

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

LIMITED TAX GENERAL OBLIGATION BOND, 2018

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RESOLUTION NO. 2018-01

A RESOLUTION of the Board of Commissioners of the San Juan County Public Hospital District No. 2, San Juan County, Washington, providing for the issuance and sale of a limited tax general obligation bond of the district in the principal amount of not to exceed \$560,000, to provide funds for the District's establishment and other capital projects of the District and to pay costs of issuance; providing the date, form, and repayment terms of said bond and for the pledge of the District's full faith and credit to pay the principal thereof and interest thereon; and approving the sale of such bond.

APPROVED ON JANUARY 25, 2018

PREPARED BY:

K&L GATES LLP  
Seattle, Washington

**SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 2**  
**RESOLUTION NO. 2018-01\***  
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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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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 financing to fund the District's establishment, initial operations, consolidate outstanding debt and other capital projects (the "Project"); and

WHEREAS, the District is authorized, pursuant to RCW 70.44.110, to incur indebtedness and issue a limited tax general obligation bond for the purpose of providing funds to pay the costs of the Project and costs of issuance of such bond; and

WHEREAS, it is deemed necessary and advisable that the District now issue and sell its limited tax general obligation bond in the principal amount of not to exceed \$560,000 (the "Bond") to pay the costs of the Project and the costs of issuance of the Bond; and

WHEREAS, the District has received the offer of Islanders Bank, Friday Harbor, Washington (the "Bank"), to purchase the Bond, 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.

**Bond Fund** means the “San Juan County Public Hospital District No. 2 General Obligation Bond Fund, 2018” established pursuant to Section 8 of this resolution.

**Bond Register** means the registration records maintained by the Bond Registrar for the purpose of identifying ownership of the Bond.

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

**Bond** means the San Juan County Public Hospital District No. 2, San Juan County, Washington, Limited Tax General Obligation Bond, 2018, issued pursuant to this resolution.

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

**Date of Issue** means the date of issuance and delivery of the Bond.

**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 Bond as requested by the District.

**Interest Rate** means a fixed rate equal to 4.35% per annum.

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

***Maturity Date*** means December 1, 2037.

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

***Project*** means the District's establishment, initial operations, consolidation of outstanding debt and other capital projects for District use.

***Registered Owner*** means the person named as the registered owner of the Bond in the Bond 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 Bond. The District shall now issue and sell to the Bank its limited tax general obligation bond in the principal amount of not to exceed \$560,000 (the "Bond") to provide funds to pay the costs of the Project and the costs of issuance of the Bond. The Bond shall be designated "San Juan County Public Hospital District No. 2, San Juan County, Washington, Limited Tax General Obligation Bond, 2018," shall be dated as of the date of its delivery to the Bank, shall be fully registered as to both principal and interest, shall be issued as a single fully registered bond, and shall be numbered in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification. The Bond shall be in the denomination of \$560,000, 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 Bond shall bear interest on unpaid principal from the date of each drawing or the most recent date to which interest has been paid at the Interest Rate. Interest shall be calculated on an actual number of days elapsed over a year of 360 days basis. Principal of the Bond shall be amortized to achieve approximately equal annual debt service payments (combined total payments of principal and interest each year). Interest shall be paid semiannually on each June 1 and December 1, commencing on June 1, 2018. Principal shall be paid annually on December 1, commencing on December 1, 2018, with the final payment of all outstanding principal, together with interest thereon, on the Maturity Date.

The Outstanding Principal Balance under the Bond may never exceed \$560,000. The available principal of the Bond 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 Bond shall not affect in any way the District’s obligation to pay the Bond. An initial Draw on the Bond in the amount of at least \$50,000 must be made by the District on the Date of Issue. The District may make Draws on the Bond once per month until September 1, 2018, at which time the final Bond balance will be set. 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 Bond is not a revolving line of credit.

Section 3. Registration and Payments.

(a) *Bond Registrar/Bond Register.* The District hereby requests that the Treasurer adopt the system of registration approved by the Washington State Finance Committee, which utilizes the fiscal agency of the State of Washington, as registrar, authenticating agent, paying agent and transfer agent (collectively, the “Bond Registrar”). The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Bond (the “Bond Register”), which shall be open to inspection by the District. The Bond Registrar is authorized, on behalf of the District, to authenticate and deliver the Bond transferred or exchanged in accordance with the provisions of such Bond and this resolution and to carry out all of the Bond Registrar’s powers and duties under this resolution. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bond.

(b) *Registered Ownership.* The District and the Bond Registrar may deem and treat the Registered Owner of the Bond as the absolute owner for all purposes, and neither the District nor the Bond Registrar shall be affected by any notice to the contrary. Payment of the Bond 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 Bond to the extent of the amount or amounts so paid.

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

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

(e) *Place and Medium of Payment.* Both principal of and interest on the Bond are payable in lawful money of the United States of America. Payments of principal of and interest on the Bond will be made by check or draft of the Bond 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 Bond Register. Upon payment of the final installment of principal of and interest on the Bond, the Bond shall be presented and surrendered by the Registered Owner at the principal office of the Bond Registrar for cancellation.

Section 4. Prepayment. The District reserves the right to prepay principal of the Bond, in whole or in part, on any payment date, with no prepayment penalty. The District shall provide the Bank with 10 days prior notice of any such prepayment. A partial prepayment shall not result in a change to the level annual debt service payment amount (except for the final payment as necessary) but will result in an adjustment to the principal and interest portions of subsequent payments and earlier retirement of the Bond.



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

|         |                          |   |
|---------|--------------------------|---|
| NO. R-1 | UNITED STATES OF AMERICA | \$560,000                                   |
|         |                          | (or so much as has been<br>drawn hereunder) |

STATE OF WASHINGTON  
SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 2  
SAN JUAN COUNTY  
LIMITED TAX GENERAL OBLIGATION BOND, 2018

INTEREST RATE: 4.35%

MATURITY DATE: DECEMBER 1, 2037

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

TAX IDENTIFICATION #: 91-1124182

PRINCIPAL AMOUNT: FIVE HUNDRED SIXTY 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, or registered assigns, the Principal Amount specified above (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. Principal and interest shall be repaid as set forth in the Bond Resolution (as such term is defined below).

Both principal of and interest on this bond are payable in lawful money of the United States of America. Principal of and interest on this bond shall be paid to the Registered Owner hereof upon presentation and surrender of this bond at U.S. Bank National Association, as, authenticating agent and paying agent (the “Bond Registrar”). Upon final payment of all installments of principal and interest thereon, this bond shall be submitted to the Bond Registrar for cancellation and surrender.

This bond is issued pursuant to Resolution No. 2018-01 of the District (the “Bond Resolution”), to provide funds for the Project. Capitalized terms appearing on this bond and not otherwise defined herein shall have the meanings given such terms in the Bond Resolution.

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

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

This bond 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 bond as a “qualified tax-exempt obligation” under Section 265(b) of the Code for investment by financial institutions.

The available principal of this bond 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 bond shall never exceed \$560,000. 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 bond shall not affect in any way the District’s obligation to pay this bond.

To pay installments of principal of and interest on this bond as the same shall become due, the District hereby irrevocably covenants that it will deposit funds in the District’s Bond 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 such principal and interest. The full faith, credit and taxing power of the District are hereby irrevocably pledged for the prompt payment of such principal and interest.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Bond 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 bond have happened, been done and performed and that the issuance of this bond 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 bond to be executed by the manual or facsimile signatures of the Chair and Secretary of its Board of Commissioners as of this 26th day of January, 2018.

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

By \_\_\_\_\_/s/\_\_\_\_\_  
Chair, Board of Commissioners

ATTEST:

\_\_\_\_\_/s/\_\_\_\_\_  
Secretary, Board of Commissioners

CERTIFICATE OF AUTHENTICATION

Date of Authentication: January 26, 2018

This is the Limited Tax General Obligation Bond, 2018, of San Juan County Public Hospital District No. 2, San Juan County, Washington, as described in the within mentioned Bond Resolution and dated 26th day of January, 2018.

WASHINGTON STATE FISCAL AGENT  
as Bond Registrar

By \_\_\_\_\_  
Authorized Signer

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  
LIMITED TAX GENERAL OBLIGATION BOND, 2018

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 Bond. The Bond shall be executed on behalf of the District with the manual or facsimile signatures of the Chair and Secretary of the Board of the District. The Bond shall be valid or obligatory for any purpose or entitled to the benefits of this resolution only if the Certificate of Authentication in the form hereinbefore recited has been manually executed by or on behalf of the Bond Registrar or its duly designated agent.

In case either of the officers who shall have executed the Bond shall cease to be an officer or officers of the District before the Bond so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the District, such Bond 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 Bond may also be signed and attested on behalf of the District by such persons who are at the actual date of delivery of the Bond, the proper officers of the District although at the original date of the Bond any such person shall not have been such officer of the District.

Section 7.     Application of Bond Proceeds.     The proceeds of sale of the Bond shall be deposited in the appropriate fund of the District and shall be expended solely to pay the costs of the Project and the costs of issuing and selling the Bond, as authorized herein.

Section 8.     Bond Fund; Pledge of Funds and Credit.     A special fund of the District known as the “San Juan County Public Hospital District No. 2 General Obligation Bond Fund, 2018” (the “Bond Fund”) is authorized to be created in the office of the Treasurer. The Bond Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Bond. The District hereby irrevocably covenants with the owner of the Bond that it will annually include in its budget and levy taxes on all taxable property in the District, within and as part of the property taxes authorized by law to be levied by the District without a vote of the people, in an amount that, together with other lawfully available funds including receipts from operations of the District’s facilities, will be sufficient to pay when due the principal of and interest on the Bond. The full faith, credit and resources of the District are hereby irrevocably pledged for the annual levy and collection of those taxes and for the prompt payment of the principal of and interest on the Bond as the same become due.

Section 9.     Tax Covenants; Special Designation.     The District hereby covenants that it will not make any use of the proceeds of sale of the Bond or any other funds of the District that may be deemed to be proceeds of such Bond pursuant to Section 148 of the Code that will cause the Bond 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 Bond) and the applicable Regulations thereunder throughout the term of the Bond.

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

The District hereby designates the Bond 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 2018.

Section 10. Sale of the Bond. The District hereby ratifies and confirms its acceptance of the Bank’s offer dated November 6, 2017, to purchase the Bond on the terms specified therein and in this resolution. The proper District officials are hereby authorized and directed to do everything necessary for the prompt execution and delivery of the Bond to the Bank and for the proper application and use of the proceeds of the Bond. There will be a \$3,000 loan fee to be paid to the Bank upon issuance of the Bond.

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 Bond.

Section 12. 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 meeting thereof held this 25th day of January, 2018.

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

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Chair and Commissioner

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Commissioner

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Commissioner

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Commissioner

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Commissioner

ATTEST:

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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. 2018-01 of the Board (the “Resolution”), duly passed at a regular meeting thereof held on the 25th day of January, 2018.

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 25th day of January, 2018.

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Secretary, Board of Commissioners