

SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 2  
SAN JUAN COUNTY, WASHINGTON

TAX ANTICIPATION NOTE, 2017-1

RESOLUTION NO. 2017-11

A RESOLUTION of the Board of Commissioners of San Juan County Public Hospital District No. 2, San Juan County, Washington, providing for the issuance and sale of a tax anticipation note of the District in the principal amount of \$100,000; providing for the disposition of the proceeds of the sale of such note; fixing the date, form, interest rate, terms, maturity and covenants of such note; and approving the sale of such note.

APPROVED ON JULY 27, 2017

PREPARED BY:

K&L GATES LLP  
Seattle, Washington

SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 2  
RESOLUTION NO. \_\_\_\_\_\*

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\* This table of contents is not a part of this resolution; it is included for convenience of the reader only.

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A RESOLUTION of the Board of Commissioners of San Juan County Public Hospital District No. 2, San Juan County, Washington, providing for the issuance and sale of a tax anticipation note of the District in the principal amount of \$100,000; providing for the disposition of the proceeds of the sale of such note; fixing the date, form, interest rate, terms, maturity and covenants of such note; and approving the sale of such note.

WHEREAS, the Board of Commissioners (the "Board") of San Juan County Public Hospital District No. 2, San Juan County, Washington (the "District"), plans to provide funds to establish a District office and pay start-up costs of the District (the "Project"); and

WHEREAS, the District is authorized, pursuant to RCW 70.44.110, to incur indebtedness and issue its tax and revenue anticipation note for the purpose of providing funds to pay the costs of the Project and the costs of issuance of such note; and

WHEREAS, it is deemed necessary and advisable that the District now issue and sell its tax anticipation note in the principal amount of \$100,000 (the "Note") to pay the costs of the Project and the costs of issuance of the Note; and

WHEREAS, the District has received the offer of Islanders Bank, Friday Harbor, Washington (the "Bank"), to purchase the Note, and the Board wishes to accept such offer on the terms and conditions set forth therein and herein;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 2, SAN JUAN COUNTY, WASHINGTON, as follows:

Section 1.     Definitions. As used in this resolution, the following words shall have the following meanings:

**Bank** means Islanders Bank, Friday Harbor, Washington, and any business successor thereto.

**Board of Commissioners** or **Board** means the duly constituted Board of Commissioners as the general legislative authority of the District.

**Code** means the federal Internal Revenue Code of 1986 as amended from time to time, and the applicable regulations thereunder.

**District** means San Juan County Public Hospital District No. 2, San Juan County, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington.

**Draw** or **Draws** means incremental draws on the Note as requested by the District.

**Interest Rate** means a variable rate equal to the Wall Street Journal Prime (index) plus 0.125%.

**Loan Draw Record** means the administrative record kept by the Bank to record the date and dollar amounts of the Draws on the Note made by the District.

**Maturity Date** means June 1, 2018.

**Note** means the San Juan County Public Hospital District No. 2, San Juan County, Washington, Tax Anticipation Note, 2017, in the principal amount of \$100,000, issued pursuant to this resolution.

**Note Redemption Fund** means the fund by that name or other proper designation into which the District shall deposit all funds it receives from the State of Washington or District

taxpayers after the date of the Note until there are sufficient funds available to pay the principal of and interest on the Note as required under the terms of the Note.

**Note Register** means the registration books maintained by the Note Registrar for the purpose of identifying ownership of the Note.

**Note Registrar** means initially, the fiscal agent of the state of Washington, whose duties include registering and authenticating the Note, maintaining the Note Register, transferring ownership of the Note, and paying the principal of and interest on the Note and shall include any successor institution appointed as Note Registrar by the Treasurer.

**Outstanding Principal Balance** of the Note means on any particular day the aggregate of all funds that the District has drawn from the Bank under the Note to that day, less the aggregate of all principal payments on the Note made by the District on or before that day.

**Project** means the establishment of a District office and start-up costs of the District.

**Registered Owner** means the person named as the registered owner of the Note in the Note Register.

**State** means the State of Washington.

**Treasurer** means the San Juan County Treasurer, as *ex officio* treasurer of the District, or any successor to the functions of the Treasurer.

Section 2. Authorization of Note. The District shall, for the purpose of funding the Project prior to receipt of tax revenues, issue a short-term obligation in the principal amount of \$100,000. Said short-term obligation shall be designated as the “San Juan County Public Hospital District No. 2, San Juan County, Washington, Tax Anticipation Note, 2017,” shall be dated as of the date of delivery to the Bank, shall be issued in fully-registered form, and shall be in the denomination of \$100,000, provided that the Outstanding Principal Balance due and owing

thereunder shall be measured by the total drawings made, as evidenced by the Loan Draw Record. The Note shall mature on June 1, 2018, and shall bear interest on unpaid principal from the date of each drawing thereunder at the Interest Rate, payable at maturity of the Note. Interest shall be calculated on an actual number of days elapsed over a year of 360 days basis. All principal and interest on the Note shall be payable on the Maturity Date.

The Outstanding Principal Balance under the Note may never exceed \$100,000. The available principal of the Note shall be disbursed as borrowings from time to time by the Bank upon request from the District (each such disbursement herein referred to as a "Draw"). Draws shall be recorded on the Loan Draw Record. The Bank's failure to record any Draws on the Loan Draw Record attached to the Note shall not affect in any way the District's obligation to pay the Note. Interest on each Draw shall accrue from the date of that Draw and shall be computed on the basis as described above on the principal amount of the Draw outstanding for the actual number of days the principal amount of the Draw is outstanding. A request for a draw on the line of credit established hereunder may be made in writing in the manner approved by the Bank and the District. Draws submitted to the Bank in whatever form shall be binding upon the District. The Note is not a revolving line of credit.

Section 3. Registration and Payments.

(a) *Note Registrar/Note Register.* The District requests that the Treasurer appoint the fiscal agent of the State of Washington to act as authenticating agent, paying agent and registrar for the Note (collectively, the "Note Registrar"). The duties of the Note Registrar hereunder are limited to authenticating the Note and to remitting money to the Bank on the payment dates as provided therein. The Note Registrar is authorized, on behalf of the District, to authenticate and

deliver the Note and to carry out all of the Note Registrar's powers and duties under this resolution.

(b) *Registered Ownership.* The District and the Note Registrar may deem and treat the Registered Owner of the Note as the absolute owner for all purposes, and neither the District nor the Note Registrar shall be affected by any notice to the contrary. Payment of the Note shall be made only as described in Section 3 hereof, but such registration may be transferred as herein provided. All such payments made as described in Section 3 shall be valid and shall satisfy the liability of the District upon the Note to the extent of the amount or amounts so paid.

(c) *Transfer or Exchange of Registered Ownership.* The Note is not transferable, except to a successor financial institution in whole.

(d) *Registration Covenant.* The District covenants that, until the Note has been surrendered and canceled, it will maintain a system for recording the ownership of the Note that complies with the provisions of Section 149 of the Code.

(e) *Place and Medium of Payment.* Both principal of and interest on the Note are payable in lawful money of the United States of America. Payments of principal of and interest on the Note will be made by check or draft of the Note Registrar mailed on the date such principal and interest is due or by electronic funds transfer made on such due date to the registered owner at the address appearing on the Note Register. Upon payment of the final installment of principal of and interest on the Note, the Note shall be presented and surrendered by the Registered Owner at the principal office of the Note Registrar for cancellation.

Section 4. Prepayment. The Note may be pre-paid prior to its maturity in whole or in part at any time without penalty. The District shall provide the Bank with 10 days prior notice of any such prepayment.

Section 5. Form of Note. The Note shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. N-1

\$100,000

(or so much as has been drawn hereunder)

STATE OF WASHINGTON  
SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 2  
SAN JUAN COUNTY  
TAX ANTICIPATION NOTE, 2017

INTEREST RATE: VARIABLE RATE AS STATED IN THE NOTE RESOLUTION

MATURITY DATE: JUNE 1, 2018

REGISTERED OWNER: ISLANDERS BANK  
P.O. BOX 909  
FRIDAY HARBOR, WA 98250

TAX IDENTIFICATION #: 91-1124182

PRINCIPAL AMOUNT: ONE HUNDRED THOUSAND AND NO/100 DOLLARS (or so much as has been drawn hereunder)

SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 2, SAN JUAN COUNTY, WASHINGTON (the "District"), a municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of Washington, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above on the Maturity Date the Principal Amount (or so much thereof has been drawn hereunder), together with interest thereon at the Interest Rate set forth above.

Interest shall be calculated on an actual/360-day basis. Both principal of and interest on this note are payable in lawful money of the United States of America. Principal of and interest on this note shall be due and payable on the Maturity Date.

This note is issued pursuant to Resolution No. 2017-11 of the Board of Commissioners adopted on July 27, 2017, (the "Note Resolution") for the purpose of financing establishment of a District office and start-up costs of the District, all in conformity with the Constitution and laws of the State of Washington.

This note is subject to prepayment by the District prior to its scheduled maturity as described in the Note Resolution

This note is not transferable, except in whole to a financial institution.



This note is not a "private activity bond" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). The District has designated this note as a "qualified tax-exempt obligation" under Section 265(b) of the Code for investment by financial institutions.

The available principal of this note shall be disbursed as borrowings from time to time by the Bank upon request from the District (each such disbursement herein referred to as a "Draw"). Interest on each Draw shall accrue from the date of such Draw and shall be computed on the basis as described above on the principal amount of the Draw outstanding for the actual number of days the principal amount of the Draw is outstanding. Notwithstanding the foregoing, the principal amount outstanding under this note shall never exceed \$100,000. Draw requests submitted to the Bank in whatever form shall be binding upon the District. The Bank's failure to record any Draws on the Loan Draw Record attached to this note shall not affect in any way the District's obligation to pay the note.

The District hereby irrevocably covenants that it will deposit in the Note Redemption Fund from legally available revenue received by the District, amounts which, together with other moneys of the District legally available therefor, will be sufficient to pay the principal of and interest on this note as required by the terms of the Note, including without limitation on the Maturity Date.

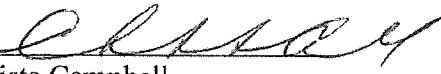
The District covenants and agrees that on or before the maturity date of this note, it will deposit in the Note Redemption Fund, out of all taxes levied by the District by law and when permitted to be levied by State law, and out of other revenues received by the District, such tax receipts and other revenue in an amount which, together with other money of the District, if any, legally available for such purposes, will be sufficient to pay the principal of and interest on this note.

This note shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Note Resolution until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Note Registrar or its duly designated agent.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this note have happened, been done and performed and that the issuance of this note does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the District may incur.

IN WITNESS WHEREOF, SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 2, SAN JUAN COUNTY, WASHINGTON, has caused this note to be signed with the manual or facsimile signatures of the Chair of its Board of Commissioners and to be attested by the manual or facsimile signature of its Secretary as of this \_\_\_ day of \_\_\_\_\_, 2017.

SAN JUAN COUNTY PUBLIC HOSPITAL  
DISTRICT NO. 2, San Juan County, Washington

By   
Christa Campbell  
Chair, Board of Commissioners

ATTEST:

  
Secretary, Board of Commissioners

The Note Registrar's Certificate of Authentication on the Note shall be in substantially the following form:

DATE OF AUTHENTICATION: \_\_\_\_\_

CERTIFICATE OF AUTHENTICATION

This is the Tax Anticipation Note, 2017, of San Juan County Public Hospital District No. 2, San Juan County, Washington, as described in the within mentioned Note Resolution and dated \_\_\_ day of \_\_\_\_\_, 2017.

WASHINGTON STATE FISCAL AGENT  
as Note Registrar

By \_\_\_\_\_  
Authorized Signatory

The Loan Draw Record shall be substantially in the following form or in such other form or by such other method acceptable to the Bank:

SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 2,  
SAN JUAN COUNTY, WASHINGTON  
TAX ANTICIPATION NOTE, 2017

LOAN DRAW RECORD

	Draw Date	Draw Amount	Draw Total
Draw No. 1			
Draw No. 2			
Draw No. 3			
Draw No. 4			
Draw No. 5			
Draw No. 6			
Draw No. 7			
Draw No. 8			
Draw No. 9			
Draw No. 10			
Draw No. 11			
Draw No. 12			

Section 6. Execution of Note. The Note shall be executed on behalf of the District with the manual or facsimile signatures of the Chair and Secretary of its Board of Commissioners. Only such Note as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by or on behalf of the Note Registrar or its duly designated agent, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution. Such Certificate of Authentication shall be conclusive evidence that the Note so authenticated has been duly executed, authenticated and delivered hereunder and is entitled to the benefits of this resolution.

In case either of the officers who shall have executed the Note shall cease to be an officer or officers of the District before the Note so signed shall have been authenticated or delivered by the Note Registrar, or issued by the District, such Note may nevertheless be authenticated,

delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the District as though those who signed the same had continued to be such officers of the District. The Note may also be signed and attested on behalf of the District by such persons who are at the actual date of delivery of the Note, the proper officers of the District although at the original date of the Note any such person shall not have been such officer of the District.

Section 7. Note a Special Obligation of Note Redemption Fund. A special fund of the District to be known as the "San Juan County Public Hospital District No. 2, Note Redemption Fund" (the "Note Redemption Fund") is hereby authorized to be created by the Treasurer. The Note Redemption Fund shall be a trust account and shall be drawn upon for the sole purpose of paying the principal of and interest on the Note. Money on deposit in the Note Redemption Fund not immediately needed to pay such interest or principal may temporarily be deposited in such institutions or invested in such obligations which are legal investments for District funds. Any interest or profit from the investment of such money shall be deposited in the Note Redemption Fund. Any money remaining in the Note Redemption Fund after payment in full of the principal of and interest on the Note may be transferred to the general fund of the District, and the Note Redemption Fund shall be closed.

The District covenants and agrees that on or before the maturity date of the Note, it will deposit in the Note Redemption Fund, out of all taxes levied by the District by law and when permitted to be levied by State law, and out of other revenues received by the District, such tax receipts and other revenue in an amount which, together with other money of the District, if any, legally available for such purposes, will be sufficient to pay the principal of and interest on the Note.

The District hereby irrevocably pledges that a sufficient portion of such tax receipts and other revenues to be collected by the District prior to the full payment of the principal of and interest on the Note will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Note. Such taxes and other revenue so pledged shall be paid directly into the Note Redemption Fund in amounts sufficient to pay the principal of and interest on the Note as required by the terms of the Note, including without limitation at maturity, and none of the money in such Fund shall be used for any other purpose than the payment of the principal of and interest on the Note as the same shall become due.

Section 8. Application of Note Proceeds. Money derived from draws on the line of credit established by the sale of the Note shall be deposited in the appropriate fund or account of the District

Section 9. Tax Covenants; Special Designation. The District hereby covenants that it will not make any use of the proceeds of sale of the Note or any other funds of the District that may be deemed to be proceeds of such Note pursuant to Section 148 of the Code that will cause the Note to be an “arbitrage bond” within the meaning of said section and said regulations. The District will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Note) and the applicable regulations thereunder throughout the term of the Note.

The District further covenants that it will not take any action or permit any action to be taken that would cause the Note to constitute a “private activity bond” under Section 141 of the Code.

The District hereby designates the Note as a “qualified tax-exempt obligation” for purchase by financial institutions pursuant to Section 265(b) of the Code. The District does not anticipate

that it will issue more than \$10,000,000 in qualified tax-exempt obligations during the year 2017.

Section 10. Sale of the Note. The District hereby ratifies and confirms its acceptance of the Bank's offer dated July 17, 2017, to purchase the Note on the terms specified in this resolution. The proper District officials are hereby authorized and directed to do everything necessary for the prompt execution and delivery of the Note to the Bank and for the proper application and use of the proceeds of sale thereof. The District shall pay a loan fee of \$500 to the Bank, which shall be payable upon the closing and delivery of the Note. All actions heretofore taken by the District's officials, agents and representatives in connection with the issuance and sale of the Note are hereby ratified, approved and confirmed.

Section 11. Severability. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the District shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Note.

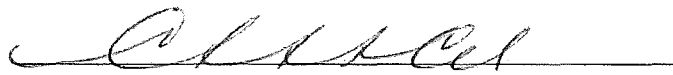
Section 12. Lost, Stolen or Destroyed Note In the case the Note shall be lost, stolen, or destroyed, the Note Registrar may execute and deliver a new Note of like date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the District and the Note Registrar in connection therewith and upon its filing with the District evidence reasonably satisfactory to the District that such Note was actually lost, stolen, or destroyed and its ownership thereof, and upon furnishing to the District and/or the Note Registrar indemnity reasonably satisfactory to the District and the Note Registrar.

Section 13. Effective Date. This resolution shall become effective immediately upon

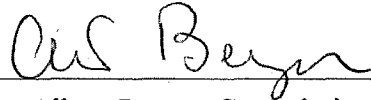
its passage and approval.

APPROVED by the Board of Commissioners of San Juan County Public Hospital District No. 2, San Juan County, Washington, at a ~~regular~~<sup>special</sup> meeting thereof held this 27<sup>th</sup> day of July, 2017.

SAN JUAN COUNTY PUBLIC HOSPITAL  
DISTRICT NO. 2, SAN JUAN COUNTY,  
WASHINGTON



Christa Campbell, Chair and Commissioner



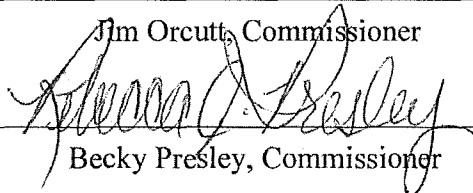
Albert Berger, Commissioner

EXCUSED

Iris Graville, Commissioner

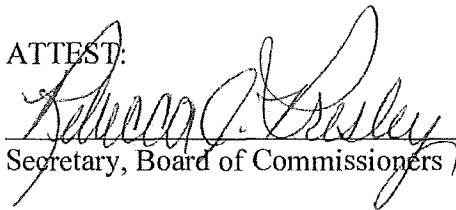
EXCUSED

Jim Orcutt, Commissioner



Becky Presley, Commissioner

ATTEST:

  
Secretary, Board of Commissioners

CERTIFICATE

I, the undersigned, Secretary of the Board of Commissioners of San Juan County Public Hospital District No. 2, San Juan County, Washington (the "District") and keeper of the records of the Board of Commissioners (the "Board"), DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 2017-11 of the Board (the "Resolution"), duly passed at a ~~special~~ regular meeting thereof held on the 27<sup>th</sup> day of July, 2017.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 27 day of July, 2017.



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Secretary, Board of Commissioners