

DISCOVERY CLEAN WATER ALLIANCE

RESOLUTION NO. 2015-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF DISCOVERY CLEAN WATER ALLIANCE, RELATING TO THE WASTEWATER TRANSMISSION AND TREATMENT SYSTEM OF DISCOVERY CLEAN WATER ALLIANCE; AUTHORIZING THE BORROWING OF MONEY AND THE ISSUANCE AND SALE OF SEWER REVENUE BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$14,000,000 FOR THE PURPOSES OF (1) DEFEASING ALL OF THE OUTSTANDING CLARK REGIONAL WASTEWATER DISTRICT SEWER REVENUE BONDS, 2005, TO ACHIEVE A DEBT SERVICE SAVINGS, (2) PROVIDING FUNDS TO PAY THE COST OF CARRYING OUT CAPITAL IMPROVEMENTS TO THE WASTEWATER TRANSMISSION AND TREATMENT SYSTEM OF DISCOVERY CLEAN WATER ALLIANCE, AND (3) PAYING THE ADMINISTRATIVE COSTS OF SUCH DEFEASANCE AND THE COSTS OF ISSUING AND SELLING THE BONDS; FIXING OR SETTING PARAMETERS WITH RESPECT TO CERTAIN TERMS AND COVENANTS OF THE BONDS; DELEGATING AUTHORITY TO A DESIGNATED REPRESENTATIVE TO SET FINAL TERMS OF THE SALE AND ISSUANCE OF THE BONDS; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATED THERETO.

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*Prepared by:
Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101
(206) 447-4400*

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BE IT RESOLVED by the Board of Directors of Discovery Clean 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) **“Acquired Obligations”** means the Government Obligations purchased to accomplish the defeasance of the Defeased Bonds as authorized by this resolution and in accordance with the Defeased Bond Resolution.

(b) **“Alliance”** means Discovery Clean Water Alliance, a Washington joint municipal utility services authority under chapter 39.106 RCW, and its permitted successors.

(c) **“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; and

(2) 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.

(d) “**Authorized Denomination**” means, unless otherwise specified in the Bond Purchase Contract, \$5,000 or any integral multiple thereof within a maturity of a series of the Bonds.

(e) “**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.

(f) “**Balloon Bonds**” means a series 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 of Parity Bonds.

(g) “**Beneficial Owner**” means, with respect to a Bond, the owner of any beneficial interest in that Bond.

(h) “**Board**” means the Board of Directors of the Alliance.

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

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

(k) “**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.

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

(m) “**Bond Purchase Contract**” means an offer to purchase one or more series of the Bonds, for direct purchase, private placement or public offering, setting forth certain terms and conditions of the issuance, sale and delivery of those Bonds, which offer is authorized to be accepted by the Designated Representative on behalf of the Alliance, if consistent with this resolution. In the case of a competitive sale, the official notice of sale, the Purchaser’s bid and the award by the Alliance shall constitute the Bond Purchase Contract for purposes of this resolution.

(n) “**Bond Register**” means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of each Parity Bond.

(o) “**Bond Registrar**” means, unless otherwise specified in the Bond Purchase Contract, the Fiscal Agent, or any successor bond registrar selected by the Alliance.

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

(q) “**Coverage Requirement**” for any fiscal year (or other designated twelve-month period) means that Net Revenue in that fiscal year (or other designated twelve-month

period) is not less than the sum of (1) 1.10 times the Annual Debt Service on all outstanding Parity Bonds in that fiscal year (or other designated twelve-month period) and (2) the amount, if any, required to be deposited in the Debt Service Reserve Account or any other debt service reserve account securing Parity Bonds in that fiscal year (or other designated twelve-month period).

(r) “**Debt Service Account**” means the account of that name created in the Debt Service Fund for the payment of the principal of and interest on the Parity Bonds.

(s) “**Debt Service Fund**” means the Debt Service Fund created pursuant to Section 8 to be used solely to secure and pay the principal of and interest on the Parity Bonds.

(t) “**Debt Service Reserve Account**” means the account of that name created in the Debt Service Fund for the purpose of securing the payment of the principal of and interest on the Parity Bonds secured by that account.

(u) “**Defeasance Escrow Agreement**” means a Defeasance Escrow Agreement between the Alliance and the Escrow Agent, dated as of the Issue Date for the Bonds issued to carry out the Defeasance Plan, providing for the carrying out of the Defeasance Plan.

(v) “**Defeasance Plan**” means (as further described in the Defeasance Escrow Agreement):

(1) the deposit with the Escrow Agent of proceeds of one or more series of the Bonds (together with other money, if necessary);

(2) to the extent practicable, the purchase by the Escrow Agent of the Acquired Obligations and the application of the principal of and interest on the Acquired Obligations and any other cash balance to the call, payment and redemption of the Defeased Bonds on the Redemption Date at a price of par plus any accrued interest; and

(3) the payment of the costs of issuing those Bonds and the costs of carrying out the foregoing elements of the Defeasance Plan.

(w) “**Defeased Bonds**” means the outstanding Sewer Revenue Bonds, 2005, of the District maturing or subject to mandatory redemption on December 1 in the years 2015 through 2025, inclusive.

(x) “**Defeased Bond Resolution**” means Resolution No. 1336 of the District, as the same may be amended or supplemented in accordance therewith, authorizing the issuance of the Defeased Bonds.

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

(z) “**District**” means Clark Regional Wastewater District, Clark County, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington, formerly known as Hazel Dell Sewer District, Clark County, Washington.

(aa) “**DTC**” means The Depository Trust Company, New York, New York, or its nominee.

(bb) “**Escrow Agent**” means the trustee, or any successor trustee, designated by the Designated Representative to serve as Escrow Agent to carry out the Defeasance Plan.

(cc) “**Final Terms**” means, with respect to a series of the Bonds, the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption rights, price and minimum savings for bonds issued for savings purposes.

(dd) “**Fiscal Agent**” means the fiscal agent of the State, as the same may be designated by the State from time to time.

(ee) “**Future Parity Bonds**” means all revenue bonds and other obligations of the Alliance for borrowed money (including financing leases) issued or incurred after the issuance of the Bonds that are secured by a lien and charge on the Net Revenue on parity with the lien and charge that secures the Bonds.

(ff) “**Government Obligations**” has the meaning given in RCW 39.53.010(4), as now in effect or as may hereafter be amended.

(gg) “**Gross Revenue**” means all of the earnings and revenues received by the Alliance from any source whatsoever, including: (1) Regional Service Charges; (2) revenues from the sale, lease or furnishing of other commodities, services, properties or facilities; and (3) earnings from the investment of money in any maintenance fund or similar fund. Gross Revenue shall not include: (1) principal proceeds of Parity Bonds or any other borrowings; (2) earnings 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); (3) earnings from investments held in a special account for the purpose of paying a rebate to the United States Government under the Code; (4) income and revenue that may not legally be pledged for revenue bond debt service; (5) improvement district assessments; (6) federal or state grants allocated to capital projects; (7) payments under bond insurance or other credit enhancement instrument; or (8) insurance or condemnation proceeds used for the replacement of capital projects or equipment.

(hh) “**Independent Consultant**” 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.

(ii) “**Issue Date**” means, with respect to a series of the Bonds, the date of initial issuance and delivery of those Bonds to the Purchaser in exchange for the purchase price of those Bonds.

(jj) “**Joint Agreement**” means the Restated Discovery Clean Water Alliance Interlocal Formation Agreement dated September 27, 2012, as amended by Resolution No. 2014-07 of the Alliance on August 15, 2014, by which the Alliance was formed as a

municipal corporation under the Joint Municipal Utilities Services Act, chapter 39.106 RCW, as that Agreement may be amended from time to time consistent with Section 20.

(kk) “**Letter of Representations**” means the Blanket Issuer Letter of Representations between the Alliance and DTC, substantially in the form on file with the Alliance, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

(ll) “**Maximum Annual Debt Service**” means, with respect to any Parity Bonds, as of the date of calculation, the maximum amount of Annual Debt Service in the current fiscal year or any future fiscal year for those Parity Bonds.

(mm) “**Member**” means a member agency of the Alliance under the Joint Agreement.

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

(oo) “**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 Operation and Maintenance Costs for that fiscal year (or other designated twelve-month period). In calculating Net Revenue, the Alliance 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 and pollution remediation or pension liabilities.

(pp) “**Official Statement**” means an offering document, disclosure document, private placement memorandum or substantially similar disclosure document provided to purchasers and potential purchasers in connection with the initial offering of one or more series of the Bonds in conformance with Rule 15c2-12 or other applicable regulations of the SEC.

(qq) “**Operation and Maintenance Costs**” means all expenses incurred by the Alliance to operate and maintain the System in good repair, working order and condition, including payments made to any other public or private entity for wastewater or other utility service. Operation and Maintenance Costs shall not include any depreciation, capital additions or capital replacements to the System.

(rr) “**Owner**” means, without distinction, the Registered Owner and the Beneficial Owner.

(ss) “**Parity Bond Authorizing Resolution**” means a resolution of the Alliance (including this resolution) that authorizes the issuance and sale and establishes the terms of one or more series of Parity Bonds and other matters relating to the same plan of finance.

(tt) “**Parity Bonds**” means the Bonds and any Future Parity Bonds.

(uu) “**Purchaser**” means the corporation, firm, association, partnership, trust, bank, financial institution or other legal entity or group of entities selected by the Designated Representative to serve as purchaser or placement agent in a direct purchase or private placement, underwriter in a negotiated public offering or successful bidder in a competitive sale of one or more series of the Bonds.

(vv) “**Rating Agency**” means any nationally recognized rating agency then maintaining a rating on one or more series of the Bonds at the request of the Alliance.

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

(xx) “**Record Date**” means, with respect to a Bond, the Bond Registrar’s close of business on the 15th day of the month preceding an interest payment date for that Bond. With respect to redemption of a Bond prior to its maturity, the Record Date shall mean the Bond Registrar’s close of business on the date on which the Bond Registrar sends the notice of redemption.

(yy) “**Redemption Date**” means the date fixed for redemption of the Defeased Bonds, which, unless otherwise specified in the Bond Purchase Contract for the Bonds issued to carry out the Defeasance Plan, shall be December 1, 2015.

(zz) “**Regional Assets**” means the assets listed in Exhibit B to the Joint Agreement and such additional assets as the Board may later determine to be Regional Assets under Section VII.B of the Joint Agreement.

(aaa) “**Regional Service Charges**” means the service charges imposed by the Alliance on the Members, as calculated in accordance with the Joint Agreement.

(bbb) “**Registered Owner**” means, with respect to a Parity Bond, the person in whose name that Parity Bond is registered on the Bond Register. For so long as the Alliance utilizes the book-entry only system for a Parity Bond under the Letter of Representations, the Registered Owner of that Parity Bond shall mean the Securities Depository.

(ccc) “**Reserve Insurance**” means any bond insurance, letter of credit, guaranty, surety bond or other credit enhancement instrument obtained by the Alliance 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 instrument in one of the two highest rating categories of a nationally recognized rating agency (without regard to any gradations within the rating category) and is not cancelable on less than three years’ notice.

(ddd) “**Reserve Requirement**” means, as of any date of calculation, the least of (1) Maximum Annual Debt Service on outstanding Parity Bonds secured by the Debt Service Reserve Account, (2) 125% of Average Annual Debt Service on outstanding Parity Bonds secured by the Debt Service Reserve Account and (3) 10% of the original proceeds of each series of Parity Bonds then outstanding secured by the Debt Service Reserve Account.

(eee) “**Rule 15c2-12**” means 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) “**Securities Depository**” means DTC, any successor thereto, any substitute securities depository selected by the Alliance that is qualified under applicable laws and regulations to provide the services proposed to be provided by it, or the nominee of any of the foregoing.

(hhh) "**SIFMA Municipal Swap Index**" means the index that 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.

(iii) "**State**" means the State of Washington.

(jjj) "**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 conduct audits.

(kkk) "**System**" means the system of wastewater treatment plants, outfalls and other facilities required to treat wastewater of the Alliance, as it now exists, including Regional Assets owned or controlled by the Alliance, and all additions thereto and betterments and extensions thereof at any time made, together with any utility systems of the Alliance hereafter combined with that system. The System shall not include any wastewater transmission or treatment system or other utility system service or other facilities that may be created, acquired or constructed by the Alliance as a separate utility system as provided in Section 17.

(lll) "**System of Registration**" means the system of registration for the Alliance's bonds and other obligations set forth in Resolution No. 2015-03.

(mmm) "**Tax-Exempt Bonds**" means Bonds the interest on which is intended on the date of issuance to be excluded from gross income for federal income tax purposes.

(nnn) "**Term Bond**" means each Bond designated as a Term Bond and subject to mandatory redemption in the years and amounts, all as specified in the Bond Purchase Contract.

(ooo) "**Treasurer**" means the Finance Director of the District appointed to serve as treasurer of the Alliance pursuant to Resolution No. 2013-06 and other persons or entities carrying out treasury operations under the direction of that treasurer, or such other treasurer appointed by the Alliance pursuant to the Joint Agreement.

(ppp) "**Undertaking**" means the Alliance's undertaking to provide continuing disclosure pursuant to Section 22.

(qqq) "**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.

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

(a) The Alliance is a Washington joint municipal utility services authority under chapter 39.106 RCW organized for the purpose of providing regional wastewater transmission and treatment for its Members and other contracting municipal wastewater utilities.

(b) Pursuant to the 2015-2016 Operating and Capital Budget adopted by Resolution No. 2014-11 of the Alliance, the Alliance assumed responsibility for debt service on certain outstanding debt of the Members allocable to the Regional Assets. The Defeased Bonds are a portion of that assumed debt.

(c) Pursuant to the Joint Agreement and the provisions of chapter 39.106 RCW, the Alliance is authorized to issue revenue bonds.

(d) The Alliance desires to issue sewer revenue bonds for the purposes of (1) carrying out the Defeasance Plan, (2) providing funds to pay the cost of carrying out capital improvements to the System and (3) paying the administrative costs of carrying out the Defeasance Plan and the costs of issuing and selling those bonds.

(e) RCW 39.46.040(2) provides that a resolution authorizing the issuance of bonds may authorize an officer of the Alliance to serve as the Alliance's designated representative and to accept, on behalf of the Alliance, 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 those bonds (or parameters with respect thereto): the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or 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 and conditions deemed appropriate by the Board.

(f) In fixing the amounts to be paid into the Debt Service Fund, the Board has exercised due regard for Operation and Maintenance Costs, and has not obligated the Alliance to set aside and to pay into the Debt Service Fund a greater amount or proportion of the Gross Revenue that in the judgment of the Board will be available over and above the Operation and Maintenance Costs.

Section 3. Authorization of Bonds. The Alliance is authorized to issue and sell the Bonds in one or more series, subject to the terms and conditions described in this resolution, for the purposes of (1) carrying out the Defeasance Plan, (2) providing funds to pay the cost of carrying out capital improvements to the System and (3) paying the administrative costs of carrying out the Defeasance Plan and the costs of issuing and selling the Bonds.

Section 4. Appointment of Designated Representative; Description of Bonds. The Treasurer is appointed as the Designated Representative and is authorized to conduct the sale of the Bonds in one or more series in the manner and upon the terms deemed most advantageous to the Alliance, as further specified in Section 21, and to approve the Final Terms within the parameters established in this Section. The Final Terms for each series of the Bonds shall be specified in the Bond Purchase Contract.

(a) Amount. The aggregate principal amount of the Bonds shall not exceed \$14,000,000.

(b) Date. Each series of the Bonds shall be dated the Issue Date, which date may not be later than June 1, 2016.

(c) Denominations and Designation. Each series of the Bonds shall be designated "Discovery Clean Water Alliance Sewer Revenue Bonds," 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 Authorized Denominations.

(d) Interest Rates. Unless otherwise specified in the Bond Purchase Contract, each series of the 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 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 Bonds. No rate of interest for any maturity may exceed 5.00%, and the true interest cost to the Alliance for each series of the Bonds may not exceed 3.75%.

(e) Payment Dates. Unless otherwise specified in the Bond Purchase Contract, interest on each series of the Bonds shall be payable at fixed rates semiannually (on each June 1 and December 1), commencing no later than one year after the Issue Date. Unless otherwise specified in the Bond Purchase Contract, principal of each series of the Bonds shall be payable annually on each December 1, commencing no later than one year after the Issue Date.

(f) Final Maturity. The Bonds issued to carry out the Defeasance Plan shall mature no later than six months after the final maturity date of the Defeased Bonds. All other Bonds shall mature no later than 11 years after the Issue Date.

(g) Redemption Rights. Unless otherwise specified in the Bond Purchase Contract, the Bonds shall not be subject to optional redemption. Any Bonds may be designated as Term Bonds subject to mandatory redemption as set forth in Section 8.

(h) Price. The purchase price for each series of the Bonds may not be less than 98% or more than 120% of the par value of those Bonds.

(i) Tax Status. Unless otherwise specified in the Bond Purchase Contract, each series of the Bonds shall be issued as Tax-Exempt Bonds.

(j) Sufficiency of Gross Revenue. No series of Bonds may be issued unless, as of the Issue Date, the Designated Representative certifies that the Gross Revenue and benefits to be derived from the operation and maintenance of the System will be sufficient to meet all Operation and Maintenance Costs and to permit the setting aside into the Debt Service Fund out of the Gross Revenue of amounts sufficient to pay the principal of and interest on those Bonds and to make all payments required to be made into the Debt Service Reserve Account under this resolution.

(k) Defeasance Conditions. The Bonds issued to carry out the Defeasance Plan shall produce a minimum net present value savings of at least 3.00% (as a percentage of the Defeased Bonds). Net present value savings means the aggregate difference between (1) Annual Debt Service on the Defeased Bonds, less (2) Annual Debt Service on the Bonds issued to carry out the Defeasance Plan (including costs of issuance of those Bonds) discounted to the Issue Date using the yield on those Bonds as the discount rate, plus (3) excess cash, if any, distributed on the Issue Date, and less (4) the amount of additional money contributed to the defeasance escrow, if any, on the Issue Date.

Section 5. Bond Registrar; Registration and Transfer of Bonds.

(a) Registration of Bonds. Each Bond shall be issued only in registered form as to both principal and interest, and the ownership of each Bond shall be recorded on the Bond Register.

(b) Bond Registrar; Duties. Unless otherwise specified in the Bond Purchase Contract, the Fiscal Agent is appointed as initial Bond Registrar for each series of Bonds. The Bond Registrar for each series of Bonds shall keep, or cause to be kept, sufficient books for the registration and transfer of those Bonds, which shall be open to inspection by the Alliance at all times. The Bond Registrar for each series of Bonds is authorized, on behalf of the Alliance, to authenticate and deliver those Bonds that are transferred or exchanged in accordance with the provisions of those Bonds and this resolution, to serve as the Alliance's paying agent for those Bonds and to carry out all of the Bond Registrar's powers and duties under this resolution and the System of Registration. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Bond Registrar may become an Owner with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Owners.

(c) Bond Register; Transfer and Exchange. The Bond Register shall contain the name and mailing address of each Registered Owner and the principal amount and number of each Bond held by each Registered Owner. A Bond surrendered to the Bond Registrar may be exchanged for another Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same interest rate, maturity and series. A Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Bond Registrar shall not be obligated to exchange any Bond or transfer registered ownership during the period between the applicable Record Date and the redemption date.

(d) Securities Depository; Book-Entry Only Form. Unless otherwise specified in the Bond Purchase Contract, each series of the Bonds initially shall be issued in book-entry only form, DTC shall be appointed as initial Securities Depository and each Bond initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the Alliance; or (iii) to any person if the Bond is no longer to be held in book-entry only form. Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the Alliance, the Alliance may appoint a substitute Securities Depository. If (i) the Securities Depository resigns and the Alliance does not appoint a substitute Securities Depository, or (ii) the Alliance terminates the services of the Securities Depository, the Bonds no longer shall be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in this resolution.

Neither the Alliance nor the Bond Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Securities Depository or its participants. Neither the Alliance nor the Bond Registrar shall be responsible for any notice that is permitted or required to be given to a Registered Owner of a Bond registered in the name of the Securities Depository except such notice as is required to be given by the Bond Registrar to the Securities Depository.

(e) DTC Letter of Representations. To induce DTC to accept the Bonds as eligible for deposit at DTC, the Alliance approves the Letter of Representations. The Designated

Representative is authorized and directed to execute the Letter of Representations, on behalf of the Alliance, and to deliver it to DTC.

Section 6. Form and Execution of Bonds.

(a) Form of Bonds. Each Bond shall be prepared in a form consistent with the provisions of this resolution and State law. Each Bond shall be signed by the Chair and Secretary of the Board, either or both of whose signatures may be manual or in facsimile. If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the Alliance authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated by the Bond Registrar, or issued or delivered by the Alliance, that Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the Alliance as though that person had continued to be an officer of the Alliance authorized to sign bonds. Any Bond also may be signed on behalf of the Alliance by any person who, on the actual date of signing of the Bond, is an officer of the Alliance authorized to sign bonds, although he or she did not hold the required office on the Issue Date.

(b) Authentication. Only a Bond 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 Discovery Clean Water Alliance Sewer Revenue Bonds described in the Bond Resolution." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

Section 7. Payment of Bonds. Principal of and interest on each Bond shall be payable in lawful money of the United States of America. Principal of and interest on each Bond registered in the name of the Securities Depository is payable in the manner set forth in the Letter of Representations. Interest on each other Bond is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. The Alliance is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not registered in the name of the Securities Depository is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar. The Bonds are not subject to acceleration under any circumstances.

Section 8. Debt Service Fund. The Debt Service Fund is hereby created as a special fund of the Alliance and is divided into two accounts; the Debt Service Account and the Debt Service Reserve Account. The Treasurer may create such accounts and subaccounts in the Debt Service Fund as may be convenient for the payment of the Parity Bonds so long as the maintenance of such accounts does not conflict with the rights of the Registered Owners.

So long as any Parity Bonds are outstanding, the Alliance shall set aside and pay into the Debt Service Fund, out of the Net Revenue, certain fixed amounts without regard to any proportion, namely:

(a) Into the Debt Service Account, on or prior to each date on which principal of or interest on the Parity Bonds is due, the amount required to pay such principal and interest on such date; and

(b) Into the Debt Service Reserve Account, 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 upon the Net Revenue superior to any other charges whatsoever.

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

On each Issue Date, the Alliance shall deposit into the Debt Service Reserve Account any combination of Reserve Insurance or other money legally available in the amount necessary to make the amount on deposit in the Debt Service Reserve Account equal to the Reserve Requirement. The payment of principal of and interest on the Bonds when due shall be secured by the Debt Service Reserve Account.

If there is a deficiency in the Debt Service Account that prevents making any payment secured by the Debt Service Reserve Account, that deficiency shall be made up from the Debt Service 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 Debt Service 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 Debt Service Reserve Account may be applied to pay the last outstanding Parity Bonds secured by the Debt Service Reserve Account. If the Reserve Requirement is fully provided for, any money in excess of the Reserve Requirement may be withdrawn and deposited consistent with this Section and Section 13.

The Alliance 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 Debt Service Fund so long as the amount on deposit in those accounts is sufficient to satisfy the requirements for the remaining Parity Bonds.

Notwithstanding the foregoing, the Alliance may establish a separate reserve requirement for any series of Future Parity Bonds (which may be zero), to be held in a separate debt service reserve account within the Debt Service Fund, for the purpose of securing that series of Future Parity Bonds, and that series of Future Parity Bonds will not be secured by amounts in the Debt Service Reserve Account or by Reserve Insurance credited to the Debt Service Reserve Account.

All money in the Debt Service Fund may be kept in cash or invested in legal investments maturing or subject to redemption or repurchase at the option of the Alliance, (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 Debt Service Reserve Account, 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 the Debt Service Reserve Account shall be retained therein until the amount therein is equal to the Reserve Requirement and thereafter may be withdrawn and deposited consistent with this Section and Section 13. In

computing the amount on hand in the Debt Service Reserve Account, Reserve Insurance shall be valued at the amount available thereunder, 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 the Debt Service Reserve Account. Any deficiency in the Debt Service 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 Debt Service Fund, any earnings that are subject to federal arbitrage rebate requirements may be withdrawn from the Debt Service Fund for deposit in a separate account created for the purpose of complying with those rebate requirements.

The Alliance may create sinking fund accounts or other accounts in the Debt Service Fund for the payment or securing the payment of Parity Bonds so long as the maintenance of those accounts does not conflict with the rights of the Registered Owners.

Section 9. Use of Bond Proceeds; Defeasance Plan.

(a) Use of Bond Proceeds; Acquisition of Acquired Obligations. On the Issue Date of the Bonds issued to carry out the Defeasance Plan, the proceeds of the sale of those Bonds shall be deposited with the Escrow Agent and used, together with other money of the Alliance, if any, to discharge the obligations of the District relating to the Defeased Bonds by carrying out the Defeasance Plan in accordance with the Defeasance Escrow Agreement. To the extent practicable, such obligations shall be discharged fully by the Escrow Agent's simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amount required to be paid by the Defeasance Plan. The Acquired Obligations shall be listed and more particularly described in a schedule attached to the Defeasance Escrow Agreement. Any proceeds of those Bonds or other money deposited with the Escrow Agent not needed to carry out the Defeasance Plan shall be returned to the Alliance for deposit in the Debt Service Account to pay interest on those Bonds on the next upcoming interest payment date. If payment of the costs of issuance of any Bonds issued to carry out the Defeasance Plan is not included in the Defeasance Plan, the proceeds of those Bonds that are not deposited with the Escrow Agent shall be deposited with the Alliance to be used to pay the costs of issuance of those Bonds.

On the Issue Date of the Bonds issued to provide funds to pay the cost of carrying out capital improvements to the System, the proceeds of the sale of those Bonds shall be deposited with the Treasurer and used to pay the cost of carrying out such capital improvements and the costs of issuing and selling those Bonds.

(b) Appointment of Escrow Agent. The Designated Representative is authorized and directed to appoint a financial institution to serve as Escrow Agent and to perform the duties of Escrow Agent under this resolution.

(c) Defeasance Escrow Agreement; Administration of Defeasance Plan. The Designated Representative is authorized and directed to execute the Defeasance Escrow Agreement setting forth the duties, obligations and responsibilities of the Escrow Agent in connection with carrying out the Defeasance Plan. The Defeasance Escrow Agreement shall, among other things, authorize and direct the Escrow Agent to purchase the Acquired

Obligations and to make the payments required to be made by the Defeasance Plan. All Acquired Obligations and money deposited with the Escrow Agent and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the Defeasance Escrow Agreement, the Defeased Bond Resolution, this resolution, chapter 39.53 RCW and other applicable State law. All administrative costs (including all necessary and proper fees, compensation and expenses of the Escrow Agent and all other costs incidental to the setting up of the trust account to accomplish the Defeasance Plan) and costs of issuance of the Bonds issued to carry out the Defeasance Plan may be paid out of the amounts deposited with the Escrow Agent or other available money of the Alliance, in accordance with the Defeasance Escrow Agreement.

(d) Call for Redemption of the Defeased Bonds. The Designated Representative is authorized and directed to request the District to call the Defeased Bonds for redemption on the Redemption Date at par, plus accrued interest. Such call for redemption shall identify the Defeased Bonds, the maturity dates, the Redemption Date and redemption price, and shall be irrevocable after the Bonds issued to carry out the Defeasance Plan are delivered to the Purchaser. The Designated Representative is authorized and directed to give or cause to be given such notices as required, at the times and in the manner required, pursuant to the Defeased Bond Resolution, and to take all other actions necessary to effect the redemption of the Defeased Bonds on the Redemption Date.

(e) Additional Findings with Respect to Defeasance. Prior to approving the sale of the Bonds issued to carry out the Defeasance Plan, the Designated Representative shall make the following determinations in writing if in his or her judgment the following conditions are met:

(1) The savings that will be effected shall be not less than the percentage savings set forth in Section 4(k). In making such determination, the Designated Representative shall give consideration to the fixed maturities of the Bonds issued to carry out the Defeasance Plan and the Defeased Bonds, the costs of issuance of those Bonds and the known earned income from the investment of the proceeds of those Bonds pending redemption of the Defeased Bonds.

(2) The Defeasance Plan will provide sufficient funds to discharge and satisfy the obligations of the District under Defeased Bond Resolution. In making such determination, the Designated Representative may rely upon a verification by a nationally recognized independent certified public accounting firm.

Section 10. Redemption Provisions and Purchase of Bonds.

(a) Optional Redemption. Unless otherwise specified in the Bond Purchase Contract, the Bonds shall not be subject to optional redemption.

(b) Mandatory Redemption. Each Bond that is designated as a Term Bond in the Bond Purchase Contract, consistent with the parameters set forth in Section 4 and except as set forth below, shall be called for redemption at a price of par, plus accrued interest, on the dates and in the amounts as set forth in the Bond Purchase Contract. If a Term Bond is redeemed under the optional redemption provisions, defeased or purchased by the Alliance and surrendered for cancellation, the principal amount of the Term Bond so redeemed, defeased or purchased (irrespective of its actual redemption or purchase price) shall be credited against one or more scheduled mandatory redemption installments for that Term Bond. The Alliance shall

determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation prior to the earliest mandatory redemption date for that Term Bond for which notice of redemption has not already been given.

(c) Selection of Bonds for Redemption; Partial Redemption. If fewer than all of the outstanding Bonds of a maturity of a series are to be redeemed, the Securities Depository shall select Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Bond Registrar shall select all other Bonds to be redeemed randomly in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same series, maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

(d) Notice of Redemption. Notice of redemption of each Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Registered Owner, shall be given by the Bond Registrar 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 at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by an Owner. In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB (if required under the Undertaking), to each Rating Agency, and to such other persons and with such additional information as the Alliance shall determine, but these additional mailings shall not be a condition precedent to the redemption of any Bond.

(e) Effect of Redemption. Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless money sufficient to effect such redemption is not on deposit in the Debt Service Fund or in a trust account established to refund or defease the Bond.

(f) Purchase of Bonds. The Alliance reserves the right to purchase any or all of the Bonds offered to the Alliance or on the open market at any time at any price acceptable to the Alliance plus accrued interest to the date of purchase.

Section 11. Failure to Pay Bonds. Unless otherwise specified in the Bond Purchase Contract, if the principal of any Bond is not paid when the Bond is properly presented at its maturity or date fixed for redemption, the Alliance shall be obligated to pay interest on the Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until the Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Debt Service Fund, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 12. Pledge of Net Revenue. The Net Revenue and all money and investments held in the Debt Service Fund are pledged to the payment of principal of and premium, if any, and interest on the Parity Bonds and all payments required to be made into the Debt Service Reserve Account or any other debt service reserve account securing Parity Bonds

under any Parity Bond Authorizing Resolution. This pledge of Net Revenue shall constitute a lien and charge upon the Net Revenue superior to any other charges whatsoever. The Parity Bonds are payable solely from Net Revenue and the funds expressly set forth in this Section. The Alliance has no taxing power. The Parity Bonds shall not be general obligations of the Alliance. This resolution does not pledge, and the Parity Bonds are not payable from, the full faith and credit or taxing power of any Member. No Member is responsible for payment of the Parity Bonds except as set forth in the Joint Agreement.

Section 13. 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 Operation 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;
- (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 Debt Service Reserve Account or any other debt service reserve account securing Parity Bonds, 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 Debt Service Reserve Account;
- (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 Debt Service Reserve Account, in any priority not inconsistent with this resolution that the Alliance 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 debt service reserve account created to pay or secure the payment of any revenue bonds, notes, warrants or other obligations of the Alliance secured by a charge upon the Net Revenue junior and inferior to the charge that secures the Parity Bonds and all payments required to be made into the Debt Service Reserve Account, in any priority not inconsistent with this resolution that the Alliance may hereafter establish by resolution; and
- (g) For any other lawful System purposes, in any priority not inconsistent with this resolution that the Alliance may hereafter establish by resolution.

The Alliance 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 Debt Service Fund.

Section 14. Covenants. The Alliance covenants and agrees with each Registered Owner, as follows:

(a) Operation and Maintenance. The Alliance 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 Regional Service Charges. The Alliance will establish, maintain and collect Regional Service Charges in accordance with the Joint Agreement so that:

(1) The Gross Revenue in each fiscal year will be sufficient to pay when due (i) all Operation and Maintenance Costs for that fiscal year, (ii) all amounts that the Alliance is obligated to pay into the Debt Service 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 the Alliance 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 Joint Agreement, except as may be required under the provisions of any federal or State statute, regulation or license, the Alliance 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) Joint Agreement. The Alliance will enforce the provisions of the Joint Agreement, including the provisions of the Joint Agreement providing for payment of Regional Service Charges and provisions requiring any withdrawing Member to continue payment of its allocable share of debt service on the Parity Bonds. The Alliance will not waive any right or fail to declare any default under or in connection with the Joint Agreement that would reduce the payments to the Alliance provided therein or would materially adversely affect the security of the Registered Owners.

(d) Sale, Transfer or Disposition of the System. Except as otherwise provided in the Joint Agreement, the Alliance 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 subsection, 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 Regional Service 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) The Alliance receives from the transferee an amount equal to the fair market value of the portion of the System transferred. As used in this paragraph, "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 paragraph (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/or (ii) to provide for part of the cost of additions to and betterments and extensions of the System; and (B) before any such transfer, the Alliance must obtain a certificate of an Independent Consultant to the effect that in his or her professional opinion, upon that transfer and the use of proceeds of the transfer as proposed by the Alliance, 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, (iii) the Independent Consultant'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 16(e)(2).

(e) Liens Upon the Gross Revenue. Except as otherwise expressly permitted in this resolution, the Alliance will not at any time create or permit to accrue or to exist any lien, charge or other encumbrance upon the Gross Revenue or any part thereof prior or superior to the lien and charge that secures the Parity 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 Gross Revenue or any part thereof, prior or superior to, or on a parity with, the lien and charge that secures the Parity Bonds or which might materially adversely affect the security of the Registered Owners.

(f) Books and Accounts. The Alliance 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 the Alliance. The Alliance 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 Debt Service 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 the Alliance. The Alliance may charge a reasonable cost for providing that audit report and those financial statements.

(g) Maintenance of Insurance. The Alliance 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 the Alliance 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 the Alliance, to protect the System and the Registered Owners against loss.

(h) Condemnation Awards and Insurance Proceeds. If the Alliance 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 the Alliance's 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, (iii) to the cost of improvements to the System or (iv) with respect to proceeds of business interruption insurance only, in accordance with Section 8 and Section 13.

Section 15. Tax Covenants; Designation of Bonds as "Qualified Tax-Exempt Obligations."

(a) Preservation of Tax Exemption for Interest on Tax-Exempt Bonds. The Alliance covenants that it will take all actions necessary to prevent interest on the 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 proceeds of the Tax-Exempt Bonds or other funds of the Alliance treated as proceeds of the Tax-Exempt Bonds that will cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes.

(b) Post-Issuance Compliance. The Designated Representative is authorized and directed to adopt and implement written procedures to facilitate compliance by the Alliance with the covenants in this resolution and the applicable requirements of the Code that must be satisfied after the Issue Date to prevent interest on the Tax-Exempt Bonds from being included in gross income for federal income tax purposes.

(c) Designation of Bonds as "Qualified Tax-Exempt Obligations." One or more series of the Bonds may be designated as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code, if the following conditions are met:

(1) those Bonds do not constitute "private activity bonds" within the meaning of Section 141 of the Code;

(2) 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 Alliance and any entity subordinate to the Alliance (including any entity that the Alliance controls, that derives its authority to issue tax-exempt obligations from the Alliance, or that issues tax-exempt obligations on behalf of the Alliance) will issue during the calendar year in which those Bonds are issued will not exceed \$10,000,000; and

(3) the amount of tax-exempt obligations, including those Bonds, designated by the Alliance as "qualified tax-exempt obligations" for the purposes of

Section 265(b)(3) of the Code during the calendar year in which those Bonds are issued does not exceed \$10,000,000.

Section 16. Provisions for Future Parity Bonds. The Alliance may issue Future Parity Bonds 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:

(a) There shall be no deficiency in the Debt Service 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 default under this resolution, nor any event or condition which with notice and/or the passage of time would constitute such a default, shall have occurred and be continuing, nor shall the issuance of those Future Parity Bonds, in and of itself, cause a default under this resolution or any event or condition which with notice and/or the passage of time would constitute such a default;

(c) The applicable Parity Bond Authorizing Resolution shall provide for the payment of the principal of and interest on those Future Parity Bonds out of the Debt Service Fund;

(d) Unless a separate reserve is provided for in accordance with Section 8, the applicable Parity Bond Authorizing Resolution shall provide for the deposit into the Debt Service 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 the Debt Service Reserve Account equal to the Reserve Requirement upon the issuance of those Future Parity Bonds; and

(e) There shall be on file with the Alliance either:

(1) a certificate of the Treasurer 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 Consultant 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 consecutive fiscal years 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 Regional Service Charges in effect and being charged, or Regional Service Charges expected to be charged in accordance with a program of specific levels or increases or decreases in overall revenue approved by resolution or resolutions or pursuant to the Joint Agreement;

b. Regional Service 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 sewage collection and treatment or other utility service, which revenue was not included in the historical Net Revenue.

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 final maturity of those Future Parity Bonds is not more than one year later than the final maturity of 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.

Nothing contained herein shall prevent the Alliance 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 secured by a charge upon the Gross Revenue subordinate to the charge that secures the Parity Bonds and all payments required to be made into the Debt Service Reserve Account, and then only if the remedy of acceleration is expressly denied to the owners of those subordinate bonds under all circumstances.

Section 17. Separate Utility Systems. The Alliance may create, acquire, construct, finance, own and operate one or more additional systems for wastewater transmission and treatment 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 the Alliance to the payment of any obligations of a separate utility system except that the Net Revenue may be pledged on a basis subordinate to the pledge that secures the Parity Bonds and all payments required to be made into the Debt Service Reserve Account.

Section 18. Refunding or Defeasance of Bonds. The Alliance may issue refunding bonds pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (a) paying when due the principal of and interest on any or all of the Bonds (the "defeased Bonds"); (b) redeeming the defeased Bonds prior to their maturity; and (c) paying the costs of the refunding or defeasance. If the Alliance sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the "trust account"), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the defeased Bonds in accordance with their terms, then all right and interest of the Owners of the defeased Bonds in the covenants of this resolution and in the funds and accounts obligated to the

payment of the defeased Bonds shall cease and become void. Thereafter, the Registered Owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds solely from the trust account, and the defeased Bonds shall be deemed no longer outstanding.

Section 19. Supplemental Resolutions.

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

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

(1) To provide for the issuance of Future Parity Bonds 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;

(3) To impose upon the Bond Registrar (with its consent) for the benefit of the Registered Owners 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, the Alliance in this resolution, other covenants, agreements, limitations and restrictions to be observed by the Alliance 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 Bonds and to make correlative amendments and modifications to this resolution regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations, provisions relating to the Securities Depository, and to make similar amendments and modifications of a technical nature not materially adverse to the security of the Registered Owners;

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

(8) Due to change in federal law or rulings, to maintain the exclusion from gross income of the interest on the Tax-Exempt Bonds from federal income taxation in a manner not materially adverse to the security of the Registered Owners; and

(9) To add to the covenants and agreements of, and limitations and restrictions upon, the Alliance in this resolution, other covenants, agreements, limitations and restrictions to be observed by the Alliance 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 the Alliance shall adopt any supplemental resolution pursuant to this subsection (b), there shall have been delivered to the Alliance an opinion of Bond Counsel, stating that the supplemental resolution is authorized or permitted by this resolution and, upon the execution and delivery thereof, will be valid and binding upon the Alliance in accordance with its terms and will not (i) adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds or (ii) materially adversely affect the security of the Registered Owners.

(c) (1) Except for any supplemental resolution adopted 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 Parity Bonds then outstanding shall have the right from time to time to consent to and approve the adoption by the Alliance of any supplemental resolution deemed necessary or desirable by the Alliance 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 then 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 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 over any other Parity Bond, 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 the Alliance 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, to any Bond Insurer, and to each Rating Agency. 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 Alliance for inspection by all Registered Owners.

(3) Within two years after the date of the mailing of that notice, the Alliance may adopt that supplemental resolution in substantially the form described in that notice, but only if there shall have first been delivered to the Alliance (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 the Alliance in accordance with its terms and

will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 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 the Alliance 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 the Alliance, the Bond Registrar and all Registered Owners shall thereafter be determined, exercised and enforced under this resolution subject in all respects to those modifications and amendments.

Section 20. Amendments to Joint Agreement.

(a) The Alliance, from time to time, and at any time, without the consent of or notice to the Registered Owners, may amend the Joint Agreement for any purpose except as provided in subsection (b) of this Section.

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

a. An amendment that eliminates or materially diminishes the obligation of the Members under Section VI.D.2 of the Joint Agreement, i.e., the obligations (x) to take actions related to the establishment, maintenance and collection of rates, fees or other charges for wastewater and other services, facilities and commodities related to the services received from the Alliance and its own wastewater utility and maintain reserves it deems appropriate at levels adequate to provide revenues sufficient to make payments required to be made under the Joint 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 Regional Service Charges to the Alliance, or (z) to treat Regional Service Charges as internal operation and maintenance costs payable prior to debt service on Member obligations; or

b. An amendment that eliminates or materially diminishes the obligation of the Members under Section VI.D.3 of the Joint Agreement to make appropriate written undertakings under Rule 15c2-12; or

c. An amendment that eliminates or materially diminishes the obligation of the Members under Section VI.B.3 of the Joint Agreement, i.e., to remit payment of disputed invoices in full prior to resolving the dispute; or

d. An amendment that eliminates or materially diminishes the obligation of the Members under Section VI.B.4 of the Joint Agreement, i.e., to pay proportionate shares of a defaulting Member's Regional Service Charges; or

e. An amendment that eliminates or materially diminishes a withdrawing Member's obligations under Section IV.H of the Joint Agreement (i.e., to pay the full cost of its withdrawal to the Alliance, including the payment or provision for payment of its allocable share of capital costs incurred (and bonds issued) in anticipation of its needs while a Member, consistent with then-current capital plans and capital budgets of the Alliance).

(2) If at any time the Alliance shall permit the amendment of the Joint 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, to any Bond Insurer, and to each Rating Agency. 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 Alliance for inspection by all Registered Owners.

(3) Within two years after the date of the mailing of that notice, the Alliance may permit the amendment of the Joint Agreement in substantially the form described in that notice, but only if there shall have first been delivered to the Alliance (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 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 Joint 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 execution and delivery thereof, or to enjoin or restrain the Alliance from entering into the same or from taking any action pursuant to the provisions thereof.

Section 21. Sale and Delivery of the Bonds.

(a) Manner of Sale; Delivery of Bonds. The Designated Representative is authorized to sell each series of the Bonds by negotiated sale through a direct purchase, private placement or public offering or by competitive sale in accordance with a notice of sale consistent with this resolution, based on the assessment of the Designated Representative of market conditions, in consultation with the financial advisor to the Alliance, Bond Counsel and other advisors. In determining the method of sale and accepting the Final Terms, the Designated Representative shall take into account those factors that, in the judgment of the Designated Representative, may be expected to result in the lowest true interest cost to the Alliance.

(b) Procedure for Direct Purchase, Private Placement or Negotiated Public Offering. If the Designated Representative determines that a series of the Bonds is to be sold by direct purchase, private placement or negotiated public offering, the Designated Representative shall select the Purchaser with which to negotiate such sale. The Bond Purchase Contract shall set forth the Final Terms. The Designated Representative is authorized to execute the Bond Purchase Contract on behalf of the Alliance, so long as the terms provided therein are consistent with the terms of this resolution.

(c) Procedure for Competitive Sale. If the Designated Representative determines that a series of the Bonds is to be sold by competitive sale, the Designated Representative shall cause the preparation of an official notice of bond sale setting forth parameters for the Final Terms and any other bid parameters that the Designated Representative deems appropriate consistent with this resolution. Bids for the purchase of the Bonds shall be received at such time or place and by such means as the Designated Representative directs. On the date and time established for the receipt of bids, the Designated Representative (or the designee of the Designated Representative) shall open bids and shall cause the bids to be mathematically verified. The Designated Representative is authorized to award, on behalf of the Alliance, the winning bid and to accept the winning bidder's offer to purchase the 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, and such award shall constitute the Bond Purchase Contract. The Designated Representative may reject any or all bids submitted and may waive any formality or irregularity in any bid or in the bidding process if the Designated Representative deems it to be in the best interest of the Alliance to do so. If all bids are rejected, the Bonds may be sold by direct purchase, private placement or negotiated public offering or in any manner provided by law as the Designated Representative determines is in the best interest of the Alliance, within the parameters set forth in this resolution.

(d) Preparation, Execution and Delivery of the Bonds. Each series of the Bonds shall be prepared at the expense of the Alliance and shall be delivered to the Purchaser in accordance with the Bond Purchase Contract, together with the approving legal opinion of Bond Counsel regarding those Bonds.

Section 22. Official Statement; Continuing Disclosure.

(a) Preliminary Official Statement Deemed Final. The Designated Representative is authorized and directed to review and, if acceptable to him or her, approve any preliminary Official Statement prepared in connection with the sale of one or more series of the Bonds to the public or through a Purchaser as a placement agent. For the sole purpose of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, if applicable, the Designated Representative is authorized and directed to deem the preliminary Official Statement final as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. The Alliance authorizes and approves the distribution by the Purchaser of a preliminary Official Statement that has been approved and, if applicable, deemed final by the Designated Representative in accordance with this subsection, to purchasers and potential purchasers of those Bonds.

(b) Approval of Final Official Statement. The Alliance approves the preparation of a final Official Statement prepared in connection with the sale of one or more series of the Bonds to the public or through a Purchaser as a placement agent, in the form of the preliminary Official Statement that has been approved and deemed final in accordance with subsection (a), with such modifications and amendments as the Designated Representative deems necessary or desirable, and further authorizes the Designated Representative to execute and deliver such final Official Statement to the Purchaser if required by the Bond Purchase Contract or under Rule 15c2-12. The Alliance authorizes and approves the distribution by the Purchaser of the final Official Statement so executed and delivered to purchasers and potential purchasers of those Bonds.

(c) Undertaking to Provide Continuing Disclosure. If necessary to satisfy the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to the Purchaser acting as a participating underwriter for one or more series of the Bonds, the Designated Representative is authorized to execute a written undertaking and to cause any obligated person (within the meaning of Rule 15c2-12) to execute a written undertaking, in each case to provide continuing disclosure for the benefit of holders of those Bonds. No default under any such undertaking shall constitute a default under this resolution, and the sole remedy for failure to comply with any such undertaking shall be an action to compel performance.

Section 23. General Authorization and Ratification. The Designated Representative and other appropriate officers of the Alliance are severally authorized to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the transactions contemplated in connection with this resolution, and to do everything necessary for the prompt delivery of each series of the Bonds to the Purchaser and for the proper application, use and investment of the proceeds of the Bonds. All actions taken prior to the effective date of this resolution in furtherance of the purposes described in this resolution and not inconsistent with the terms of this resolution are ratified and confirmed in all respects.

Section 24. 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, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. 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 25. Section Headings. The section headings in this resolution are used for convenience only and shall not constitute a substantive portion of this resolution.

Section 26. 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 Discovery Clean Water Alliance at a regular open public meeting held on this 19th day of June, 2015.

DISCOVERY CLEAN WATER ALLIANCE



Tom Mielke, Chair of the Board of Directors

CERTIFICATION


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

1. The attached copy of Resolution No. 2015-02 (the "Resolution") is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board held on June 19, 2015, at the time and meeting place for which notice was given in accordance with law, as the Resolution appears on the minute book of the Alliance; and the Resolution is now in full force and effect.

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 19th day of June, 2015.

DISCOVERY CLEAN WATER ALLIANCE



Ron Onslow, Secretary of the Board of
Directors