

**PORT OF ILLAHEE  
KITSAP COUNTY, WASHINGTON**

**LIMITED TAX GENERAL OBLIGATION BOND, 2022**

**RESOLUTION NO. 2022-01**

A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF ILLAHEE, KITSAP COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF A LIMITED TAX GENERAL OBLIGATION BOND OF THE PORT TO EVIDENCE A LINE OF CREDIT IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$700,000, FOR THE PURPOSE OF PAYING COSTS OF WATERFRONT ACCESS IMPROVEMENTS AND IMPROVEMENTS TO THE OLD ILLAHEE STORE PROPERTY; PROVIDING THE DATE, FORM, AND REPAYMENT TERMS OF THE BOND AND FOR THE PLEDGE OF THE PORT'S FULL FAITH AND CREDIT TO PAY THE PRINCIPAL THEREOF AND INTEREST THEREON; AUTHORIZING THE DESIGNATED PORT REPRESENTATIVE AUTHORITY TO MANAGE THE LINE OF CREDIT; AND APPROVING THE SALE OF SUCH BOND TO KITSAP BANK.

ADOPTED ON JANUARY 12, 2022

PREPARED BY:

K&L GATES LLP  
Seattle, Washington

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\* This Table of Contents is provided for convenience only and is not a part of this resolution.

**RESOLUTION NO. 2022-01**

**A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF ILLAHEE, KITSAP COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF A LIMITED TAX GENERAL OBLIGATION BOND OF THE PORT TO EVIDENCE A LINE OF CREDIT IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$700,000, FOR THE PURPOSE OF PAYING COSTS OF WATERFRONT ACCESS IMPROVEMENTS AND IMPROVEMENTS TO THE OLD ILLAHEE STORE PROPERTY; PROVIDING THE DATE, FORM, AND REPAYMENT TERMS OF THE BOND AND FOR THE PLEDGE OF THE PORT'S FULL FAITH AND CREDIT TO PAY THE PRINCIPAL THEREOF AND INTEREST THEREON; AUTHORIZING THE DESIGNATED PORT REPRESENTATIVE AUTHORITY TO MANAGE THE LINE OF CREDIT; AND APPROVING THE SALE OF SUCH BOND TO KITSAP BANK.**

**WHEREAS**, the Port of Illahee, Kitsap County, Washington (the "Port"), a municipal corporation of the State of Washington, owns and operates a public facilities; and

**WHEREAS**, the Port Commission (the "Commission") of the Port deems it necessary and in the best interest of the citizens of the Port to undertake waterfront access improvements and improvements to the Old Illahee Store property (hereinafter further defined as the "Projects"); and

**WHEREAS**, the Port is authorized by RCW 53.36.030 and Ch. 39.46 RCW to borrow money and issue general obligation bonds payable, *inter alia*, from regular tax levies of the Port; and

**WHEREAS**, it is deemed necessary and advisable that the Port establish a line of credit in exchange for its limited tax general obligation bond in the principal amount of not to exceed \$700,000 (the "Bond") to pay the costs of the Projects; and

**WHEREAS**, the Port has received the offer of Kitsap Bank, Port Orchard, Washington (the "Bank"), to purchase the Bond dated December 10, 2021 which by this reference is incorporated herein and is attached as Exhibit A (the "Purchase Offer"), and the Commission wishes to accept such offer on the terms and conditions set forth therein and herein;

**NOW, THEREFORE, BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF ILLAHEE, KITSAP COUNTY, WASHINGTON, as follows:**

**Section 1. Definitions.** As used in this resolution, the following words shall have the following meanings, unless a different meaning clearly appears from the context.

***Bank*** means Kitsap Bank, Port Orchard, Washington.

***Bond*** means the Port of Illahee, Kitsap County, Washington, Limited Tax General Obligation Bond, 2022, in the principal amount of not to exceed \$700,000, issued pursuant to this resolution.

***Bond Fund*** means the fund established and originally named the Port of Illahee Bond Redemption Fund, 2019, maintained in the office of the Treasurer of the Port and hereby authorized to be named as the Port of Illahee Bond Redemption Fund pursuant to Section 10 of this resolution.

***Bond Register*** means the books or records maintained by the Bond Registrar containing the name and mailing address of the owner of the Bond or nominee of such owner and the principal amount outstanding.

***Bond Registrar*** means U.S. Bank National Association, 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. The term ***Bond Registrar*** also shall include any successor Bond Registrar appointed by the Treasurer as permitted by law.

***Closing*** means the date of issuance and delivery of the Bond to the Bank.

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

***Commission*** means the Port Commission, as general legislative authority of the Port as the same shall be duly and regularly constituted from time to time.

**Construction Fund** means the Port's fund of that name maintained or authorized to be created in the office of the Treasurer for the purpose of holding proceeds of the Bond to be used for the Projects.

**Designated Port Representative** means the President of the Commission or such other persons as may be appointed by such persons in writing delivered to the Bank and the Bond Registrar.

**Draw or Draws** means incremental draws, in the amount of not less than \$20,000, on the Bond as requested by the Port.

**Draw Period** means the construction period for the Projects, commencing with the date of issuance of the Bond and ending on the earlier of (i) the date of Projects completion or (ii) 36 months from the date of issuance of the Bond, during which Draw Period the Port may draw on the principal amount available under the Bond up to a maximum of \$700,000. The Port will provide reasonable notice to the Bank and Treasurer of its determination to end the Draw Period, at which time Draws will no longer be authorized.

**Interest Rate** means (i) means initially the Kitsap Bank Prime Rate minus 50 basis points (0.50%), floored at the Prime Rate at the time of Closing, in effect during the Draw Period, until the first Rate Reset Date, then (ii) the Reset Rate established on the Rate Reset Date.

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

**Maturity Date** means that final maturity date of the amortization schedule for the Bond, on such date which shall be 20 years from the date of notice of the end of the Draw Period.

**Outstanding Principal Balance** of the Bond means on any particular day the aggregate dollar amount of all Draws that the Port has made under the Bond to that day.

**Port** means the Port of Illahee, Kitsap County, Washington, a political subdivision duly organized and existing under and by virtue of the laws of the State of Washington.

**Projects** mean waterfront access improvements and improvements to the Old Illahee Store property.

**Purchase Offer** means the Bank's commitment letter to purchase the Bond, dated December 10, 2021, attached hereto as Exhibit A.

**Rate Reset Date** means the next business day after the end of the Draw Period.

**Rate Reset Formula** means the fixed rate per annum on the Bond which shall be established, on the date hereof, based on the Bloomberg Bank Qualified GO Bond 'A' Rated Fair Value curve plus a spread of 140 basis points (1.40%) to the average maturity of the Bond.

**Request for Draw** or **Draws** means incremental draws for the Projects as requested by the Designated Port Representative, in substantially the form set forth at Exhibit B.

**Reset Rate** means a rate of per annum rate equal to the Rate Reset Formula, which rate will be in effect from the Rate Reset Date.

**Treasurer** means the Treasurer of Kitsap County, as *ex officio* Treasurer of the Port, or any successor to the functions of such Treasurer.

**Rules of Interpretation.** In this resolution, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this resolution;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect;

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

**Section 2. Projects.** The Port intends to undertake the Projects. All or a portion of the Projects will be paid from the proceeds of the hereinafter authorized Bond.

**Section 3. Authorization of Bond.** For the purpose of paying the costs of the Projects, the Port shall issue its limited tax general obligation bond in the principal amount of not to exceed \$700,000 (the “Bond”). The Bond shall be designated as the “Port of Illahee, Kitsap County, Washington Limited Tax General Obligation Bond, 2022,” shall be dated as of the date of its original issuance, shall be issued as a single instrument, fully registered form in the denomination of not to exceed \$700,000.

The Bond shall bear interest on unpaid principal at the Interest Rate. During the Draw Period, the interest only shall be due on the Outstanding Principal Balance of the Bond payable semiannually on each June 1 and December 1 commencing no later than six months after the first Draw. Interest shall be calculated on the basis of the actual number of days elapsed over a year of 360 days. Following the end of the Draw Period, the Bond shall be amortized in approximately equal payments of principal and interest, payable on the first days of each June and December, commencing no later than six months after the end of the Draw Period, with the final payment of all outstanding principal, together with interest thereon, on the Maturity Date. The Bank will prepare the amortization schedule of principal and interest which shall be attached to and included with the Bond, and promptly provided to the Port, the Treasurer and the Bond Registrar.

The Bond is not intended to be a revolving obligation; the principal amount outstanding under the Bond may never exceed \$700,000. The available principal of the Bond shall be disbursed as borrowings from time to time by the Bank upon request from the Port (each such disbursement herein referred to as a "Draw"), as provided in Section 10 of this resolution. Draws shall be recorded on the Loan Draw Record attached to the Bond, or in such other form as the Port and the Bank may agree. 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.

The proceeds of any Draw shall be deposited into the Construction Fund and shall be expended solely to pay the costs of the Projects as authorized herein.

**Section 4. Registration, Payments and Transfer.** At the request of the Treasurer, the fiscal agent of the State of Washington shall act as the Bond Registrar. The duties of the Bond Registrar hereunder shall be limited to authenticating the Bond and to remitting money to the Bank on the payment dates as provided therein. The Bond Registrar is authorized, on behalf of the Port, to authenticate and deliver the Bond and to carry out all of Bond Registrar's powers and duties under this resolution.

Principal of and interest on the Bond shall be payable in lawful money of the United States of America. Installments of principal of and interest on the Bond shall be paid by check, wire, or electronic transfer on the date due to the Bond; *provided, however*, the final installment of principal on the Bond shall be payable only upon presentation and surrender of the Bond by the Bank to the Bond Registrar.

The Bond shall not be transferable, except in whole to a financial institution and only if endorsed in the manner provided therein and surrendered to the Bond Registrar. The Bank will not transfer the Bond to a subsequent investor unless the Bond causes such investor to receive such information regarding the Port and the Bond as is necessary to comply with applicable securities laws.



**Section 5. Prepayment and Yield Maintenance Fee.** The Port reserves the right to prepay principal of the Bond in advance of the scheduled payments, in whole or in part, at any time. The Port will notify the Bond Registrar, the Treasurer, and the Bank at least 15 days in advance of its intent to prepay. Prepayments shall be applied first to interest and then to principal.

If the Bond is prepaid before the 10<sup>th</sup> anniversary of the Closing of the Bond, the Port shall pay the Bank a yield maintenance fee as calculated below:

(a) The prepayment fee will be equal to the present value of the difference, if positive, between (i) the sum of the interest payments that would have accrued during the period from the date of the prepayment to and including the 10<sup>th</sup> anniversary payment of the Bond on each prepaid installment of principal at a fixed interest rate for such installment equal to the Original Funding Rate (hereinafter defined), as if the prepayment had not been made, less (ii) the sum of the interest payments that would have accrued during such period on each prepaid installment of principal at a fixed interest rate for such installment equal to the Reinvestment Rate (hereinafter defined), as if the prepayment had not been made. No prepayment fee will be required for any prepayments made on or after the 10<sup>th</sup> anniversary payment of the Bond.

(b) The following definitions will apply to the calculation of the prepayment fee:

(i) "Original Funding Rate" means with respect to any prepaid installment of principal, the Swap Rate on the date of issuance of the Bond for a term of ten (10) years, (ii) "Reinvestment Rate" means with respect to any prepaid installment of principal, the Swap Rate on the date the prepayment fee is calculated by the Bank for a term, interpolated, if necessary, corresponding to the period of time remaining until such principal installment was scheduled to be made, and (iii) "Swap Rate" means, as of any date, the offered fixed rate for a U.S. Dollar interest rate swap rate with a floating rate equal to the one-month LIBOR index, as determined by the Bank on such date by reference to the Bloomberg service or such other similar data source then used by

the Bank for determining such rate; provided, that in the event that the one-month LIBOR index cannot be determined at the required time of determination, then the Swap Rate shall mean the offered fixed rate for a U.S. Dollar interest rate swap with a floating rate based on an index and any adjustment to reflect a different credit spread designated by the Bank as being the most economically comparable to the one-month LIBOR index prior to such event.

**Section 6. Sale of the Bond; Authorization to Port Officials and Closing Procedures.** The Port hereby ratifies and confirms its acceptance of the Purchase Offer attached as Exhibit A, to purchase the Bond on the terms specified therein and in this resolution.

Upon the adoption of this resolution, the proper officials of the Port are hereby authorized and directed to do all things necessary for the prompt execution and delivery of the Bond, the items required to be delivered to the Bank, further to execute all closing certificates and documents required to effect the Closing under the terms of the Purchase Offer and for proper use and application of the proceeds of sale thereof. In accordance with the Purchase Offer, the Port will pay the Bank a loan fee of \$1,750.00, payable on the date of issuance of the Bond.

The Closing may be scheduled for any date following the adoption of this resolution. The executed and authenticated Bond shall be delivered to the Bank at Closing.

**Section 7.** **Form of Bond.** The Bond shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. R-1

Not to Exceed \$700,000  
(or so much as has been drawn hereunder)

STATE OF WASHINGTON

PORT OF ILLAHEE, KITSAP COUNTY  
LIMITED TAX GENERAL OBLIGATION BOND, 2022

INTEREST RATE: Initially \_\_\_\_\_%, then the Reset Rate, as provided in the Bond Resolution

MATURITY DATE: The final maturity date set forth in the attached amortization schedule, which shall be 20 years from the date of notice of the end of the Draw Period

REGISTERED OWNER: KITSAP BANK  
619 BAY STREET, P.O. BOX 9  
PORT ORCHARD, WA 98366

TAX IDENTIFICATION #: 91-0283150

PRINCIPAL AMOUNT: NOT TO EXCEED SEVEN HUNDRED THOUSAND AND NO/100 DOLLARS (or so much as has been Drawn hereunder) (\$700,000)

The Port of Illahee, Kitsap County, Washington, a municipal corporation organized and existing under and by virtue of the laws of the State of Washington (herein called the "Port"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, the Outstanding Principal Balance (as hereinafter defined) of the Bond, in an amount not to exceed the Principal Amount specified above. The Outstanding Principal Balance on any particular day shall be the aggregate of all funds that the Port has Drawn from the date of the Bond to that day less the aggregate of all principal payments made by the Port on or before that day. This bond shall bear interest on the Outstanding Principal Balance at the Interest Rate, calculated during the Draw Period on the basis of the actual number of days elapsed over a year of 360 days. The Interest Rate shall be reset as provided in the hereinafter defined Bond Resolution. During the Draw Period, the Outstanding Principal Balance of this bond shall be repayable on an interest only basis, with interest due semiannually on each June 1 and December 1 commencing no later than six months after the first Draw. At the end of the Draw Period, the Outstanding Principal Balance shall be converted to a fully amortizing loan in accordance with a schedule to be provided by the Bank to the Port, the Treasurer, and the Bond Registrar, and to be attached hereto as Exhibit A, with approximately equal payments reflecting semiannual level payments of principal and interest to be made on each June 1 and December 1 with the final payment hereunder nevertheless due on the Maturity Date set forth above. After the end of the Draw period, interest shall be calculated on the basis of a 360 day year with twelve 30-day months.

Both principal of and interest on this bond are payable in lawful money of the United States of America. Installments of the principal of and interest on this bond shall be paid by check or draft of the fiscal agent of the State of Washington (the "Bond Registrar") mailed on the date such interest is due or by electronic funds transfer made on the date such interest is due to the registered owner or nominee at the address appearing on the Bond Register. 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. 2022-01 of the Port (the "Bond Resolution") to refinance the costs of waterfront access improvements and improvements to the Old Illahee Store property. Capitalized terms appearing on this bond and not otherwise defined herein shall have the meanings given such terms in the Bond Resolution.

The Port reserves the right to prepay principal of this bond in advance of the scheduled maturity set forth above, in whole or in part at any time. Any such prepayment will be applied to the earliest payments of principal due under this bond. Each prepayment will be accompanied by the amount of accrued interest on the amount prepaid and any prepayment made prior to the maturity of this bond will be accompanied by a prepayment fee calculated by the Registered Owner. If this bond is prepaid before the 10<sup>th</sup> anniversary of the date of issuance of this bond, the Port shall pay the Registered Owner a yield maintenance fee as calculated below. The prepayment fee will be equal to the present value of the difference, if positive, between (i) the sum of the interest payments that would have accrued during the period from the date of the prepayment to and including the 10<sup>th</sup> anniversary payment of this bond on each prepaid installment of principal at a fixed interest rate for such installment equal to the Original Funding Rate (hereinafter defined), as if the prepayment had not been made, less (ii) the sum of the interest payments that would have accrued during such period on each prepaid installment of principal at a fixed interest rate for such installment equal to the Reinvestment Rate (hereinafter defined), as if the prepayment had not been made. No prepayment fee will be required for any prepayments made on or after the 10<sup>th</sup> anniversary payment of this bond.

The following definitions will apply to the calculation of the prepayment fee: (i) "Original Funding Rate" means with respect to any prepaid installment of principal, the Swap Rate on the date of issuance of this bond for a term of ten (10) years, (ii) "Reinvestment Rate" means with respect to any prepaid installment of principal, the Swap Rate on the date the prepayment fee is calculated by the Registered Owner for a term, interpolated, if necessary, corresponding to the period of time remaining until such principal installment was scheduled to be made, and (iii) "Swap Rate" means, as of any date, the offered fixed rate for a U.S. Dollar interest rate swap rate with a floating rate equal to the one-month LIBOR index, as determined by the Registered Owner on such date by reference to the Bloomberg service or such other similar data source then used by the Registered Owner for determining such rate; provided, that in the event that the one-month LIBOR index cannot be determined at the required time of determination, then the Swap Rate shall mean the offered fixed rate for a U.S. Dollar interest rate swap with a floating rate based on an index and any adjustment to reflect a different credit spread designated by the Registered Owner as being the most economically comparable to the one-month LIBOR index prior to such event.

The Port will notify the Bond Registrar, the Treasurer, and the Registered Owner at least 15 days in advance of its intent to prepay.

This bond may be transferred only in whole to a financial institution and only if endorsed in the manner provided in the Bond Resolution and surrendered to the Bond Registrar. The Registered Owner will not transfer this bond to a subsequent investor unless the Registered Owner causes such investor to receive such information regarding the Port and this bond as is necessary to comply with applicable securities laws.

This bond is not a "private activity bond" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). This bond has been designated by the Port as a "qualified tax exempt obligation" under Section 265(b) of the Code for banks, thrift institutions and other financial institutions.

The Port hereby irrevocably covenants that it will levy taxes annually upon all the taxable property in the Port within the levy limits permitted to the Port without a vote of the electors and in amounts sufficient, with other monies legally available therefor, to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the Port are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The pledge of tax levies may be discharged prior to maturity of this bond by making provision for the payment thereof on the terms and conditions set forth in the Bond Resolution.

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.

This bond is issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and resolutions duly adopted by the Port Commission including the Bond Resolution.

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 Port may incur.

IN WITNESS WHEREOF, the Port of Illahee, Kitsap County, Washington, has caused this bond to be executed by the manual or facsimile signature of the President of the Port Commission as of the \_\_\_\_ day of \_\_\_\_\_, 2022.

PORT OF ILLAHEE, KITSAP COUNTY,  
WASHINGTON

By           /s/ manual or facsimile            
President, Port Commission

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

CERTIFICATE OF AUTHENTICATION

Date of Authentication: \_\_\_\_\_, 2022

This bond is the bond described in the within-mentioned Bond Resolution and is the Limited Tax General Obligation Bond, 2022, of the Port of Illahee, Kitsap County, Washington, dated \_\_\_\_\_, 2022.

FISCAL AGENT OF THE STATE OF  
WASHINGTON, as Bond Registrar

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

LOAN DRAW RECORD

	<u>Date</u>	<u>Amount</u>	<u>Total</u>
[Draw]	_____	_____	_____
[Draw]	_____	_____	_____
[Draw]	_____	_____	_____
[Draw]	_____	_____	_____
[Draw]	_____	_____	_____

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EXHIBIT A

AMORTIZATION SCHEDULE

<u>Payment Date</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**Section 8. Execution of Bond.** The Bond shall be executed on behalf of the Port with the manual or facsimile signature of the President of its Commission.

The Bond shall be valid only if the Certificate of Authentication in the form hereinbefore recited has been manually executed by or on behalf of the Bond Registrar. Such Certificate of Authentication shall be conclusive evidence that the Bond as authenticated has been duly

executed, authenticated and delivered hereunder and is entitled to the benefits of this resolution.

In case either of the officers of the Port who shall have executed the Bond shall cease to be such officer or officers of the Port before the Bond so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the Port, such Bond may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the Port as though those who signed the same had continued to be such officers of the Port. The Bond also may be signed and attested on behalf of the Port by such persons as at the actual date of execution of such Bond shall be the proper officers of the Port although at the original date of such Bond any such person shall not have been such officer.

**Section 9. Lost, Stolen or Destroyed Bond.** In case the Bond shall be lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond of like date, number and tenor to the Bank thereof upon the Bank's paying the expenses and charges of the Port and the Bond Registrar in connection therewith and upon his filing with the Port evidence satisfactory to the Port and the Bond Registrar that such Bond was actually lost, stolen or destroyed and of his ownership thereof, and upon furnishing the Port and Bond Registrar with indemnity satisfactory to the Port.

**Section 10. Draws; Application of Bond Proceeds.** The Designated Port Representative is hereby delegated the authority to determine the amount of Draws under the Port, subject to the limitations set forth in Section 3 hereof. During the Draw Period, each time the Designated Port Representative shall determine that a Draw needs to be made, he shall make a Draw for the amount of credit he determines to be extended. A single Bond will be issued for all Draws made; and several Draws may be outstanding at any one time. The Draws shall be recorded on the schedule attached to the Bond, or in such other form as the Port and the Bank may agree.

The aggregate principal amount outstanding at any time under the Bond shall not exceed \$700,000. The Treasurer, upon authorization of the Designated Port Representative, shall file with the Bank a Draw Certificate for each Draw, in substantially the form attached hereto as Exhibit B, with the information and certifications shown in Exhibit B. Draw Certificates shall be filed by facsimile or other method acceptable to the Bank. Any request for a Draw need not be honored by the Bank unless such request is received by the Bank no later than 11:00 a.m. Pacific Time on the business day that a Draw is requested to be disbursed to the Port. Draws shall be disbursed by the Bank by wire transfer or by deposit by the Bank into the fund designated by the Port, provided that such fund is an account with the Bank.

The Bank shall be under no obligation to honor any Draw requested by the Port if at the time of such request the Port is in default under any provision of this resolution.

The proceeds of each Draw shall be deposited in the Construction Fund, herein authorized to be created by the Treasurer, if not already established, and shall be expended, together with other available funds as necessary, to pay or reimburse the costs of the Projects and the costs of issuing and selling the Bond, as authorized herein.

**Section 11. Tax Covenants.**

(a) *Arbitrage Covenant.* The Port covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bond and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exclusion from gross income for federal income tax purposes of the interest on the Bond.

(b) *Designation under Section 265(b).* The Port hereby designates the Bond as a “qualified tax-exempt obligation” under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The Port does not anticipate that it will issue more than \$10,000,000 in qualified tax-exempt obligations during 2022.



**Section 12. Bond Fund and Provision for Tax Levy Payments.** A special fund of the Port known as the “Port of Illahee Bond Redemption Fund, 2019”, herein authorized to be re-designated as the “Port of Illahee Bond Redemption Fund” (the “Bond Fund”) has been created and is maintained 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 general obligation bonds of the Port.

The Port hereby further irrevocably covenants that, unless the principal of and interest on the Bond are paid from other sources, it will make annual levies of taxes upon all of the property within the Port subject to taxation within and as a part of the tax levy permitted to the Port without a vote of the electors in amounts sufficient to pay such principal and interest as the same shall become due. The full faith, credit and resources of the Port are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest.

**Section 13. No Undertaking to Provide Ongoing Disclosure and Information to Bank.** The Bond is not subject to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, and the Port makes no undertaking regarding ongoing disclosure with respect to the Bond.

The Port shall provide the Bank its annual financial statements (including audited statements when received) for as long as the Bond is outstanding and held by the Bank.

**Section 14. Resolution and Laws a Contract with the Bank.** This resolution is adopted under the authority of and in full compliance with the Constitution and laws of the State of Washington. In consideration of the loan when made by a Bank, evidenced by the Bond, the provisions of this resolution and of said laws shall constitute a contract with the Bond, and the obligations of the Port, and its Commission under said laws and under this resolution shall be enforceable by any court of competent jurisdiction; and the covenants and agreements herein

and in the Bond set forth shall be for the equal benefit of the Bank and any permitted transferee or assignee.

**Section 15. Severability.** If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the Port 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 in this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bond.

**Section 16. Effective Date.** This resolution shall become effective immediately upon its adoption.

**ADOPTED BY THE PORT OF ILLAHEE COMMISSIONERS at a regular meeting held this 12th day of January, 2022.**

PORT OF ILLAHEE,  
KITSAP COUNTY, WASHINGTON

By \_\_\_\_\_  
James Aho, Commissioner

By \_\_\_\_\_  
John Burton, Commissioner

By \_\_\_\_\_  
Amber Bartz, Commissioner

## EXHIBIT A

### PURCHASE OFFER



December 10, 2021

Jon Buesch, Commissioner  
Theresa Haaland, Treasurer  
Port of Illahee  
P.O. Box 2357  
Bremerton, WA 98310

RE: LTGO, Series 2021, Terms:

Dear Mr. Buesch and Ms. Haaland:

Thank you for the opportunity to propose on the Port's borrowing request. Kitsap Bank (the "Bank") proposes the following terms:

1. Borrower: Port of Illahee (the "Port")
2. Amount: Up to \$700,000 as needed for improvements and to pay for cost of issuance.
3. Form: Fully registered, tax-exempt Limited Tax General Obligation (the "Bond") issued by the Port and purchased by the Bank at private sale.
4. Draw Period: For up to the first 36 months (the "Draw Period") the following terms will apply:
  - a. Draw term: The Draw Period will last from the date of closing for a period of up to 36 months or less as determined necessary by the Port to fund the project, during which time the Port may request Draws. The Port will provide reasonable notice to the Bank of the Port's desire to end the Draw Period and enter into the Repayment Period, at which time Draws will no longer be authorized.
  - b. Draws: Draws may be made on the Bond on any business day in an amount of not less than \$20,000. Draw requests need to be received by 11 AM for same day funding. Draws may be requested up to the full amount of the Bond until expiration of the Draw Period
  - c. Payments: Interest will be due semi-annually each June 1<sup>st</sup> and December 1<sup>st</sup> commencing no later than six months after the 1<sup>st</sup> draw. Principal and/or interest may be paid by the Port at any time.
  - d. Interest rate: Interest during the Draw period will be tied to Kitsap Bank Prime Rate minus 50 basis points (0.50%) calculated on an actual/360 basis, floored at Prime rate at closing (currently 2.75%).
5. Repayment Period: The Repayment Period will begin at the earlier of 36 months from the date of closing or upon notice from the Port to the Bank. The amount of the Bond

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then outstanding, including unpaid interest, will be repaid according to the following terms:

- a. **Terms:** The Bonds will mature 20 years (or less, as determined by the Port) from the date of notice of the end of the Draw Period with semi-annual interest payments due on June 1 and December 1 and annual principal payments due on December 1 of each year commencing no later than six months after the end of the Draw Period to the maturity or earlier prepayment of the Bond. For illustrative purposes, an example amortization schedule is set forth in the attached Exhibit 1 assuming \$700,000 is the total amount drawn and unpaid at a Draw Period ending on 12/1/2024 and payments commencing 6/1/2025. The actual amortization schedule will be based on the amount of the Bond then outstanding including any unpaid interest at the end of the Draw Period, the final maturity determined by the Port, and on interest rates as set forth below. Illustration provided includes payments for 10-year, 15-year and 20-year repayment terms.
  - b. **Interest Rate:** Interest will be at a fixed rate per annum on a 30/360 basis established at the time of adoption of the Port authorizing resolution. The rate will be established based on **the Bloomberg Bank Qualified A rated fair value curve plus a spread of 140 basis points (1.40%)**. For illustrative purposes, the Bond schedule would bear interest as set forth in Exhibit 1 based on pricing as of 11/15/2021.
6. **Interest Rate Options:** The Bank is providing fixed rate options which allow for prepayment at any time without any additional costs or fees. The Bank is offering one option which carries no yield maintenance terms. The Bank additionally offers lower rate options if the Port is willing to agree to Yield Maintenance terms. Yield maintenance options can be agreed to for as short as 1 year or for the first 10 years that the Bond is outstanding. The lowest cost to the Port for proposed terms would be if the Port agreed to 10 years of Yield Maintenance. Shorter periods of Yield Maintenance would be at ratably higher costs, with the highest cost option being for fully allowable prepayment with no Yield Maintenance.
- The Bank's base offering for the Tax Exempt Bond assumes 10 years of Yield Maintenance and assigns an interest rate to each scheduled principal maturity.
7. **Yield Maintenance:** Yield Maintenance provisions can be provided in a separate document with illustrative examples. The Bank's Yield Maintenance provisions only apply if interest rates are lower at the time of prepayment than at the time of issuance.
8. **Prepayment:** The Port may prepay the Bond, in whole or in part, at any time. Partial principal prepayments will be applied to the next scheduled amount due in succession up to the final amount due for complete repayment. The Port will provide the Bank with written notice of any intended prepayment at least 15 days prior to such prepayment date.

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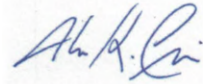
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9. Fees: The Bank will charge a fee of \$1,750 of the approved Bond amount, due at closing. All legal costs incurred by the Port for purposes of issuing the Bond will be the responsibility of the Port.
10. Additional Terms: The Bond documents will be in the standard forms customarily required by the Bank for municipal funding and may include additional terms and conditions not discussed above. At the date of closing the Bond, the financial condition and credit of the Port and all other features of this transaction will be as represented to the Bank without material adverse change. In the event of adverse material changes in the credit worthiness of the Port, including litigation involving or claims filed against the Port, any offers or commitments will terminate upon notice by the Bank. The Port will designate the Tax Exempt Bond as a "qualified tax-exempt obligation" under Section 265(b) (3) of the Internal Revenue Code of 1986, as amended, for investment by financial institutions. The Port will provide the Bank with annual financial statements during the period the Bond is outstanding and held by the Bank.
11. Expiration: If not accepted, these terms will expire without notice on January 31, 2022. If accepted, these terms will expire without notice if the Bond has not closed by February 15, 2022.

Oral agreements or oral commitments to loan money, extend credit, or to forbear from enforcing repayment of a debt are not enforceable under Washington law. If accepted this credit proposal is subject to formal credit approval by the Bank.

Thank you again for considering Kitsap Bank.


Sincerely,



Alan K. Crain, CPA  
EVP & Chief Financial Officer

Acknowledged and accepted this 20<sup>th</sup> day of Dec, 2021

Port of Illahee

By: 

Title: COMMISSION CHAIR

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**Port of Illahee**  
**Limited Tax General Obligation, Series 2021, Tax Exempt**  
**Proposed Rates**

Payment date no later than (term from closing):	10 years Yield Maintenance	5 Years Yield Maintenance	No Yield Maintenance
1Y	1.97%	2.23%	2.63%
2Y	2.03%	2.29%	2.69%
3Y	2.13%	2.39%	2.79%
4Y	2.29%	2.55%	2.95%
5Y	2.46%	2.72%	3.12%
6Y	2.60%	2.86%	3.26%
7Y	2.74%	3.00%	3.40%
8Y	2.86%	3.12%	3.52%
9Y	2.94%	3.20%	3.60%
10Y	2.98%	3.24%	3.64%
11Y	3.03%	3.29%	3.69%
12Y	3.06%	3.32%	3.72%
13Y	3.12%	3.38%	3.78%
14Y	3.16%	3.42%	3.82%
15Y	3.21%	3.47%	3.87%
16Y	3.26%	3.52%	3.92%
17Y	3.28%	3.54%	3.94%
18Y	3.31%	3.57%	3.97%
19Y	3.36%	3.62%	4.02%
20Y	3.36%	3.62%	4.02%
21Y	3.40%	3.66%	4.06%
22Y	3.43%	3.69%	4.09%
23Y	3.47%	3.73%	4.13%
24Y	3.49%	3.75%	4.15%
25Y	3.51%	3.77%	4.17%

Other Yield Maintenance terms are available. Using the 10 Years Yield Maintenance option as a base rate offering, other Yield Maintenance terms would have the follow additional rates:

Years to Prepayment											
	0	1	2	3	4	5	6	7	8	9	10
<b>Add to Rate</b>	0.66%	0.45%	0.39%	0.34%	0.30%	0.26%	0.23%	0.20%	0.17%	0.14%	0.00%

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## Exhibit 1

### Port of Illahee Bond - Debt Service Schedule

Date	Principal Payment	Interest	Ending Balance	Interest Due	Cash Flow
	(Advance)	Rate			
12/01/2024	\$ (700,000.00)		\$ 700,000.00		\$ 700,000.00
06/01/2025	-		700,000.00	10,892.00	(10,892.00)
12/01/2025	27,000.00	2.29%	673,000.00	10,892.00	(37,892.00)
06/01/2026	-		673,000.00	10,582.85	(10,582.85)
12/01/2026	28,000.00	2.46%	645,000.00	10,582.85	(38,582.85)
06/01/2027	-		645,000.00	10,238.45	(10,238.45)
12/01/2027	28,000.00	2.60%	617,000.00	10,238.45	(38,238.45)
06/01/2028	-		617,000.00	9,874.45	(9,874.45)
12/01/2028	29,000.00	2.74%	588,000.00	9,874.45	(38,874.45)
06/01/2029	-		588,000.00	9,477.15	(9,477.15)
12/01/2029	30,000.00	2.86%	558,000.00	9,477.15	(39,477.15)
06/01/2030	-		558,000.00	9,048.15	(9,048.15)
12/01/2030	31,000.00	2.94%	527,000.00	9,048.15	(40,048.15)
06/01/2031	-		527,000.00	8,592.45	(8,592.45)
12/01/2031	32,000.00	2.98%	495,000.00	8,592.45	(40,592.45)
06/01/2032	-		495,000.00	8,115.65	(8,115.65)
12/01/2032	32,000.00	3.03%	463,000.00	8,115.65	(40,115.65)
06/01/2033	-		463,000.00	7,630.85	(7,630.85)
12/01/2033	33,000.00	3.06%	430,000.00	7,630.85	(40,630.85)
06/01/2034	-		430,000.00	7,125.95	(7,125.95)
12/01/2034	34,000.00	3.12%	396,000.00	7,125.95	(41,125.95)
06/01/2035	-		396,000.00	6,595.55	(6,595.55)
12/01/2035	35,000.00	3.16%	361,000.00	6,595.55	(41,595.55)
06/01/2036	-		361,000.00	6,042.55	(6,042.55)
12/01/2036	36,000.00	3.21%	325,000.00	6,042.55	(42,042.55)
06/01/2037	-		325,000.00	5,464.75	(5,464.75)
12/01/2037	37,000.00	3.26%	288,000.00	5,464.75	(42,464.75)
06/01/2038	-		288,000.00	4,861.65	(4,861.65)
12/01/2038	38,000.00	3.28%	250,000.00	4,861.65	(42,861.65)
06/01/2039	-		250,000.00	4,238.45	(4,238.45)
12/01/2039	39,000.00	3.31%	211,000.00	4,238.45	(43,238.45)
06/01/2040	-		211,000.00	3,593.00	(3,593.00)
12/01/2040	40,000.00	3.36%	171,000.00	3,593.00	(43,593.00)
06/01/2041	-		171,000.00	2,921.00	(2,921.00)
12/01/2041	41,000.00	3.36%	130,000.00	2,921.00	(43,921.00)
06/01/2042	-		130,000.00	2,232.20	(2,232.20)
12/01/2042	42,000.00	3.40%	88,000.00	2,232.20	(44,232.20)
06/01/2043	-		88,000.00	1,518.20	(1,518.20)
12/01/2043	43,000.00	3.43%	45,000.00	1,518.20	(44,518.20)
06/01/2044	-		45,000.00	780.75	(780.75)
12/01/2044	45,000.00	3.47%	-	780.75	(45,780.75)

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**EXHIBIT B**

FORM OF DRAW CERTIFICATE

PORT OF ILLAHEE, KITSAP COUNTY, WASHINGTON  
LIMITED TAX GENERAL OBLIGATION BOND, 2022 ("BOND")

REQUEST FOR DRAW NO. \_\_\_\_\_

TO: KITSAP BANK  
619 BAY STREET, P.O. BOX 9  
PORT ORCHARD, WA 98366

On behalf of the Port of Illahee, Kitsap County, Washington (the "Port"), I hereby certify that:

1. I am the President of the Commission, and the Designated Port Representative, authorized by Resolution No. 2022-01 of the Commission adopted on January 12, 2022 (the "Bond Resolution") to take the actions herein.
2. I am authorized to request this Draw under the Bond issued pursuant to the Bond Resolution and to make the representations on behalf of Port set forth herein.
3. The Port requests a Draw under the Bond in the total amount of \$\_\_\_\_\_.
4. The amount of this Draw, together with all previous Draws and less any previous Draw principal amounts repaid, does not exceed \$700,000.
5. Please disburse the Draw to the Port on (insert date), by depositing funds as follows:

To the Kitsap County Treasurer:

Wire Amount: \$ \_\_\_\_\_

Wire Reference No.: \_\_\_\_\_

For the Account of Port of Illahee

Notify: \_\_\_\_\_ [person contact]

( ) \_\_\_\_-\_\_\_\_

6. The Draw will be expended for purposes authorized by the Bond Resolution.

Dated as of this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**PORT OF ILLAHEE, KITSAP COUNTY, WASHINGTON**

By: \_\_\_\_\_  
President, Port Commission

cc: Kitsap County Treasurer  
614 Division Street MS-32  
Port Orchard, WA 98366



U.S. Bank National Association, as Bond Registrar  
Global Corporate Trust Services  
1420 Fifth Avenue, 7th Floor  
PD-WA-T7CT  
Seattle, Washington 98101  
Attention: Carolyn Morrison, Vice President

**CERTIFICATE**

I, the undersigned, Secretary to the Port Commission (the "Commission") of the Port of Illahee, Kitsap County, Washington (the "Port") and keeper of the records of the Commission, DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 2022-01 of the Commission (the "Resolution"), duly adopted at a regular meeting thereof held on the 12th day of January, 2022; and

2. That said meeting was duly convened and held in all respects in accordance with 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 Commission 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 12th day of January, 2022.

\_\_\_\_\_  
Secretary, Port Commission