to be made under Payment Agreements and all payments required to be made into the Reserve Accounts under any Parity Bond Authorizing Resolution, in any priority not inconsistent with this resolution that Cascade may hereafter establish by resolution; and

(g) For any other lawful System purposes, in any priority not inconsistent with this resolution that Cascade may hereafter establish by resolution.

Notwithstanding the foregoing, Cascade may provide in a Payment Agreement that payments required to be made under that Payment Agreement other than Payment Agreement Payments may be payable from Gross Revenue at priority (e), (f) or (g) in the flow of funds set forth above, and Cascade may further provide in a Payment Agreement that such payments other than Payment Agreement Payments may be payable only after the payment of the Members' water utility operation and maintenance costs, or after payment, retirement or defeasance of then outstanding obligations of the Members secured by the Members' water rates and charges.

Cascade may transfer any money from any funds or accounts of the System legally available therefor, except money irrevocably deposited in redemption, retirement or defeasance trust accounts for Parity Bonds, to meet the required payments to be made into the Bond Fund.

Section 19. Provisions for Future Parity Bonds. Cascade may issue Future Parity Bonds and enter into Payment Agreements only for lawful System purposes and only if the

following conditions are met and complied with at the time of the issuance of those Future Parity Bonds or entry into that Payment Agreement:

(a) There shall be no deficiency in the Bond Fund;

(b) Except in the case of Future Parity Bonds being issued for the sole purpose of providing for the costs of refunding Parity Bonds for which no coverage certification pursuant to subsection (e) of this Section is required, no Event of Default, nor any event or condition which with notice and/or the passage of time would constitute an Event of Default, shall have occurred and be continuing, nor shall the issuance of those Future Parity Bonds or the entry into that Payment Agreement, in and of itself, cause an Event of Default or any event or condition which with notice and/or the passage of time would constitute an Event of Default;

(c) The applicable Parity Bond Authorizing Resolution shall provide for the payment of the Principal of and interest on those Future Parity Bonds or Payment Agreement Payments out of the Bond Fund;

(d) Unless a separate reserve is provided for in accordance with Section 13, the applicable Parity Bond Authorizing Resolution shall provide for the deposit into the 2006 Reserve Account or the 2009 Reserve Account of any combination of Future Parity Bond proceeds, Reserve Insurance or other money legally available, in the amount, if any, necessary to make the amount on deposit in such Reserve Account equal to the Reserve Requirement for Parity Bonds secured by such Reserve Account upon the issuance of those Future Parity Bonds; and

(e) There shall be on file with Cascade either:

(1) a certificate of the Chief Executive Officer demonstrating that the Coverage Requirement was satisfied during any twelve consecutive calendar months out of the immediately preceding 24 calendar months (assuming that (A) those Future Parity Bonds were outstanding and that the debt service payable on those Future Parity Bonds in that twelve-month period was equal to the Average Annual Debt Service on those Future Parity Bonds and (B) any Parity Bonds to be refunded by those Future Parity Bonds are not outstanding); or

(2) a certificate of an Independent Consulting Engineer that in his or her opinion (which opinion and underlying assumptions shall be set forth in the certificate), the Coverage Requirement will be satisfied, (A) assuming that those Future Parity Bonds are outstanding and any Parity Bonds to be refunded by those Future Parity Bonds are not outstanding, in each of the fiscal years for the five fiscal years next following the earlier of (I) the end of the period during which interest on those Future Parity Bonds is fully capitalized or, if that interest is not fully capitalized, the fiscal year in which those Future Parity Bonds are issued, or (II) the date on which substantially all new facilities or improvements financed in substantial part by those Future Parity Bonds are expected to commence operations and (B) in the fiscal year in which those Future Parity Bonds are issued and any subsequent fiscal year prior to but not included in the fiscal years for which certification is provided pursuant to the foregoing clause (A). That certificate may take into account the following adjustments:

a. Any changes in Member Charges in effect and being charged, or Member Charges expected to be charged (including RCFCs expected to be collected) in accordance with a program of specific levels or increases or decreases in overall

revenue approved by resolution or resolutions or pursuant to the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement ;

b. Member Charges from Members who have become Members during the 12 consecutive month period or thereafter, adjusted to reflect one year's Net Revenue allocable to those new Members;

c. The estimate of Net Revenue allocable to Members reasonably expected to be served by new facilities or improvements financed in substantial part by those Future Parity Bonds; and

d. Net Revenue allocable to any person, firm, corporation or municipal corporation under any executed contract for water or other utility service, which revenue was not included in the historical Net Revenue.

Notwithstanding the definition of "Gross Revenue" in Section 1(aa), for purposes of this subsection (e), federal credit payments received by Cascade in respect of the 2009B Bonds shall be excluded from Gross Revenue in calculating Annual Debt Service and in satisfying the Coverage Requirement.

If those Future Parity Bonds are for the sole purpose of refunding Parity Bonds (including costs of issuance and providing for the Reserve Requirement), no such coverage certification shall be required if, as a result of the issuance of those Future Parity Bonds, (i) the various annual maturities of the refunding Future Parity Bonds will not extend more than a year longer than the Parity Bonds being refunded, and (ii) the Annual Debt Service on all outstanding Parity Bonds will not increase more than \$5,000 in any fiscal year in which the Parity Bonds to be refunded were scheduled to remain outstanding.

Nothing contained herein shall prevent Cascade from issuing (i) Future Parity Bonds to refund maturing Parity Bonds, money for the payment of which is not otherwise available, or (ii) revenue bonds that are a charge upon the Gross Revenue subordinate to the charge thereon for the payment of the Principal of and premium, if any, and interest on the Parity Bonds, all payments to be made under Payment Agreements and all payments required to be made into the Reserve Accounts under any Parity Bond Authorizing Resolution, and then only if the remedy of acceleration is expressly denied to the owners of those subordinate bonds under all circumstances.

Section 20. Separate Utility Systems. Cascade may create, acquire, construct, finance, own and operate one or more additional systems for water supply, transmission or other commodity or service. The revenue of that separate utility system shall not be included in the Gross Revenue and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand that separate utility system. Neither the Gross Revenue nor the Net Revenue shall be pledged by Cascade to the payment of any obligations of a separate utility system except that the Net Revenue may be pledged on a basis subordinate to that provided for the payment of the Principal of and premium, if any, and interest on the Parity Bonds, all payments to be made under Payment Agreements and all payments required to be made into the Reserve Accounts under any Parity Bond Authorizing Resolution.

Section 21. Preservation of Tax Exemption for Interest on Tax-Exempt Bonds.

Cascade covenants that it will take all actions consistent with the terms of this resolution and the 2012 Bonds reasonably within its power and necessary to prevent interest on the 2012 Bonds that are Tax-Exempt Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of the proceeds of the 2012 Bonds or other funds of Cascade treated as proceeds of the 2012 Bonds at any time during the term of the 2012 Bonds that will cause interest on the 2012 Bonds that are Tax-Exempt Bonds to be included in gross income for federal income tax purposes. Cascade also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to the 2012 Bonds, take all action necessary to comply (or to be treated as having complied) with that requirement in connection with the 2012 Bonds, including the calculation and payment of any penalties that Cascade has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the 2012 Bonds that are Tax-Exempt Bonds from being included in gross income for federal income tax purposes.

Section 22. Undertaking to Provide Continuing Disclosure. If necessary to assist the Underwriter in meeting its requirements under the Rule, as applicable to a participating underwriter for the 2012 Bonds, Cascade shall undertake, in a separate certificate or agreement, to provide the annual financial information, operating data and notice of material events required under the Rule. A default under such any such undertaking shall not be deemed an Event of Default under this resolution, and the sole remedy under any such undertaking in the event of any failure of Cascade to comply with such undertaking shall be an action to compel performance.

Section 23. Defeasance of Parity Bonds. If Cascade deposits irrevocably with an escrow agent money and/or noncallable Government Obligations which, together with the earnings thereon, are sufficient, without any reinvestment thereof, to pay the Principal of and premium, if any, on any particular Parity Bond or Parity Bonds or portions thereof becoming due (the "Defeased Bonds"), together with all interest accruing thereon to the due date or redemption date, and pays or makes provision for payment of all fees, costs and expenses of that escrow agent due or to become due with respect to the Defeased Bonds, all liability of Cascade with respect to the Defeased Bonds shall cease, the Defeased Bonds shall be deemed not to be outstanding hereunder and the Registered Owners of the Defeased Bonds shall be restricted exclusively to the money or Government Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds, and that escrow agent shall hold that money, Government Obligations and earnings in trust exclusively for those Registered Owners and that money, Government Obligations and earnings shall not secure any other Parity Bonds under this resolution. In determining the sufficiency of the money and Government Obligations deposited pursuant to this Section, that escrow agent shall receive, at the expense of Cascade, and may rely upon: (a) a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to Cascade and that escrow agent; and (b) an opinion of Bond Counsel to the effect that (1) all conditions set forth in this Section have been satisfied and (2) defeasance of the Defeased Bonds will not cause interest on any Defeased Bonds that are Tax-Exempt Bonds to be includable in gross income for federal income tax purposes. The Defeased Bonds shall no longer be secured by or entitled to the benefits of the applicable Parity Bond Authorizing Resolution, except for the purposes of any payment from the money or Government Obligations deposited with that escrow agent and except for the provisions of this resolution relating to the execution, authentication, registration, exchange, transfer and cancellation of Parity Bonds.

Section 24. Supplemental Resolutions.

(a) This resolution shall not be modified or amended in any respect subsequent to the initial issuance of the 2012 Bonds, except as provided in and in accordance with and subject to the provisions of this Section.

(b) Cascade, from time to time, and at any time, without the consent of or notice to the Registered Owners or Qualified Counterparties, may adopt supplemental resolutions as follows:

(1) To provide for the issuance of Future Parity Bonds and the entry into Payment Agreements in accordance with the provisions of this resolution;

(2) To cure any formal defect, omission, inconsistency or ambiguity in this resolution in a manner not materially adverse to the security of the Registered Owner of any Parity Bond then outstanding under a Payment Agreement then in effect;

(3) To impose upon the Bond Registrar (with its consent) for the benefit of the Registered Owners or Qualified Counterparties any additional rights, remedies, powers, authority, security, liabilities or duties that may lawfully be granted, conferred or imposed and that are not contrary to or inconsistent with this resolution as therefore in effect;

(4) To add to the covenants and agreements of, and limitations and restrictions upon, Cascade in this resolution, other covenants, agreements, limitations and restrictions to be observed by Cascade that are not contrary or inconsistent with this resolution as therefore in effect;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien, charge or pledge created or to be created by this resolution of any other money, securities or funds;

(6) To authorize different denominations of the 2012 Bonds and to make correlative amendments and modifications to this resolution regarding exchangeability of 2012 Bonds of different authorized denominations, redemptions of portions of 2012 Bonds of particular authorized denominations, provisions relating to DTC or its successor, and to make similar amendments and modifications of a technical nature not materially adverse to the security of the Registered Owner of any Parity Bond then outstanding;

(7) To modify, alter, amend or supplement this resolution in any other respect that is not materially adverse to the security of the Registered Owner of any Parity Bond then outstanding that does not involve a change described in subsection (c) of this Section;

(8) Because of change in federal law or rulings, to maintain the exclusion from gross income of the interest on the 2012 Bonds that are Tax-Exempt Bonds from federal income taxation in a manner not materially adverse to the security of the Registered Owner of any Parity Bond then outstanding; and

(9) To add to the covenants and agreements of, and limitations and restrictions upon, Cascade in this resolution, other covenants, agreements, limitations and restrictions to be observed by Cascade that are requested by a Bond Insurer or Reserve

Insurance provider and which are not materially adverse to the security of the Registered Owner of any Parity Bond then outstanding.

Before Cascade shall adopt any supplemental resolution pursuant to this subsection (b), there shall have been delivered to Cascade and the Bond Registrar an opinion of Bond Counsel, stating that that supplemental resolution is authorized or permitted by this resolution and, upon the execution and delivery thereof, will be valid and binding upon Cascade in accordance with its terms and will not (i) adversely affect the exclusion from gross income for federal income tax purposes of interest on 2012 Bonds that are Tax-Exempt Bonds or (ii) materially adversely affect the security of the Registered Owner of any Parity Bond then outstanding.

(c) (1) Except for any supplemental resolution entered into pursuant to subsection (b) of this Section, subject to the terms and provisions contained in this subsection (c) and not otherwise, Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds shall have the right from time to time to consent to and approve the adoption by Cascade of any supplemental resolution deemed necessary or desirable by Cascade for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this resolution; except that, unless approved in writing by each Registered Owner of each Parity Bond at the time outstanding, nothing contained in this Section shall permit, or be construed as permitting:

a. A change in the times, amounts or currency of payment of any outstanding Parity Bond or Payment Agreement, or a reduction in the Principal amount of any outstanding Parity Bond or a change in the rate or method of determining the rate of interest thereon or the redemption or tender provisions thereof, or

b. A preference or priority of any Parity Bond or Payment Agreement Payment over any other Parity Bond or Payment Agreement Payment, or

c. A reduction in the aggregate Principal amount of Parity Bonds, the consent of the Registered Owners of which is required for any supplemental resolution.

(2) If at any time Cascade shall adopt any supplemental resolution for any of the purposes of this subsection (c), the Bond Registrar shall cause notice of the proposed supplemental resolution to be given by first-class United States mail to all Registered Owners and Qualified Counterparties, to any Bond Insurer, and to the Rating Agencies. That notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that a copy thereof is on file at the office of the Bond Registrar for inspection by all Registered Owners and Qualified Counterparties.

(3) Within two years after the date of the mailing of that notice, Cascade may adopt that supplemental resolution in substantially the form described in that notice, but only if there shall have first been delivered to the Bond Registrar (i) the required consents, in writing, of the Registered Owners, and (ii) an opinion of Bond Counsel stating that that supplemental resolution is authorized or permitted by this resolution and, upon the execution and delivery thereof, will be valid and binding upon Cascade in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2012 Bonds that are Tax-Exempt Bonds.

(4) If the required consents, in writing, of the Registered Owners have been obtained as herein provided, no Registered Owner shall have any right to object to the adoption of that supplemental resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain Cascade from adopting the same or from taking any action pursuant to the provisions thereof.

(d) Upon the execution and delivery of any supplemental resolution pursuant to the provisions of this Section, this resolution shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this resolution of Cascade, the Bond Registrar, all Registered Owners shall thereafter be determined, exercised and enforced under this resolution subject in all respects to those modifications and amendments.

Section 25. Amendments to ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement.

(a) Cascade, from time to time, and at any time, without the consent of or notice to the Registered Owners or Qualified Counterparties, may amend the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement for any purpose except as provided in subsection (b) of this Section. However, before Cascade shall permit the amendment of the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement pursuant to this subsection (a), there shall have been delivered to Cascade and the Bond Registrar an opinion of Bond Counsel, stating that that amendment is authorized or permitted by this resolution and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2012 Bonds that are Tax-Exempt Bonds.

(b) (1) Subject to the terms and provisions contained in this subsection (b) Cascade may amend the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement in the following manner only with the prior written consent of each Registered Owner of each Parity Bond at the time outstanding (unless, in the opinion of bond counsel to Cascade, such amendment does not eliminate or materially diminish a Member's obligation under the relevant provision of the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement specified below):

a. an amendment that eliminates or materially diminishes the obligation of the Members under paragraph 2, 3 or 4 of Section 5.3.2 of the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement, i.e., the obligations (x) to take actions related to the establishment, maintenance and collection of rates, fees or other charges for water and other services, facilities and commodities related to the water supply received from Cascade at levels adequate to provide revenues sufficient to make payments required to be made under the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement, and to pay or provide for payment of all other charges and obligations payable from or constituting a charge or lien upon such revenues, or (y) to pay Member Charges to Cascade, or (z) to treat Member Charges as internal operation and maintenance costs or contract resource obligations in either case payable prior to debt service on Member obligations (except that Cascade reserves the right, without the prior written consent of each Registered Owner, to amend the ~~Interlocal Contract~~ Joint Municipal Utility Services Agreement to enable the component of Member Charges to provide for payments required to be made under a Payment Agreement other than

Payment Agreement Payments, to be payable to Cascade after Members' payments of debt service on their own revenue obligations); or

b. an amendment that eliminates or materially diminishes the obligation of the Members under Section 5.3.3 of the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement to make appropriate written undertakings under the Rule; or

c. an amendment that eliminates or materially diminishes the obligation of the Members under Section 5.3.4 of the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement, i.e., to take actions related to preservation of the tax-exempt status of interest on the Tax-Exempt Bonds; or

d. an amendment that eliminates or materially diminishes the obligation of the Members under Section 7.98.1(d) of the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement, i.e., to remit payment of disputed invoices in full prior to resolving the dispute; or

e. an amendment that eliminates or materially diminishes the obligation of the Members under Section 7.89.2(b) of the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement, i.e., to pay proportionate shares of a defaulting Member's Member Charges; or

f. an amendment that eliminates or materially diminishes a withdrawing Member's obligations for the cost of then-existing obligations of Cascade under Section 409.2 of the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement.

(2) If at any time Cascade shall permit the amendment of the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement for any of the purposes of this subsection (b), the Bond Registrar shall cause notice of the proposed amendment to be given by first-class United States mail to all Registered Owners and Qualified Counterparties, to any Bond Insurer, and to the Rating Agencies. That notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the office of the Bond Registrar for inspection by all Registered Owners and Qualified Counterparties.

(3) Within two years after the date of the mailing of that notice, Cascade may permit the amendment of the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement in substantially the form described in that notice, but only if there shall have first been delivered to the Bond Registrar (i) the required consents, in writing, of the Registered Owners, and (ii) an opinion of Bond Counsel stating that that amendment is authorized or permitted by this resolution and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2012 Bonds that are Tax-Exempt Bonds.

(4) If the required consents, in writing, of the Registered Owners have been obtained as herein provided, no Registered Owner shall have any right to object to that amendment of the ~~Interlocal Contract~~Joint Municipal Utility Services Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain Cascade from entering into the same or from taking any action pursuant to the provisions thereof.

Section 26. Defaults and Remedies.

(a) Events of Default. Each of the following shall constitute an “Event of Default”:

(1) If Cascade defaults in any payment of Principal of or premium, if any, or interest on any Parity Bond when the same becomes due and payable.

(2) If Cascade files a petition in bankruptcy or is placed in receivership under any state or federal bankruptcy or insolvency law.

(3) If an “Event of Default” occurs under (and as defined in) any Parity Bond Authorizing Resolution other than this resolution.

(4) If Cascade defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of Cascade set forth in any Parity Bond Authorizing Resolution and that default has continued for a period of 90 days after Cascade has received from the Bond Owners’ Trustee or from the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds, a written notice specifying and demanding the cure of that default. However, if that default is one that can be remedied but cannot be completely remedied within the 90 days after written notice has been given, it shall not be an Event of Default so long as Cascade has taken active steps within the 90 days after written notice has been given to remedy the default and is diligently pursuing that remedy.

(b) Bond Owners’ Trustee. Upon the occurrence and during the continuance of an Event of Default, a trustee (the “Bond Owners’ Trustee”) (i) may be appointed by the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds, notification thereof having been given to Cascade, or (ii) shall be appointed by Cascade at the direction of the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds, in each case by an instrument or concurrent instruments in writing signed and acknowledged by those Registered Owners or by their attorneys-in-fact duly authorized and delivered to the Bond Owners’ Trustee or Cascade, as the case may be. That appointment shall become effective immediately upon acceptance thereof by the Bond Owners’ Trustee. Any Bond Owners’ Trustee appointed under the provisions of this subsection (b) shall be a bank or trust company organized under the laws of the State of Washington or the State of New York or a national banking association. The Bond Owners’ Trustee may be removed at any time, and a successor Bond Owners’ Trustee appointed, by the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by those Registered Owners or by their attorneys-in-fact duly authorized. The Bond Owners’ Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

The Bond Owners’ Trustee appointed in the manner herein provided, and each successor thereto, is declared to be a trustee for all Registered Owners and is empowered to exercise all the rights and powers herein conferred on the Bond Owners’ Trustee.

In the event that any Event of Default in the sole judgment of the Bond Owners’ Trustee is cured and the Bond Owners’ Trustee furnishes to Cascade a certificate so stating, that Event of Default shall be conclusively deemed to be cured and Cascade, the Bond Owners’ Trustee, the Registered Owners shall be restored to the same rights and position which they would have held if that Event of Default had not occurred.

(c) Suits, Actions and Other Proceedings. Upon the occurrence and during the continuance of an Event of Default, the Bond Owners' Trustee may, and upon the written request of the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds shall, take such steps and institute such suits, actions or other proceedings, or file and prove such claims in bankruptcy, reorganization or other similar proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the Registered Owners, to collect any amounts due and owing to or from Cascade, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in any Parity Bond Authorizing Resolution or any of the Parity Bonds.

Nothing contained in this Section shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of Principal of the Parity Bonds, and the remedy of acceleration is expressly denied to the Registered Owners under any circumstances including, without limitation, upon the occurrence and during the continuance of an Event of Default.

Any action, suit or other proceedings instituted by the Bond Owners' Trustee hereunder shall be brought in its name as trustee for the Registered Owners and all such rights of action upon or under any Parity Bond Authorizing Resolution or any of the Parity Bonds may be enforced by the Bond Owners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law. Any such suit, action or proceeding instituted by the Bond Owners' Trustee shall be brought for the ratable benefit of all Registered Owners, subject to the provisions of the Parity Bond Authorizing Resolutions. Upon the appointment of a Bond Owners' Trustee in accordance with the provisions herein, each Registered Owner of a Parity Bond, by taking and holding the same, shall be conclusively deemed irrevocably to have appointed the Bond Owners' Trustee the true and lawful trustee of all Registered Owners, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the Registered Owner himself or herself might have done in person. Nothing herein shall be deemed to authorize or empower the Bond Owners' Trustee to consent to accept or adopt, on behalf of any Registered Owner, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any Registered Owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the claims of the Registered Owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other similar proceedings to which Cascade is a party.

(d) Application of Money Collected by Bond Owners' Trustee. Any money collected by the Bond Owners' Trustee at any time pursuant to this Section shall be applied in the following order of priority:

(1) first, to the payment of the charges, expenses, advances and compensation of the Bond Owners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys;

(2) second, to the payment of all interest on the Parity Bonds and the Payment Agreement Payments then due and payable, in the order in which the same became due and payable, and, if the amount available shall not be sufficient to make any payment in full,

then to the payment, ratably, according to the amounts due with respect to those payments, without discrimination or preference;

(3) third, to the payment of all unpaid Principal of and premium, if any, on the Parity Bonds then due and payable (other than Parity Bonds called for redemption for the payment of which money is held pursuant to the provisions of any Parity Bond Authorizing Resolution), in the order in which the same became due and payable, and, if the amount available shall not be sufficient to make any payment in full, then to the payment, ratably, according to the amounts due with respect to those payments, without any discrimination or preference;

(4) fourth, to the payment of all unpaid Parity Bonds called for optional redemption, if any; and

(5) fifth, for any payment under a Payment Agreement that does not constitute a Payment Agreement Payment.

(e) Duties and Obligations of Bond Owners' Trustee. The Bond Owners' Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. Upon the occurrence and during the continuance of an Event of Default, the Bond Owners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act hereunder except for the Bond Owners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bond Owners' Trustee shall be determined solely by the express provisions of the Parity Bond Authorizing Resolutions, and no implied powers, duties or obligations of the Bond Owners' Trustee shall be read into this resolution.

The Bond Owners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bond Owners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

The Bond Owners' Trustee shall not be bound to recognize any person as a Registered Owner of any Parity Bond until his or her title thereto, if disputed, has been established to its reasonable satisfaction.

The Bond Owners' Trustee may consult with counsel and the opinion of that counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of that counsel. The Bond Owners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected-by it with reasonable care.

(f) Proceedings By Individual Parity Bond Owners Restricted. No Registered Owner shall have any right to institute any action, suit or proceeding at law, in equity or in bankruptcy, reorganization or other similar proceedings under any Parity Bond Authorizing Resolution unless:

(1) an Event of Default has occurred and is continuing;

(2) a Bond Owners' Trustee has been appointed;

(3) that Registered Owner shall have given to the Bond Owners' Trustee written notice of the Event of Default on account of which that suit, action or proceeding is to be instituted;

(4) the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds, after the occurrence and during the continuance of that Event of Default, have made written request of the Bond Owners' Trustee and have afforded the Bond Owners' Trustee a reasonable opportunity to institute that suit, action or proceeding;

(5) there have been offered to the Bond Owners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and

(6) the Bond Owners' Trustee has refused or neglected to comply with that request within a reasonable time.

No Registered Owner shall have any right in any manner whatever by his or her action to affect or impair the obligation of Cascade to pay from the Net Revenue the Principal of and premium, if any, and interest on any Parity Bond to the Registered Owner thereof or any Payment Agreement Payment when due.

Notwithstanding any other provision of this resolution, each Registered Owner shall have the absolute and unconditional right to receive payment of Principal of and premium, if any, and interest on that Registered Owner's Parity Bonds on and after the due date thereof and to institute suit for the enforcement of any such payment.

(g) Failure to Comply With Undertaking. Notwithstanding anything in this Section to the contrary, the failure of Cascade or any obligated person to comply with the Undertaking shall not constitute an Event of Default, and the sole remedy of any holder of a 2012 Bond shall be to seek an order of specific performance from an appropriate court to compel Cascade or the obligated person to comply with the Undertaking.

Section 27. Manner of Sale; Delivery of 2012 Bonds. The Designated Representative may provide for the sale of the 2012 Bonds by competitive sale or by negotiated sale with the Underwriter chosen through a selection process acceptable to the Designated Representative.

(a) Procedure for Negotiated Sale. If the Designated Representative determines that the 2012 Bonds should be sold by negotiated sale, the Designated Representative shall solicit one or more Underwriters with which to negotiate the sale of those 2012 Bonds. The Bond Purchase Contract shall set forth the Final Terms. The Designated Representative is authorized to execute the Bond Purchase Contract on behalf of Cascade, so long as the terms provided therein are consistent with the terms of this resolution.

(b) Procedure for Competitive Sale. A competitive sale shall include preparation of an official notice of bond sale for the 2012 Bonds, setting forth parameters for the Final Terms of such sale and any other bid parameters that the Designated Representative

deems appropriate and that are consistent with this resolution. Bids for the purchase of the 2012 Bonds shall be received at such time or place and by such means as the Designated Representative directs. The Designated Representative may direct that the official notice of bond sale or an abridged form thereof be published in such additional places as he or she deems desirable or appropriate. On the date and time established for the receipt of bids for the 2012 Bonds, the Designated Representative (or his or her designee) shall open bids and shall cause the bids to be mathematically verified. The Designated Representative is authorized to award, on behalf of Cascade, the winning bid and accept the winning bidder's offer to purchase the 2012 Bonds, with such adjustments to the aggregate Principal amount and Principal amount per maturity as the Designated Representative deems appropriate, consistent with the terms of this resolution. The Designated Representative may, in his or her discretion, reject any or all bids submitted and may waive any formality or irregularity in the bid or bidding process if he or she deems it to be in Cascade's best interest to do so. If all bids are rejected, the 2012 Bonds may be sold pursuant to negotiated sale or in any manner provided by law as the Designated Representative determines is in the best interest of Cascade, within the parameters set forth in this resolution.

The 2012 Bonds will be delivered to the Underwriter immediately upon payment to Cascade of the purchase price in immediately available federal funds in Seattle, Washington, or at another place upon which the Chief Executive Officer and the purchaser may mutually agree.

CUSIP numbers (if required) will be printed on the 2012 Bonds, but neither failure to print CUSIP numbers on any 2012 Bond nor error with respect thereto shall constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the 2012 Bonds in accordance with the purchase offer. All expenses in relation to the printing of CUSIP numbers on the 2012 Bonds shall be paid by Cascade, but the fee of the CUSIP Service Bureau for the assignment of those numbers shall be the responsibility of and shall be paid by the purchaser.

The 2012 Bonds will be printed at Cascade's expense and will be delivered to the purchaser thereof with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington, regarding the 2012 Bonds.

Section 28. General Authorization. The Chair of the Board and the Chief Executive Officer of Cascade and each of the other appropriate officers of Cascade are each authorized and directed to do everything as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this resolution. In particular, and without limitation, the Chief Executive Officer may, in his or her discretion and without further action by the Board, (i) deem final any preliminary official statement or official statement relating to the 2012 Bonds, (ii) authorize the distribution of any preliminary official statement by the Underwriter, (iii) comply with any continuing disclosure requirements applicable to the 2012 Bonds, (iv) change the Bond Registrar or any securities depository appointed for the 2012 Bonds, (v) provide information to Rating Agencies, prospective providers of Bond Insurance and Reserve Insurance and other participants in the issuance of the 2012 Bonds and (vi) request proposals from prospective providers of Bond Insurance and Reserve Insurance for the 2012 Bonds.

Section 29. Severability. The provisions of this resolution are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this resolution to be invalid or unenforceable as to any person or circumstance, the offending provision shall, if feasible, be

deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this resolution in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 30. Ratification of Prior Acts. Any action taken consistent with the authority but prior to the effective date of this resolution, including, if applicable, giving an official notice of bond sale, executing contracts, making fund transfers and paying warrants, is ratified, approved and confirmed.

Section 31. Section Headings. The section headings in this resolution are used for convenience only and shall not constitute a substantive portion of this resolution.

Section 32. Effective Date. This resolution shall take effect and be in force immediately upon its adoption.

ADOPTED AND APPROVED by the Board of Directors of the Cascade Water Alliance at a regular open public meeting held on this 26th day of September, 2012.

CASCADE WATER ALLIANCE

John Marchione, Chair

Attest – Chuck Clarke, CEO

David Knight, Vice Chair

Jim Haggerton, Secretary/Treasurer

Members
Yes _____
No _____

Demand Share
Yes _____ %
No _____ %

CERTIFICATION

I, the undersigned, Secretary of the Board of Directors (the "Board") of Cascade Water Alliance ("Cascade") hereby certify as follows:

1. The attached copy of Resolution No. 2012-__ (the "Resolution") is a full, true and correct copy of a resolution duly adopted at a special meeting of the Board held on September 26, 2012, at the time and meeting place for which notice was given in accordance with law, as that resolution appears on the minute book of Cascade; and the Resolution is now in full force and effect; and

2. A quorum of the members of the Board was present throughout the meeting and a majority of those members present voted in the proper manner for the adoption of the Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of September, 2012.

CASCADE WATER ALLIANCE

Jim Haggerton, Secretary of the Board