

FIRST AMENDMENT TO REPAYMENT AGREEMENT

This FIRST AMENDMENT TO REPAYMENT AGREEMENT (this “Amendment”) is effective as of the Effective Date set forth in Section 3 herein, by and among the City of Tacoma, Washington (“Tacoma”), the City of Kent, Washington (“Kent”), Covington Water District (“Covington”) and Lakehaven Water and Sewer District, formerly known as Lakehaven Utility District (“Lakehaven” and, collectively with Tacoma, Kent and Covington, the “Participants”).

WHEREAS, the Participants entered into the Agreement for the Second Supply Project, effective December 19, 2002 (the “Project Agreement”) to design, finance, construct, operate and maintain certain property and facilities to obtain and receive deliveries of water for the Participants from the exercise by Tacoma of the Second Diversion Water Right (the “Project”); and

WHEREAS, the Project offers to all of the Participants an additional water delivery supply system with the benefits of joint development, tax exempt financing and economies of scale; and

WHEREAS, Initial Project Construction costs (as defined in the Project Agreement) were paid, in part, from proceeds of Tacoma’s Regional Water Supply System Revenue Bonds, 2002 (the “2002 Bonds”); and

WHEREAS, Lakehaven elected to prepay its allocable portion of the Initial Project Construction costs and did not participate in the 2002 Bonds; and

WHEREAS, in connection with the issuance of the 2002 Bonds, the Participants entered into the Repayment Agreement, effective November 1, 2002 (the “Original Agreement”) in order to elaborate on the Project Agreement’s payment sections and to set forth Kent and Covington’s respective proportional payment obligation with respect to debt service on the 2002 Bonds; and

WHEREAS, on April 16, 2013, Tacoma issued its Regional Water Supply System Revenue Refunding Bonds, 2013 (the “2013 Bonds”) to refund, for debt service savings, the 2002 Bonds; and

WHEREAS, under the terms of the Original Agreement, Kent and Covington’s respective proportional payment percentages carried forward and applied to the 2013 Bonds; and

WHEREAS, the Tacoma Public Utility Board approved and the Tacoma City Council adopted an ordinance authorizing Tacoma to refund the outstanding 2013 Bonds with, in part, proceeds of its Regional Water Supply System Revenue Refunding Bonds, Series 2023, proposed to be issued in the aggregate principal amount of not to exceed \$40,850,000 (the “2023 Bonds” or the “Bonds”); and

WHEREAS, the 2023 Bonds will be Project Bonds under the Project Agreement and “Bonds” under the Original Agreement; and

WHEREAS, in connection with such refunding, Covington has elected to prepay its allocable portion of the 2013 Bonds and will not participate in the 2023 Bonds; and

WHEREAS, the Participants wish to set forth the terms under which Kent shall make payments to Tacoma equal to its share of the principal of and interest on the 2023 Bonds when due and to confirm other matters required to market the 2023 Bonds;

NOW THEREFORE, the Participants agree as follows:

SECTION 1. Definitions. Unless otherwise specified herein, including in the recitals hereto, all capitalized terms used in this Amendment shall have the meanings specified in the Original Agreement. Furthermore, for purposes of the Original Agreement and this Amendment, the following terms shall be defined as follows:

Bonds shall mean the City's Regional Water Supply System Revenue Refunding Bonds, Series 2023, and any Refunding Bonds issued pursuant to Section 2(g) of this Agreement.

Ordinance means Ordinance _____, passed by the City Council on _____, 2023, as it may be amended from time to time.

SECTION 2. Amendments to the Original Agreement. Upon the satisfaction of the conditions precedent set forth in Section 3 of this Amendment, the Original Agreement is hereby amended as follows:

(A) *Amendments, Additions and Deletions to Section 2.* Section 2 of the Original Agreement (Payments by Kent and Covington) is hereby amended as follows (deletions are ~~stricken~~ and additions are double underlined):

Section 2. Payments by Kent and Covington.

Notwithstanding any provision of Section 25 of the Project Agreement to the contrary, ~~Kent and Covington's obligations~~ Kent's obligation to repay ~~its~~ their share of the Bonds shall be governed by the following provisions.

(a) ~~Covington and Kent~~ hereby acknowledges and agrees that ~~they~~ it shall pay Tacoma ~~[29.5250]% 22.0914% and 22.9348%, respectively,~~ of the principal of and interest on the Bonds and ~~are~~ is liable to repay Tacoma amounts due and owing with respect to such principal and interest as estimated on Schedule A, as revised by, and appended to, the Amendment to this Agreement, dated _____, 2023. A final version of Schedule A ~~schedule~~ showing ~~Covington and Kent's~~ proportionate share of the payments of debt service on the Bonds will be attached to this Agreement when the Bonds have been issued. ~~Resolution has been adopted by the Tacoma City Council.~~

The Bonds shall bear interest at the rates and be payable as set forth in the final Official Statement relating to the Bonds. Interest on the Bonds shall be calculated based on a 360-day year of twelve 30-day months.

~~Interest on the Bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2003. Principal of the Bonds shall be payable annually on each December 1, commencing in 2005 and ending in 2032. Interest on the Bonds shall be calculated based on a 360 day year of twelve 30 day months. The Bonds shall bear interest at the rates set forth in the Resolution.~~

(b) ~~Kent and Covington shall remit to Tacoma on or before three business days prior to each interest and principal payment date for the Bonds, commencing with the December 2023 payment date, an amount equal to the interest and principal, if any, next coming due based on its percentage by the 15th day of each month (or the next following business day if such date is not a business day), commencing with the month following the issuance of the Bonds, an amount equal to one sixth of the interest and one twelfth of the principal (or such greater fraction if there are less than six or twelve months, as applicable, to the next interest or principal date) next coming due based on their percentage share of the Bonds as shown on the debt service schedule applicable to the Bonds and attached in Schedule A, as it may be revised in connection with the refunding of the Bonds. final Schedule A.~~ Payments shall be sent by check or electronic transfer to the address or account shown on Schedule B. Tacoma shall not be required to bill Kent and Covington for these payments. ~~All interest earnings on the amounts submitted by Kent and Covington in any year shall be used to reduce their respective first monthly interest and principal payment in the next succeeding year. Each December Tacoma shall send Kent and Covington a reconciliation statement showing their January payment to reflect the interest earned on their prior year's payments~~

(c) Tacoma agrees to deposit all amounts received from the Participants under this Agreement in the City of Tacoma Regional Water Supply System Bond Fund created or continued under the Ordinance and to use such money for the sole purpose of paying the principal of and interest on the Bonds and Future Parity Bonds (as defined in the Ordinance). If Tacoma draws on the Reserve Account to cover a payment not made by any Participant, Tacoma may deposit amounts related to such late payments paid pursuant to paragraph (b) above to the Reserve Account to meet the Reserve Account Requirement (as such terms are defined in the Ordinance).

(d) ~~Kent and Covington~~ may provide for the prepayment of all or a portion of its ~~their~~ allocable share (in increments of \$5,000) of the Bonds on any date when the Bonds are subject to optional redemption (at the price of par plus accrued interest to the date fixed for redemption set forth in the Resolution) upon at least 60 days written notice to Tacoma at the address shown on Schedule B. Tacoma shall apply those amounts to the redemption and prepayment of an allocable

portion of the Bonds.

(e) Consistent with the terms of the Project Agreement, each Participant agrees that it will establish, maintain and collect rates and charges for water and other services, facilities and commodities sold, furnished or supplied by it through its water system which shall be adequate to provide revenues sufficient to enable the Participant to make its required payments under this Agreement (in the case of Kent ~~and Covington~~) and the Project Agreement and comply with the rate covenants in ~~their~~ its respective resolutions or ordinances authorizing ~~their~~ its senior lien water bonds (as such covenants may be changed).

(f) Kent ~~and Covington~~ shall remain obligated to provide for its ~~their~~ respective shares of debt service on the Bonds listed on final Schedule A unless all Participants consent to add a new Participant or to permit an existing Participant to assign its interests to a new Participant and all of the requirements set forth in Section ~~2015~~2015(c) of the Ordinance are met. In such event, Schedule A shall be adjusted to reflect the revised debt service schedule for all Participants, including the new Participant. All other terms and conditions of this Agreement shall remain in full force and effect.

(g) Tacoma may in its sole discretion issue bonds that refund the Bonds (“Refunding Bonds”) if and only if there is a debt service savings for each maturity of Refunding Bonds (compared to the Bonds and except as necessary to round out maturities to the nearest \$5,000) and the final maturity date of the Refunding Bonds is not later than that of the Bonds. In such event, Kent ~~and Covington~~ shall be obligated to provide for the payment of its ~~their~~ respective shares of the principal of and interest on those Refunding Bonds, and Schedule A shall be adjusted to reflect the revised debt service schedule for the Refunding Bonds. Refunding Bonds that do not provide the debt service savings with the maturities described above may be issued by Tacoma only with the written approval by ~~both Covington and Kent~~. “Refunding Bonds” shall be treated as “Bonds” for the purposes of this Agreement, and all other terms and conditions of this Agreement shall remain in full force and effect.

(B) *Amendment to Section 3(a)*. Section 3(a) of the Original Agreement is hereby amended as follows (deletions are ~~stricken~~ and additions are double underlined):

(a) Kent ~~and Covington~~ shall not (a) enter into any contracts with private parties for the management of its ~~their~~ water systems or (b) enter into any contracts with a private party or the Federal Government that exceed three years (or such lesser period if informed in writing by

Tacoma) for the sale of water from the Project without providing a copy of any such proposed contract to Tacoma for review by Tacoma and Tacoma's designated nationally recognized bond counsel. Kent ~~and Covington~~ shall not execute any such contract if, in the opinion of such bond counsel, the sales or management agreement as proposed would adversely affect the tax-exempt status on the Bonds.

(C) Amendment to Section 4. Section 4 of the Original Agreement is hereby amended as follows (deletions are ~~stricken~~ and additions are double underlined):

Section 4. Ongoing Disclosure. To assist the underwriters of the Bonds in complying with the ongoing disclosure requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"), ~~Covington and Kent~~ agree to include reference to the Bonds in its ~~their~~ regular ongoing disclosure filings pursuant to the Rule or, in the absence of a regular ongoing disclosure filing, to provide or cause to be provided annually to each nationally recognized municipal securities information repository and to the state information depository for the State of Washington (if one is created), in each case as designated by the SEC in accordance with the Rule, audited financial statements prepared in accordance with generally accepted accounting principles applicable to Washington municipal corporations (except as noted in such financial statements) within eight nine months after each fiscal year. ~~Covington and Kent~~ shall provide Tacoma a copy of such filing by each September 1st.

SECTION 3. Conditions Precedent. This Amendment shall become effective as of the date of issuance and delivery of the 2023 Bonds (the "Effective Date") and defeasance and/or refunding of the 2013 Bonds, in full, subject to satisfaction of all of the following conditions:

(A) Delivery by Tacoma of an executed (a) Resolution of the Tacoma Public Utilities Board adopted on _____, 2023 requesting the issuance of the 2023 Bonds, approving a form of the 2023 Bond Ordinance and requesting this Amendment; and (b) City Ordinance No. _____ adopted on _____, 2023 authorizing the issuance of the 2023 Bonds and authorizing this Amendment;

(B) Delivery by each Participant to the other parties to the Original Agreement copies of such Participant's resolution or ordinance authorizing the execution and delivery of this Amendment; and

(C) Execution by each Participant of this Amendment.

SECTION 4. Failure to Issue Bonds or Prepay. Notwithstanding anything herein to the contrary, this Amendment shall be null and void if either (a) the 2023 Bonds are not issued to defease and/or refund the 2013 Bonds, in full, by June 30, 2024, or (b) Covington does not deliver, or cause to be delivered, funds sufficient to prepay its obligation with respect to the 2013 Bonds

at or prior to the date of issuance of the 2023 Bonds and the defeasance and/or refunding of the 2013 Bonds. The Participants hereby acknowledge and consent to Tacoma issuing the 2023 Bonds as “Bonds” under the Original Agreement in order to provide a portion of the funds necessary to refund the 2013 Bonds.

SECTION 5. Term. The amendments set forth herein shall become effective as of the Effective Date upon satisfaction of the conditions set forth in Section 3. The Original Agreement, as amended by this Amendment, shall expire when the Bonds are no longer outstanding as provided in Section 1 of the Original Agreement.

SECTION 6. Miscellaneous. Except as specifically amended herein, the Original Agreement shall continue in full force and effect in accordance with its terms.

THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF WASHINGTON WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PROVISIONS.

This Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Participants have caused this Amendment to be duly executed and delivered as of the Effective Date.

CITY OF TACOMA, DEPARTMENT OF PUBLIC UTILITIES, WATER DIVISION

CITY OF KENT, WASHINGTON

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Approved as to Form:

Approved as to Form:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

COVINGTON WATER DISTRICT

LAKEHAVEN WATER AND SEWER DISTRICT

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Approved as to Form:

Approved as to Form:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____