



****ER 408 PRIVILEGED—FOR SETTLEMENT PURPOSES ONLY****

September 16, 2019

*ByEmail: kevin@lssewerdistrict.org and
By USPS Certified Mail, Return Receipt Requested*

Kevin Kosche
President, LSSD Board of Commissioners
1106 Vernon Road Suite A
Lake Stevens, WA 98258

Re: Resolution No. 969

Dear Mr. Kosche:

This letter follows recent communications between the City of Lake Stevens' attorneys and Mr. Dan Gottlieb, bond counsel for the Lake Stevens Sewer District, concerning the revenue refunding bonds authorized by District Resolution No. 969. The City is tentatively amenable to the proposal set forth in Mr. Gottlieb's September 16, 2019 email to City Attorney Greg Rubstello with the modifications identified below. As modified, the proposal would involve the following components:

- The City hereby formally retracts its letter to the District dated August 28, 2019, and its two letters to the District dated September 11, 2019, regarding the above-referenced bond authorization and District Resolution No. 969.
- No later than September 26, 2019, the District's Board of Commissioners will amend Resolution No. 969 to repeal or otherwise Section 16(k).
- No later than September 26, 2019, the District's Board of Commissioners will amend Resolution No. 969 to revise Section 17 to provide as follows (new text underlined):

Section 17. 2019 Bond Tax Covenants.

The District shall comply with the provisions of this Section 17 with respect to the 2019 Bonds unless, in the written opinion of Bond Counsel, such compliance is not required.

The District hereby covenants that it will not make any use of the proceeds from the sale of the 2019 Bonds or any other funds of the District that may be deemed to be proceeds of the 2019 Bonds pursuant to Section 148 of the Code and the applicable regulations thereunder that will cause the 2019 Bonds to be "arbitrage bonds" within the meaning of said Section and said regulations. The District will comply with the applicable requirements of Section 148 of the Code (or any successor provision thereof applicable to the 2019 Bonds) and the applicable regulations thereunder throughout the term of the 2019 Bonds. In particular, the District will compute, if necessary, and pay any required rebate or penalty due to the United States of America at the times and in the amounts necessary to meet the requirements of the Code.

The District further covenants that it will not take any action or permit any action to be taken that would cause the 2019 Bonds to constitute "private activity bonds" under Section 141 of the Code.

The District covenants that it will not take any action or permit or suffer any action to be taken if the result thereof would be to cause the 2019 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

The District has not designated the 2019 Bonds as "qualified tax-exempt obligations" for purposes of Section 265 of the Code (relating to the deduction by financial institutions of the interest incurred to carry tax-exempt debt).

Prior to transferring the System to the City pursuant to the Unified Sewer Agreement, the District will obtain a written opinion of Bond Counsel, mutually agreed by the City and the District, to the effect that: (i) such transfer will not, in and of itself, affect the tax-exempt status of the 2019 Bonds; and (ii) the 2019 Bonds are enforceable obligations of the City.

- The City would provide such information as the District or the Underwriter of the 2019 Bonds reasonably requests regarding information about the City that they deem reasonably necessary to include in the offering documentation for the 2019 Bonds, including undertaking in writing to provide such continuing disclosure of that information as may be required by applicable securities law.

The City's obligations above, including without limitation the retraction of its August 28, 2019 and September 11, 2019 letters, are expressly contingent upon the District's timely amendment of Resolution No. 969 as set forth herein. The City reserves all rights.

Thank you for your attention and consideration of the above. I look forward to receiving your response.

Sincerely,


John Spencer, Mayor

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September 16, 2019
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Cc: Gene Brazel, City Administrator
Barb Stevens, Finance Director
Greg Rubstello, Esq.
Zach Lell, Esq.
Dan Gottlieb, Esq.
David Thompson, Esq.