

**SCATCHET HEAD WATER DISTRICT
ISLAND COUNTY, WASHINGTON**

RESOLUTION NO. 2022-4

A RESOLUTION of the Board of Commissioners of Scatchet Head Water District, Island County, Washington, providing for the issuance of a not to exceed \$300,000 principal amount water revenue bond anticipation note of the District for the purpose of paying engineering and other soft costs associated with the construction of improvements to the water system of the District, and a not to exceed \$2,500,000 principal amount water revenue bond anticipation note of the District for the purpose of paying the cost of improvements to the water system, pending the issuance of a water revenue bond authorized herein; fixing the dates, forms, maturities, interest rate, terms, and covenants of the notes; and approving the sale and providing for the delivery of the notes to Heritage Bank.

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF SCATCHET HEAD WATER DISTRICT, ISLAND COUNTY, WASHINGTON, as follows:

Section 1: Definitions

The capitalized words and phrases set forth in this Resolution have the respective meanings given such words and phrases in this Section, unless the context clearly requires otherwise.

“Bank” means Heritage Bank, purchaser of the Notes, and its successors in interest.

“Bank Offer” means the offer of the Bank dated April 5, 2022, to purchase the Notes under the terms and conditions provided in such offer and as further set forth in this Resolution.

“Board” means the Board of Commissioners of the District.

“Bond” means the Water Revenue Bond, [Year], of the District issued pursuant to and for the purposes provided in this Resolution.

“Bond Fund” means the Water Revenue Bond Fund established by the District for the payment of the principal of and interest on Parity Bonds.

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

“Construction Fund” means the special fund of the District created and described in Section 9(c).

“County Treasurer” means the Treasurer of Island County, Washington, as *ex officio* Treasurer of the District.

“District” means Scatchet Head Water District, Island County, Washington, a municipal corporation duly organized and existing under the laws of the State.

“Draw” has the meaning given in Section 4.

“Future Parity Bonds” means any and all revenue bonds of the District (other than the Bond) issued hereafter, the payment of which, both principal and interest, is secured by a lien and charge on Net Revenue equal in rank with the lien and charge on Net Revenue that secure payment of the Bond.

“Gross Revenue” means all earnings and revenue received by the District from any source whatsoever relating to the operation of the System, except: general *ad valorem* taxes; charges in lieu of general *ad valorem* taxes; proceeds from the sale of District property; capital grants received by the District; proceeds from the issuance of District obligations; earnings or proceeds from any investments in a trust, defeasance, or escrow fund created to defease or refund System obligations (until commingled with other earnings and revenue of the System); and earnings or proceeds from investments held in a special account for the purpose of paying a rebate to the United States government under the Code.

“Interest Payment Date” has the meaning given in Section 7.

“Interest Rate” means the per annum rate of 2.50%.

“Letter of Conditions” means the Letter of Conditions dated April 1, 2021, provided to the District by the United States of America, acting through the United States Department of Agriculture, Rural Utilities Service.

“Net Revenue” means the Gross Revenue less Operating and Maintenance Expenses.

“Note Fund” means the special fund of the District created and described in Section 9(b).

“Note Register” means the registration books maintained by the Registrar pursuant to Section 6.

“Notes” means the Series 1 Note and the Series 2 Note.

“Operating and Maintenance Expenses” means all reasonable expenses incurred by the District in causing the System to be operated and maintained in good repair, working order, and condition, including general maintenance and administrative costs of the District allocated to the System and payments made to any other government agency or municipal corporation for water supply and sewage treatment and disposal, but do not include any depreciation or taxes or charges in lieu of taxes levied or imposed by the District, interest on System obligations, or capital additions or capital replacements to the System.

“Parity Bonds” means the Bond and all Future Parity Bonds.

“Project” has the meaning given in Section 2(b).

“Registered Owner” means the entity or person named as the registered owner of the Note on the Note Register, initially the Bank.

“Registrar” means the County Treasurer or any successor registrar appointed by the County Treasurer.

“Resolution” means this resolution, adopted by the Board on May 17, 2022.

“Series 1 Maturity Date” means June 1, 2023.

“Series 1 Note” means the Water Revenue Bond Anticipation Note, 2022, of the District in the principal amount not to exceed \$300,000 that is authorized to be issued by this Resolution.

“Series 2 Maturity Date” means June 1, 2024.

“Series 2 Note” means the Water Revenue Bond Anticipation Note, [year] [series designation], of the District in the principal amount not to exceed \$2,500,000 that is authorized to be issued by this Resolution.

“State” means the State of Washington.

“System” means the water system of the District, together with all additions thereto and betterments and extensions thereof at any time made or constructed.

“USDA” means the United States of America, acting through the United States Department of Agriculture, Rural Utilities Service.

Section 2: Recitals

The Board finds and determines that:

(a) The District is a municipal corporation duly organized and existing under the laws of the State. Pursuant to the provisions of chapter 57.08 RCW, the District is authorized to acquire, construct, install, and operate water systems and sewerage systems.

(b) The Board has determined that it is necessary for the public health and welfare of the inhabitants of the District that improvements be made to the System, including replacement of water mains, replacement of two submersible well pumps, installation of a 5,000 gallon emergency storage tank at the well site for power outages, purchase of ancillary equipment, replacement of the pressure tank and associated control, and replacement of filter media to improve the efficiency of the iron and manganese filtration system (collectively, the “Project”).

(c) RCW 39.69.020 authorizes the District to enter into a loan agreement containing the terms and conditions of a loan from an agency of the United States of America and evidencing the obligation of the District to repay the loan under the terms and conditions set forth in the loan agreement. RCW 39.69.020 further authorizes the loan agreement to provide that the District’s

obligation to repay the loan shall be limited to revenues set aside in a special fund for the repayment of the loan. Chapters 39.46 and 57.20 RCW authorize the District to issue the Bond to evidence the obligations of the District under the loan agreement with United States of America, acting through the United States Department of Agriculture, Rural Utilities Service ("USDA").

(d) The Letter of Conditions requires that the District obtain interim financing for the Project. RCW 39.50.020 authorizes the District to issue short-term obligations in anticipation of the sale of the Bond if the Bond has been authorized by resolution.

(e) Pursuant to the Bank Offer, the Bank has offered to lend money to the District to provide interim financing for the Project, pending issuance of the Bond. The Board has determined that it is in the best interest of the District to authorize the issuance of the Series 2 Note to provide interim financing for the Project, pending issuance of the Bond.

(f) The District is currently incurring engineering and other soft costs prior to requesting bids for the construction of the Project, and in addition, pursuant to the Bank Offer, the Bank has offered to lend money to the District to provide funds for these engineering and other soft costs prior to the interim financing for the Project. The Board has determined that it is in the best interest of the District to authorize the issuance of the Series 1 Note to provide financing to cover the engineering and other soft costs, pending the issuance of the Series 2 Note, as well as interest accruing on the Series 1 Note.

Section 3: Authorization of the Bond

For the purpose of providing the funds required to pay part of the costs of carrying out the Project, including paying the costs of issuance of the Bond, the District shall issue the Bond in the principal amount not to exceed \$2,500,000. The Bond shall be a limited obligation of the District payable solely from the Bond Fund and secured by a lien and charge on Net Revenue prior and superior to any other lien or charge whatsoever. The Bond shall be in the form, shall be dated, shall bear interest at the rate, shall be payable at the times, shall be subject to prepayment prior to maturity, shall contain and be subject to the provisions and covenants, and may be sold and delivered to the USDA, all as hereafter shall be provided by resolution. The Bond shall not be a general obligation of the District, and the District's faith, credit, and resources shall not be pledged for the payment of the Bond.

The District shall not issue the Bond or any Parity Bond without the prior written consent of the Bank.

Section 4: Authorization of the Notes

(a) *Series 1 Note.* For the purpose of providing the funds required to pay engineering and other soft costs of the Project, pending issuance of the Series 2 Note, the District shall issue the Series 1 Note in the principal amount not to exceed \$300,000. The Series 1 Note shall be dated the date of its initial delivery to the Bank; shall mature on the Series 1 Maturity Date; shall be issued in fully registered form as to both principal and interest on the Note Register; and shall be numbered AR-1, with any additional designation as the Registrar deems necessary for purposes of identification.

The District may make incremental draws on the non-revolving line of credit evidenced by the Series 1 Note (each, a "Draw") on any business day prior to the Series 1 Maturity Date or date of prior prepayment in full for the purpose of providing funds to pay engineering and other soft costs of the Project, as well as interest accruing on the Series 1 Note. The District may draw the entire Series 1 Note at once or in multiple Draws, and the District shall keep records and invoices of what each Draw is used for. Draws shall be recorded in such form as the District and the Bank may agree. Draws on the Series 1 Note are not subject to approval by the Registered Owner, but shall be limited to an aggregate principal amount not to exceed \$300,000; provided that no Draw shall be allowed if an Event of Default exists and is continuing, or the Letter of Conditions is no long in effect or there is a material breach by the District under the terms of the Letter of Conditions.

The principal amount of each Draw shall bear interest at the Interest Rate from the date of the Draw, calculated on the basis of a 360-day year consisting of twelve 30-day months. If the Series 1 Note is not paid when properly presented for payment on the Series 1 Maturity Date or date of prior prepayment, the District shall be obligated to pay interest on the Series 1 Note at the same rate provided in the Series 1 Note from and after the Series 1 Maturity Date or date of prior prepayment until the Series 1 Note, both principal and interest, is paid in full. The Board finds that the fixing of the interest rate in the above manner is in the best interest of the District.

(b) *Series 2 Note.* For the purpose of providing the funds required to pay interim financing costs of the Project, pending issuance of the Bond, as well as the Series 1 Note and any interest accrued on the Series 1 Note or accruing on the Series 2 Note, the District shall issue the Series 2 Note in the principal amount not to exceed \$2,500,000. The Series 2 Note shall be dated the date of its initial delivery to the Bank; shall mature on the Series 2 Maturity Date; shall be issued in fully registered form as to both principal and interest on the Note Register; and shall be numbered BR-1, with any additional designation as the Registrar deems necessary for purposes of identification.

The District may make Draws on the non-revolving line of credit evidenced by the Series 2 Note on any business day prior to the Series 2 Maturity Date or date of prior prepayment in full for the purpose of providing funds to pay interim costs of carrying out the Project. Draws on the Series 2 Note shall be made by written request not more than once monthly. No Draw may exceed the total amount of the costs to be paid from such Draw, and the proceeds of each Draw shall be used immediately to pay those costs. Draws shall be recorded in such form as the District and the Bank may agree. Draws on the Series 2 Note are not subject to approval by the Registered Owner, but shall be limited to an aggregate principal amount not to exceed \$2,500,000; provided that no Draw shall be allowed if an Event of Default exists and is continuing, or the Letter of Conditions is no long in effect or there is a material breach by the District under the terms of the Letter of Conditions. The District shall submit to the Registered Owner, with each request for a Draw, an outlay report, and written approval from USDA for the release of funds, not less than two days prior to the requested disbursement date (unless the Registered Owner consents to honor a Draw request on less than two days' advance notice).

The principal amount of each Draw shall bear interest at the Interest Rate from the date of the Draw, calculated on the basis of a 360-day year consisting of twelve 30-day months. If the Series 2 Note is not paid when properly presented for payment on the Series 2 Maturity Date or

date of prior prepayment, the District shall be obligated to pay interest on the Series 2 Note at the same rate provided in the Series 2 Note from and after the Series 2 Maturity Date or date of prior prepayment until the Series 2 Note, both principal and interest, is paid in full. The Board finds that the fixing of the interest rate in the above manner is in the best interest of the District.

Section 5: Designation of Officers to Make Draws

The Board has determined it to be in the best interest of the District that each member of the Board and such other person(s) as the Board may designate be and each hereby is individually authorized to make Draws in the amounts and at the times as such official may determine hereafter, those Draws to be made in accordance with the terms and provisions set forth in this Resolution.

Section 6: Appointment of Registrar; Registration and Transfer of the Notes

The County Treasurer is appointed as the initial Registrar for the Notes. The Registrar shall keep, or cause to be kept, at its office, sufficient books for purposes of registering the name, mailing address, and taxpayer identification number of the Registered Owner and for registering any transfer of Note ownership. The books and records maintained by the Registrar for such purpose shall be considered the "Note Register" for purposes of this Resolution. The Note Register shall at all times be open to inspection by the District.

The Registrar is authorized, on behalf of the District, to authenticate and deliver the Notes if transferred in accordance with the provisions of the Notes and this Resolution, to serve as the District's paying agent for the Notes, and to carry out all of the Registrar's powers and duties under this Resolution.

The Notes shall be issued only in registered form as to both principal and interest and recorded on the Note Register. The Note Register shall contain the name and mailing address of the Registered Owner. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Notes.

Each Note may be assigned or transferred only: (i) in whole; (ii) to a single investor that is a "qualified institutional buyer" as defined in the United States Securities and Exchange Commission Rule 144A; (iii) if endorsed in the manner provided thereon and surrendered to the Registrar; and (iv) if the transferee provides the Registrar with an executed transfer certificate in substantially the form to be attached to such Note. Any such transfer shall be without cost to the Bank or transferee (other than any cost incurred by the Bank or transferee in preparing and delivering such transfer certificate) and shall be recorded on the Note Register. The Registrar shall not be obligated to assign or transfer a Note during the 15 days preceding any payment or prepayment date.

Section 7: Payment of the Notes

Both principal of and interest on the Notes shall be payable in lawful money of the United States of America, solely from amounts in the Note Fund derived from the sources specified in Section 9(b). The District irrevocably covenants to redeem the Series 1 Note on or prior to the Series 1 Maturity Date, solely from amounts in the Note Fund derived from the sources specified in Section 9(b), and to redeem the Series 2 Note on or prior to the Series 2 Maturity Date, solely

from amounts in the Note Fund derived from the sources specified in Section 9(b). The Notes shall not be general obligations of the District, and the District's full faith, credit, and resources are not and shall not be pledged for the payment of the Notes.

Interest on each Note shall be payable quarterly in arrears on each June 1, September 1, December 1 and March 1, commencing on the first quarterly date after the first Draw on each Note (each, an "Interest Payment Date"), to and including the Maturity Date or date of prior prepayment in full. Principal of the Series 1 Note is payable on the Series 1 Maturity Date and principal of the Series 2 Note is payable on the Series 2 Maturity Date, both subject to prior prepayment in accordance with Section 8.

Prior to each Interest Payment Date, the Bank shall present to the District a statement of interest due on each Note on such Interest Payment Date. Interest on each Note shall be paid by electronic transfer of the Registrar and sent to the Registered Owner so that the Registered Owner receives such payments when due at the address or account appearing on the Note Register. Prior to the Maturity Date, the Bank shall present to the District a statement of interest, together with principal, due on each Note on its respective maturity Date. Principal of the Series 1 Note is payable on the Series 1 Maturity Date or date of prior prepayment in full at the office of the Registrar upon presentation and surrender of the Series 1 Note. Principal of the Series 2 Note is payable on the Series 2 Maturity Date or date of prior prepayment in full at the office of the Registrar upon presentation and surrender of the Series 2 Note.

Section 8: Optional Prepayment and Notice

The District reserves the right and option to prepay at any time any or all of the principal of each Note then outstanding at par plus accrued interest to the date of prepayment and, upon payment in full of all outstanding principal of and interest on such Note, to redeem the Note. Interest on the principal of each Note so prepaid shall cease to accrue on the date of such prepayment. The District will provide the Registered Owner with written notice of any intended prepayment at least five days prior to such date of prepayment. Any such prepayment shall be applied first to accrued interest and the balance, if any, to principal.

Section 9: Creation and Continuance of Funds

(a) *Creation and Continuance of Funds.* The following funds shall be created (or, if previously created, continued) and maintained in the office of the County Treasurer to comply with the provisions of this Resolution: the Note Fund and the Construction Fund. Each such fund shall be maintained by the County Treasurer as a separate and distinct fund to be held, managed, invested, disbursed, and administered as provided in this Resolution. All money credited to such funds shall be used solely for the purposes set forth in this Resolution. The County Treasurer shall keep and maintain adequate records pertaining to each such fund, and all disbursements therefrom, in accordance with general practices and procedures in effect from time to time. The County Treasurer may establish such additional accounts or subaccounts as is deemed necessary or useful, or for the purpose of complying with the requirements of the Code relating to arbitrage, but the establishment of any such account or subaccount shall not alter or modify any of the requirements of this Resolution with respect to a deposit or use of money in such funds and accounts.

(b) *Note Fund.* The Note Fund is established in the office of the County Treasurer and is to be drawn upon for the sole purpose of paying principal of and interest on the Notes. The District shall pay into the Note Fund: (i) on each Interest Payment Date, from and to the extent available in accordance with Section 10, the amount of Net Revenue required to pay interest on the Notes due on such Interest Payment Date; (ii) upon receipt, all net sale proceeds of the Bond or other short-term obligations issued to pay principal of and interest on the Notes; and (iii) on the Series 1 Maturity Date and Series 2 Maturity Date, from and to the extent available in accordance with Section 10, the amount of Net Revenue required (taking into account other money on deposit in the Note Fund for such purpose) to pay principal of and interest on respective Note due on its maturity date. The District may (but is not required to) transfer any money from any funds or accounts of the District legally available therefor to make payments required to be made into the Note Fund.

(c) *Construction Fund.* The Construction Fund is established in the office of the County Treasurer. The District shall deposit the proceeds of all Draws, net of a fee of not to exceed \$6,000 to be retained by the Bank from proceeds of the first Draw, into the Construction Fund, and the costs of carrying out the Project shall be paid from the Construction Fund.

(d) *Investment of Funds.* The money in the Construction Fund and the Note Fund may be invested in any investment permitted by law for District funds. The interest and investment earnings on each such fund shall be retained therein or credited thereto.

Section 10: 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 Operating and Maintenance Expenses, including the provision of reasonable reserves therefor;

(b) to make when due all deposits required to be made into the Principal and Interest Account of the Bond Fund;

(c) to make when due all deposits required to be made into the Reserve Account of the Bond Fund;

(d) to make when due any payments required to be made into any short lived asset reserve account established in accordance with the Letter of Conditions or other conditions established for the issuance of Future Parity Bonds;

(e) to make when due all deposits required to be made into the Note Fund; and

(f) to make any other payments, transfers, or deposits as may be lawful for Gross Revenue.

Section 11: Finding as to Sufficiency of Revenue; Pledge of Revenue and Lien Position

The Board declares that in fixing the amounts to be paid into the Note Fund for the Notes it has considered and had due regard for Operating and Maintenance Expenses (and the cost of maintenance and operation as that term is used in RCW 39.46.150) and has not set aside into the Note Fund a greater amount or proportion of the Gross Revenue than in its judgment will be available over and above Operating and Maintenance Expenses and the amount of Gross Revenue previously pledged.

The net sale proceeds of the Series 2 Note, if necessary and allowed by USDA, the Bond and the Net Revenue are hereby pledged irrevocably by the District for the deposits required to be made into the Note Fund for the Notes. This pledge of Net Revenue shall constitute a lien and charge upon that Net Revenue prior and superior to any other lien and charge whatsoever, except such liens and charges as may hereafter be made to secure the payment of Parity Bonds, to which the Notes shall be on parity with.

Section 12: Covenants

For as long as the Notes are outstanding, the District hereby covenants and agrees with the Registered Owner as follows:

(a) The District will covenant that it will establish, maintain, and collect rates and charges for water supply and distribution services (and for all other utility services that may be provided by the System) that will be fair and nondiscriminatory, and will adjust those rates and charges from time to time so that:

(i) the Gross Revenue in each fiscal year will be sufficient to (A) pay all Operation and Maintenance Expenses due and payable in that fiscal year, (B) pay amounts that the District is obligated to pay into the Bond Fund and the Note Fund and the accounts therein in that fiscal year, and (C) pay all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof and any and all other amounts which the District may now or hereafter become obligated to pay from the Gross Revenue by law or contract in that fiscal year; and

(ii) the Net Revenue, in each fiscal year will be at least equal to the Coverage Requirement, *i.e.*, Net Revenue in each fiscal year will equal at least 1.00 times the actual Annual Debt Service in any fiscal year on any Parity Bonds then outstanding, including the Notes.

(b) The District shall submit to the Registered Owner, (1) within 270 days after the end of each of its fiscal year (currently, a fiscal year ending on each December 31), its unaudited annual financial statements, prepared in accordance with accounting principles applicable to governmental units of the State such as the District prescribed by the Washington State Auditor's Office ("SAO"), as such principles may be changed from time to time; (2) its annual audited financial statements within 30 days after receipt, prepared in accordance with accounting principles applicable to governmental units of the State such as the District prescribed by the SAO, as such principles may be changed from time to time; (3) the budget of the District for each fiscal

year, promptly after adoption by the District; and (4) such other financial information of the District as the Bank may from time to time reasonably request.

(c) The District will at all times maintain and keep the System in good repair, working order and condition, and also will at all times operate the System and the business in connection therewith in an efficient manner and at a reasonable cost.

(d) The District shall not issue any notes, bonds or other obligations, other than the Notes or the Bond, on parity with or senior with respect to the Net Revenues, without the prior written consent of the Bank.

Section 13: Tax Matters

(a) The District will neither take any action nor make or permit any use of proceeds of the Notes or other funds of the District treated as proceeds of the Notes at any time during the term of the Notes which will cause interest on the Notes to be included in gross income for federal income tax purposes.

(b) The District designates each of the Notes as a “qualified tax-exempt obligation” for the purposes of section 265(b)(3) of the Code, and makes the following findings and determinations: (i) each Note is not a “private activity bond” within the meaning of section 141 of the Code; (ii) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the District and any entity subordinate to the District (including any entity which the District controls, which derives its authority to issue tax-exempt obligations from the District, or which issues tax-exempt obligations on behalf of the District) will issue in the calendar year in which the Notes are issued will not exceed \$10,000,000; and (iii) the amount of tax-exempt obligations, including each Note, designated by the District as “qualified tax-exempt obligations” for the purposes of section 265(b)(3) of the Code during the calendar year in which the Notes are issued does not exceed \$10,000,000. The District is authorized and directed to adopt post-issuance compliance procedures for tax-exempt obligations in connection with the Notes.

Section 14: Execution, Issuance, and Delivery of the Notes and Related Documents

Each Note shall be prepared in a form consistent with the provisions of this Resolution and the laws of the State, and shall be signed by the President and Secretary of the Board, either or both of whose signatures may be manual or in facsimile.

Only a Note bearing a Certificate of Authentication in substantially the following form, manually signed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution: “Certificate of Authentication: This Note is the fully registered Scatchet Head Water District, Island County, Washington, Water Revenue Bond Anticipation Note, [year/series], described in the Resolution.”

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Note so authenticated has been duly executed, authenticated, and delivered and is entitled to the benefits of this Resolution.

Each member of the Board is individually authorized and directed to execute and deliver the Bank Offer from the Bank substantially in the form on file with the District, with such changes as such member, in consultation with the District's bond counsel, deems appropriate, and the signature of such member on the Bank Offer shall conclusively evidence the District's approval of any such changes.

Each member of the Board is individually authorized and directed to: (i) do everything necessary for the execution, issuance, and delivery of the Notes; and (ii) execute and deliver any documents, agreements, certificates, receipts, and instruments that are necessary or appropriate in their discretion to give effect to this Resolution and to consummate the borrowing of money authorized in this Resolution.

The District directs Foster Garvey PC, as the District's bond counsel, to prepare the Notes and such other documents, agreements, opinions, certificates, receipts, and instruments as may be necessary and appropriate to properly document the issuance and delivery of the Notes to the Bank and the receipt of money by the District from the Bank. Such law firm shall coordinate the execution and delivery of such documents on behalf of the District, and shall compile and distribute to the District and the Bank a transcript containing such documents (or copies thereof) as it deems necessary to support its legal opinions rendered in connection with the issuance of the Notes.

Section 15: Events of Default

Each of the following shall constitute an "Event of Default" by the District: (a) failure to pay principal of or interest on the Notes when due; (b) the failure by the District to comply with any of its obligations, or to perform any of its duties, under this Resolution or the Notes, which failure continues and is not cured for a period of more than 60 days after the Bank has made a written demand on the District to cure such failure; or (c) a material misrepresentation to the Bank by the District in the purchase of the Notes, as reasonably concluded by the Bank after investigation and discussion with the District. Upon the occurrence of any Event of Default, the Bank reserves the right and option, at its sole discretion, to increase the Interest Rate on the Notes by 5.00% from the date of such Event of Default until cured.

Section 16: Severability

If any provision of this Resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provisions of this Resolution and shall in no way affect the validity of the other provisions of this Resolution or of the Notes.

Section 17: Ratification

All actions heretofore taken by the District consistent with the provisions of this Resolution are ratified, confirmed, and approved.

Section 18: Effective Date of Resolution

This Resolution shall take effect and be in force from and after its adoption.

ADOPTED by the Board of Commissioners of Scatchet Head Water District, Island County, Washington, this 17th day of May, 2022, at a regular open public meeting thereof.

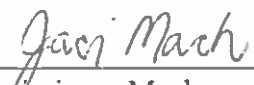
SCATCHET HEAD WATER DISTRICT
ISLAND COUNTY, WASHINGTON



Commissioner Mullins



Commissioner/Lipoti



Commissioner Mach

CERTIFICATE

I, the Secretary of the Board of Commissioners of Scatchet Head Water District, Island County, Washington (the "District"), hereby certify as follows:

1. The foregoing Resolution No. 2022-4 (the "Resolution") is a full, true, and correct copy of a resolution duly adopted at a regular meeting of the Board of Commissioners of the District held on May 17, 2022, as that resolution appears on the minute book of the District; and the Resolution will be in full force and effect from and after its adoption.

2. In accordance with Proclamation 20-28 by the Governor of the State of Washington, dated March 24, 2020, as extended, and acts of the legislative leadership of the State of Washington: (a) such meeting was not conducted in person, (b) one or more options was provided for the public to attend the meeting remotely, including by telephone access, which means of access provided the ability for all persons attending the meeting remotely to hear each other at the same time, and (c) adoption of the Resolution is necessary and a routine action of the Board.

3. A quorum was present throughout the meeting and a sufficient number of members of the Board of Commissioners of the District voted in the proper manner for the adoption of the Resolution.

Dated: May 17, 2022.

SCATCHET HEAD WATER DISTRICT
ISLAND COUNTY, WASHINGTON



Secretary, Board of Commissioners