

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5  
(CENTRAL WHIDBEY ISLAND FIRE & RESCUE)  
ISLAND COUNTY, WASHINGTON

LIMITED TAX GENERAL OBLIGATION BOND, 2023

RESOLUTION NO. 23-01

A Resolution of the Board of Fire Commissioners of the Island County Fire Protection District No. 5, Island County, Washington, providing for the issuance and sale of a limited tax general obligation bond of the district in the principal amount of \$2,705,000, for the purpose of providing funds for the acquisition, construction, and equipping of capital improvements to its facilities, including a new fire station and paying costs of issuance; accepting the proposal of SaviBank to purchase the bond; and providing 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.

ADOPTED: January 12, 2023

Prepared By:

K&L GATES LLP  
Seattle, Washington

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5  
(CENTRAL WHIDBEY ISLAND FIRE & RESCUE)  
ISLAND COUNTY, WASHINGTON  
RESOLUTION NO. 23-01

TABLE OF CONTENTS\*

	Page
Section 1. Definitions .....	2
Section 2. Authorization of Bond and Bond Details .....	5
Section 3. Registration and Payments .....	6
Section 4. Prepayment of the Bond .....	7
Section 5. Form of Bond.....	8
Section 6. Execution of Bond .....	11
Section 7. Bond Fund and Provision for Tax Levy Payments.....	11
Section 8. Application of Bond Proceeds .....	12
Section 9. Sale of Bond .....	12
Section 10. Tax Covenants .....	12
Section 11. Undertaking to Provide Ongoing Disclosure.....	13
Section 12. Transfers: Lost, Stolen or Destroyed Bond .....	13
Section 13. Resolution and Laws a Contract with the Bank.....	14
Section 14. Severability .....	14
Section 15. Effective Date .....	14

Exhibit A - Proposal Letter

---

\* This Table of Contents and the cover page are not a part of the following resolution and are included only for the convenience of the reader.

RESOLUTION NO. 23-01

A Resolution of the Board of Fire Commissioners of the Island County Fire Protection District No. 5, Island County, Washington, providing for the issuance and sale of a limited tax general obligation bond of the district in the principal amount of \$2,705,000, for the purpose of providing funds for the acquisition, construction, and equipping of capital improvements to its facilities, including a new fire station and paying costs of issuance; accepting the proposal from SaviBank to purchase the bond; and providing 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.

WHEREAS, the Board of Fire Commissioners (the "Board") of Island County Fire Protection District No. 5, Island County (the "District"), plans to finance capital improvement projects to include the acquisition, construction, and equipping of a new fire station, and apparatus acquisition (as described in Section 2 herein, the "Projects"); and

WHEREAS, the District is authorized, pursuant to RCW 52.16.061, to incur indebtedness and issue its limited tax general obligation bond for the purpose of providing funds to pay the costs of the Projects and costs of issuance; 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 \$2,705,000 (the "Bond") to pay the costs of the Projects and the costs of issuance of the Bond; and

WHEREAS, the District has requested that D.A. Davidson & Co., as the District's Placement Agent, prepare and distribute a Request for Proposals (the "RFP") to suitable financial institutions, and to summarize the purchase offers received; and

WHEREAS, the District has reviewed with the Placement Agent the proposals received in response to the RFP, and has determined it is in the best interest of the District to accept the proposal of SaviBank, Mount Vernon, Washington (the "Bank"), to purchase the Bond (the

“Proposal Letter”), and the Board wishes to accept such proposal on the terms and conditions set forth therein and herein;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF FIRE COMMISSIONERS OF THE ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5, ISLAND 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 SaviBank, Mount Vernon, Washington, or its corporate successor or any permitted assignee.

***Board of Fire Commissioners*** means the duly constituted Board of Fire Commissioners of the District, the general governing body of the District, as the same shall be duly and regularly constituted from time to time.

***Bond*** means the Island County Fire Protection District No. 5, Island County, Washington, Limited Tax General Obligation Bond, 2023, in the aggregate principal amount of \$2,705,000, issued pursuant to this resolution.

***Bond Fund*** means the Island County Fire Protection District No. 5, Island County, Washington General Obligation Bond Redemption Fund created or maintained in the office of the Treasurer.

***Bond Register*** means the registration books showing the name, address and tax identification number of each registered owner of the Bond, maintained pursuant to Section 149(a) of the Code.

***Bond Registrar*** means 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.

***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 to the Bank.

***Designated Representative*** means the Fire Chief, Deputy Fire Chief and/or the Chair of the Board of the District, or such other official of the District appointed in writing by the Fire Chief or Deputy Fire Chief of the District.

***Determination of Taxability*** means a determination that the interest income on the Bond does not qualify for exclusion from gross income of the owner thereof under Section 103 of the Code, other than by virtue of the provisions of the Code relating to an owner who is a "substantial user" or "related person" (within the meaning of Section 147(a) of the Code).

***District*** means Island County Fire Protection District No. 5, Island County, Washington, (also known as Central Whidbey Island Fire & Rescue) a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of Washington.

***Event of Default*** means, with respect to the Bond, a reasonable determination by the Bank that there has been (a) a failure to pay principal or interest on the Bond when due, as provided in the Bond; (b) a failure by the District to comply with any of its obligations, or to perform any of its duties, under the Bond, which failure continues, and is not cured, for a period of more than 60 days after the Bank has made a written demand on the District to cure such failure, or (c) a material misrepresentation to the Bank by the District in the issuance of the Bond, as reasonably concluded by the Bank after investigation and discussion with the District.

***Final Maturity Date*** means December 1, 2042.

**Interest Rate** means the interest rate on unpaid principal of the Bond, which shall be a fixed annual rate of interest equal to 4.457% per annum from the Date of Issue of the Bond until the Maturity Date, however, that upon the occurrence of an Event of Default, upon notice from the Bank, the Interest Rate shall be increased by 300 basis points (3.00%), while the Event of Default is continuing. Upon the occurrence of a Determination of Taxability, the Interest Rate shall thereafter be equal to an equivalent taxable interest rate as determined by the Bank.

**Placement Agent** means D.A. Davidson & Co., Seattle, Washington.

**Projects** has the meaning given in Section 2 hereof.

**Proposal Letter** means the proposal provided by the Bank and approved pursuant to the authority granted to the Designated Representative in Section 9 of this resolution, in substantially the form as attached in Exhibit A.

**Registered Owner** means the person in whose name a Bond is registered on the Bond Register. The initial Registered Owner shall be SaviBank.

**Treasurer** means the Treasurer of Island County, as *ex officio* Treasurer of the District, 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 limited 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. Authorization of Bond and Bond Details.

(a) *Authorization.* The District shall now issue and sell its Limited Tax General Obligation Bond in the principal amount of \$2,705,000 for the purpose of providing the funds to complete the payment of the costs of:

- acquisition, construction, and equipping of a new fire station (Fire Station No. 53), to be located in Coupeville, Washington; and
  - such other facilities or equipment of the District as the Board of Fire Commissioners shall determine,
- (collectively, the "Projects"), and to pay the costs of issuance of the Bond.

(b) *Designation and Repayment Terms.* The Bond shall be designated as "Island County Fire Protection District No. 5, Island County, Washington, Limited Tax General Obligation Bond, 2023" (the "Bond"), shall be dated as of the Date of Issue; shall be fully registered as to both principal and interest; shall be numbered R-1 or separately in such manner

and with any additional or alternate designation as the Bond Registrar deems necessary for purposes of identification; shall be issued as a single Bond.

The Bond shall be issued in the form of an installment bond in the principal amount of \$2,705,000. The Bond shall bear interest on outstanding and unpaid principal from the Date of Issue at the Interest Rate; provided, however, upon the occurrence of a Determination of Taxability with respect to the Bond, the interest rate shall thereafter be equal to an equivalent taxable interest rate as determined by the Bank as of the date of the Determination of Taxability and including any period of time in which such Determination of Taxability is applicable. Principal of the Bond shall be repayable annually commencing December 1, 2023, and on each following December 1 thereafter until December 1, 2042 (the "Final Maturity Date"). Interest shall be payable semiannually, commencing June 1, 2023, and on each following December 1 and June 1 thereafter until the Final Maturity Date. Principal and interest shall be payable in accordance with an amortization schedule to be attached to the Bond as Exhibit A. The Designated Representative is authorized to approve the amortization schedule for the Bond.

Interest on the Bond shall be calculated on the basis of a year of twelve months and 30 days per month.

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 agent of the State of Washington as bond 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 any such Bond shall be made only as described in Section 2 hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 2 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 in whole to a bank, a wholly owned direct or indirect subsidiary of a bank or a bank holding company, or other financial institution.

(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.* Principal of the Bond shall be payable in lawful money of the United States of America. Payment of principal shall be made on presentation and surrender of the Bond by the Registered Owner to the Bond Registrar for cancellation.

Section 4. Prepayment of the Bond. The District reserves the right to prepay principal of the Bond in advance of the scheduled payments, with 10 business days' prior notice to the Bank, the Fiscal Agent and the Treasurer, in whole, at any time, with no prepayment penalty. The Bank's

acceptance of a partial prepayment shall not relieve the District's obligation to make any future scheduled payments due under the Bond. Any partial prepayment shall be first applied to interest accrued on the prepaid portion of the Bond being prepaid, and then to principal being prepaid, with such prepayment of principal being applied over the maturity of the Bond to maintain level debt payments. At the request of the District, Bank shall provide the District a revised amortization schedule following an optional prepayment.

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

UNITED STATES OF AMERICA

NO. R-1

\$2,705,000

STATE OF WASHINGTON  
ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5, ISLAND COUNTY  
LIMITED TAX GENERAL OBLIGATION BOND, 2023

INTEREST RATE:            4.457%

MATURITY DATE:         DECEMBER 1, 2042

REGISTERED OWNER:     SAVIBANK  
                                 208 EAST BLACKBURN STREET  
                                 MT. VERNON, WA 98273

TAX ID NUMBER:         21-2414781

PRINCIPAL AMOUNT:     TWO MILLION SEVEN HUNDRED FIVE THOUSAND AND  
                                 NO/100 DOLLARS

THE ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5, ISLAND COUNTY, WASHINGTON (the "District"), 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, together with interest thereon, at the Interest Rate set forth above. However, upon the occurrence of a Determination of Taxability with respect to this bond, the interest rate shall thereafter be equal to an equivalent taxable interest rate as determined by the Bank as of the date of the Determination of Taxability and including any period of time in which such Determination of Taxability is applicable. Principal and interest shall be repaid in installments on the dates and in the amounts and as provided in the amortization schedule set forth in Exhibit A attached hereto. Interest shall be payable semiannually, commencing on June 1, 2023, and on each following December 1 and June 1 thereafter, with final payment of all outstanding

and unpaid principal and interest due at the Maturity Date identified above, and shall be calculated on the basis of a year of 360 days and 30 days per month.

Both principal of and interest on this bond are payable in lawful money of the United States of America. Initially, the Island County Treasurer, as *ex officio* treasurer of the District (the "Treasurer") has specified and adopted the registration system for the bond specified by the State Finance Committee, and the fiscal agent of the State will act as registrar, paying agent and authenticating agent (the "Bond Registrar"). The final payment of principal of and interest on this bond shall be made on presentation and surrender of this bond by the Registered Owner to the Bond Registrar for cancellation.

This bond is issued pursuant to Resolution No. 23-01 (the "Bond Resolution") adopted by the Board of Fire Commissioners on January 12, 2023, to provide funds to pay the costs of capital improvement projects to include the acquisition, construction, and equipping of a new fire station, and to pay costs of issuance of the Bond, as authorized by the Bond Resolution. Capitalized terms used in this bond and not otherwise defined shall have the meanings given them in the Bond Resolution. The terms of the Bond Resolution are incorporated herein by reference.

This bond is not transferable, except in whole to a financial institution, as described in the Bond Resolution.

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 District as a qualified tax-exempt obligation under Section 265(b) of the Code for banks, thrift institutions and other financial institutions.

The District reserves the right to prepay principal of this bond in advance of the scheduled payments, in whole, with at least 10 business days' prior notice to the Bank, the Fiscal Agent and the Treasurer, with no prepayment penalty.

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 in amounts 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.

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 Board of Fire Commissioners, 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 District may incur.

IN WITNESS WHEREOF, the Island County Fire Protection District No. 5, Island County, Washington, has caused this bond to be executed by the manual or facsimile signatures of the Chair and Secretary of its Board of Fire Commissioners as of the \_\_\_\_ day of January, 2023.

ISLAND COUNTY FIRE PROTECTION  
DISTRICT NO. 5, ISLAND COUNTY,  
WASHINGTON

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

ATTEST:

\_\_\_\_\_/s/\_\_\_\_\_  
District Secretary

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

CERTIFICATE OF AUTHENTICATION

This is the Limited Tax General Obligation Bond, 2023, of the Island County Fire Protection District No. 5, Island County, Washington, dated January \_\_, 2023, as described in the Bond Resolution.

WASHINGTON STATE FISCAL AGENT,  
as Bond Registrar

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

EXHIBIT A  
BOND AMORTIZATION SCHEDULE

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

Section 6. Execution of Bond. The Bond shall be executed on behalf of the District with the manual or facsimile signature of the Chair of the Board of Fire Commissioners, and shall be attested by the manual or facsimile signature of the Secretary thereof.

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

In case either of the officers of the District who shall have executed the Bond shall cease to be such officer or officers of the District before the Bond 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 also may be signed and attested on behalf of the District by such persons as at the actual date of execution of such Bond shall be the proper officers of the District although at the original date of such Bond any such person shall not have been such officer.

Section 7. Bond Fund and Provision for Tax Levy Payments. Pursuant to RCW 52.16.020, a general obligation bond fund is maintained in the office of the Treasurer (the "Bond Fund") for the purpose of paying the principal of and interest on general obligation bonds of the District.

To pay principal of and interest on the Bond as the same shall become due, the District hereby irrevocably covenants that it will deposit money in the Bond Fund in amounts sufficient to pay the principal of and interest on the Bond. The District 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 District subject to taxation within and as a part of the tax levy permitted to the District 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 taxing power of the District are hereby irrevocably pledged for the prompt payment of such principal and interest.

Section 8.     Application of Bond Proceeds. The proceeds of sale of the Bond, along with other Project funding sources, shall be deposited in the fund of the District designated by the District by request to the Treasurer and shall be expended to pay the costs of the Projects and the costs of issuing and selling the Bond, as authorized herein.

Section 9.     Sale of Bond. The Board of Fire Commissioners hereby approves the Proposal Letter, which Proposal Letter is hereby attached as Exhibit A. The Designated Representative is hereby authorized to execute the final form of the Proposal Letter. 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 sale thereof. The District shall pay a \$4,250 loan fee to the Bank at closing.

Section 10.   Tax Covenants. 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 as a "private activity bond" under Section 141 of the Code.

The Bond is hereby designated as a qualified tax-exempt obligations pursuant to Section 265(b) of the Code for investment by banks, thrift institutions and other financial institutions. The District does not anticipate issuing more than \$10,000,000 in qualified tax-exempt obligations during 2023 (excluding obligations permitted by the Code to be excluded for purposes of the District's qualification as a qualified small issuer).

Section 11. Undertaking to Provide Ongoing Disclosure. The Bond is not subject to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, and the District makes no undertaking regarding ongoing disclosure with respect to the Bond, except as provided in this Section 11.

The District shall provide the Bank (a) its unaudited annual financial statements prepared in accordance with generally accepted accounting principles applicable to government entities, and in accordance with regulations prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) within 270 days after the end of each fiscal year, (b) its audited financial statements within 30 days of receipt each year, (c) its budget for each fiscal year promptly after adoption by the District, and (d) such other financial information of the District as the Bank may from time to time reasonably request, for as long as the Bond is outstanding and held by the Bank.

Section 12. Transfers; Lost, Stolen or Destroyed Bond. Upon presentation of the Bond transferred in compliance with Section 3(c), duly endorsed for transfer, the Bond Registrar shall execute and deliver a new Bond of like date, number and tenor to the Bank's assignee.

In case the Bond shall be lost, stolen or destroyed, the Bond Registrar shall 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 District and the Bond Registrar in connection therewith and upon its filing with the District evidence satisfactory to the District and the Bond Registrar that such Bond was actually lost, stolen or destroyed and of its ownership thereof, and upon furnishing the District and Bond Registrar with indemnity satisfactory to the District.

Section 13. 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 made by the Bank, evidenced by the Bond, the provisions of this resolution and of said laws shall constitute a contract with the Bank, and the obligations of the District and its Board 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.

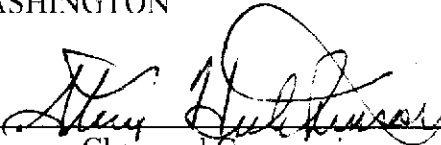
Section 14. Severability. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the District shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bond.

Section 15. Effective Date. This resolution shall become effective immediately upon its adoption.



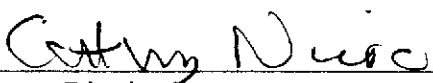
ADOPTED AND APPROVED at a regular meeting of the Board of Fire Commissioners  
of the Island County Fire Protection District No. 5, Island County, Washington, held this 12th day  
of January, 2023.

ISLAND COUNTY FIRE PROTECTION  
DISTRICT NO. 5, ISLAND COUNTY,  
WASHINGTON

By   
Chair and Commissioner

By   
Commissioner

By   
Commissioner

  
District Secretary

## EXHIBIT A

### Proposal Letter



12/7/2022

Dear Chief Hartin, Ms. Niño, Mr. Nelson, and Ms. Kenny

Savi Bank ("Bank") is pleased to present this letter of interest to Island County Fire Protection District No. 5 ("District") to provide tax-exempt bank qualified financing to fund the districts capital project(s) deemed necessary by the District and consistent with maintaining the tax-exempt status of this financing.

This proposal is for the District to sell and the Bank to purchase a twenty (20)-year, tax-exempt bank qualified Limited Tax General Obligation (LTGO) Bond, with a principal amount of up to \$2,700,000. The Bank's purchase of the District's Bond will be through a private sale for direct private placement into the Bank's portfolio.

This letter constitutes a proposal by the Bank to purchase the District's Bond at the terms and conditions described below which are based on information provided to the Bank. These terms and conditions are not all-inclusive, but substantially describe the Bank's proposed intent to proceed to purchase the District's Bond. The terms and conditions contained herein are subject to change in whole or in part as a result of legal review with the District, and once the bank has completed its final underwriting.

**Issuer:** Island County Fire Protection District No. 5, Coupeville Washington.

**Amount:** Amount of the Bond is up to \$2,700,000

**Bond Purpose:** The District desires to finance acquisition, construction, and equipping of capital improvements facilities, including a new fire station, and the cost of issuance, as outlined in the District's, and D. A. Davidson, request for proposal dated November 18, 2022.

**Proposed**

**Form:** Bond shall be a tax-exempt bank qualified Limited Tax General Obligation Bond (LTGO)

**Term:** Approximately twenty (20-years) with an estimated maturity of December 1st, 2042.

**Amortization:** 20-year amortization with final payment of principal outstanding and interest on or before the final Maturity Date.

**Drawdown provision:**

The District will have the option of up to a 12-month drawdown (in any event ending no later than January 1st, 2024) provision, based on the construction budget. Draws will be processed once per month and require ten-day (10) prior notice to the Bank without a fee, penalty, or charges.

**Bank Fees:**

The Bank origination fee for the Bond is \$1,750 at closing. Additionally, there will be a third-party fee charged for the Bank's Bond counsel review estimated to be \$2,500 that will be paid directly to K&L Gates LLP, with no additional administrative fee. If the District elects not to close the sale of the Bond notwithstanding the Bank's willingness to purchase, the District will nonetheless be responsible for payment of the incurred fees of Bank's counsel. The Island County Fire District No. 5 is responsible for its Bond counsel and advisory fees.

**Bank Counsel:** K&L Gates; Cynthia Weed, Seattle WA

**Bond Rate:**

Option A: Tax-exempt bank qualified interest rate of 4.457% per annum on the Bond, fixed for 20 years

Option B: Tax-exempt bank qualified interest rate of 4.358% per annum on the Bond, fixed for 15 years. At the end of the initial 15-year term from the origination date (anniversary date), the Bond rate will then be recalculated utilizing an index of the 5-year Fixed Federal Home Loan Bank -Des Moines (FHLB) on the anniversary date, plus a margin of +0.40 percentage points (ppt) for the Bonds next 5-years. The rate adjustment at year 15 shall have a floor of 2.50%

Bond interest will be calculated on the basis of the actual number of days elapsed over a year of 360-days.

The Bond will have an initial disbursement of at least \$50,000 at closing, with the remaining funds available for disbursement within 12-months after closing of the Bond.

**Market Rates:**

The fixed tax-exempt bank qualified interest rate described above is based upon today's market interest rates. The interest rate is subject to change at the sole discretion of the Bank, if market rates change after January 20, 2023, and (1) if the District's board has not yet formally adopted the bond resolution authorizing the issuance of the Bond and/or (2) if the closing on these Bonds does not occur within forty-five days (45) following the formal adoption of the Bond resolution by the Board of Commissioners.

**Repayment:**

Interest on the Bond shall be paid semiannually on June 1<sup>st</sup> and December 1<sup>st</sup>, beginning June 1, 2023.

Principal payment shall be made annually on December 1<sup>st</sup>, beginning December 1, 2024.

- Prepayment:** The District may prepay the Bond obligation in whole or part, on any date with ten-day (10) prior notice to the Bank without a fee, penalty, additional interest, or charges. A partial principal payment shall be applied to principal over the maturity of the Bond to maintain level debt payments over the life of the Bond, rather than inverse order of maturity.
- Security:** The Bond will constitute a limited general tax obligation of the District. The District will irrevocably pledge, for as long as the Bond is outstanding and unpaid, that it will levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the District on all taxable property within the District in an amount sufficient, together with other money of the District legally available for such purpose, to pay the principal and interest on the Bond, as the same shall come due.
- The full faith, credit, and resources of the District will be irrevocably pledged for the annual levy and collection of such taxes and prompt payment of the principal and interest on the Bond as they shall become due. The security description is subject to the Bond Attorney's approval.
- Default**
- Interest Rate:** At the election of the Bank, the interest rate will increase while the Event of Default is continuing by 300 basis points (3.00%). "Event of Default" means the declaration by the Bank of an event of default as a result of a determination by the Bank that there has been: (i) a failure to pay principal or interest on the Bond when due, as provided in the Bond; or (ii) a failure by the District to comply with any of its obligations, or to perform any of its duties, under the Bond, which failure continues, and is not cured, for a period of more than 60 days after the Bank has made written demand on the District to cure such failure; or, (iii) a material misrepresentation to the Bank by the District in the issuance of the Bond, as reasonably concluded by the Bank after investigation and discussion with the District.
- Other**
- Remedies:** All rights, powers and remedies of the Owner granted in the Bond Resolution, the Bond, any bond purchase agreement, or available under applicable law as may be exercised at any time after the occurrence of an Event of Default, and shall be cumulative and shall not be exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity, except that the Bond shall not be subject to acceleration.
- Legal Opinion:** A legal opinion from the District's Bond Counsel, satisfactory to the Bank, (1) stating the District's indebtedness is legal, valid, and in compliance with the laws of the State of Washington and the United States of America; (2) stating the District's transaction with the Bank is a qualified tax-exempt obligation pursuant to Section 265(b)(3) of the United States IRS Code and the interest income to the Bank is exempt from Federal Income Tax; and (3) confirming the District's Bond resolution is valid and authorized.

**Additional  
Terms:**

Bank will purchase the bond under the following additional conditions: (i) the bond is not being registered under the Securities Act of 1933 and is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state; (ii) no CUSIP numbers will be obtained for the Bond; (iv) no official statement has been or will be prepared in connection with the private placement of the Bond; (v) the bond will not close through the DTC or any similar repository and will not be in book entry form; and (vi) the Bond is not listed on any stock or other securities exchange.

**Material  
Change:**

Any change (whether material or not) in the amount to be financed or a material change in the financial condition or prospects of the District may constitute a re-pricing event and Bank may, at its option and in its sole discretion, terminate this Term Sheet and/or the Interest Rate may be adjusted.

**MSRB Rule G-34  
Representations:**

The Bank intends that the Bond be exempt from the requirements for CUSIP numbers under Municipal Securities Rulemaking Board Rule G-34. The Bank represents and warrants that (i) it is a bank or an entity directly or indirectly controlled by a bank or under common control with a bank, other than a broker, dealer or municipal securities dealer registered under the Securities Exchange Act of 1934, and (ii) the present intent of the Bank is to hold the Bond to maturity or earlier redemption. Any placement agent, broker or financial advisor may rely upon the representations and warranties contained in this paragraph.

**Tax Exempt:**

The District shall designate this proposed Bond as "qualified tax-exempt obligation" for purchase by financial institutions pursuant to Section 265 (b)(c) of the Internal Revenue Code. The tax-exempt bank qualified interest rates described above are based upon the Bond qualifying for this tax-exempt status for the life of the Bond. In the event the Bond ceases to qualify for this tax-exempt status, the fixed interest rate will be converted to equivalent taxable interest rates.

**Financials:**

While the Bond is outstanding, the District shall provide the Bank (i) within 270 days after the end of each fiscal year, a copy of the unaudited financial statements of the District for that fiscal year, prepared in accordance with accounting principles applicable to governmental units of the State such as the District prescribed by the Washington State Auditor's Office (the "SAO"), as such principles may be changed from time to time; (ii) annual audited financial statements within 30 days of receipt, prepared in accordance with accounting principles applicable to local governmental units of the State such as the District prescribed by the SAO, as such principles may be changed from time to time; (iii) promptly after adoption by the District, the budget of the District for each fiscal year; and (iv) such other financial information of the District as the Bank may from time to time reasonably request.

**Documentation:**

Documentation shall be prepared by District's bond counsel, at District's expense. This Letter of Interest is subject to approval of the documentation by the Bank and its separate Bank counsel in the Bank's reasonable discretion, including but not limited to the form of Bond.

- Website Disclosure:** Final bond documentation may be posted by the District on a national public bond market repository provided that certain information be redacted by the District as directed by the Bank. Items that should be redacted include, signatures/names, account numbers, wire transfer and payment instructions and any other data that could be construed as sensitive information.
- Municipal Disclosure:** The District acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the District and the Bank and its affiliates, (ii) in connection with such transaction, the Bank and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), agent or a fiduciary of the District, (iii) the Bank and its affiliates are relying on the Bank exemption in the Municipal Advisor Rules, (iv) the Bank and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Bank, or any affiliate of the Bank, has provided other services or advised, or is currently providing other services or advising the District on other matters), (v) the Bank and its affiliates have financial and other interests that differ from those of the District, and (vi) the District has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, IN THE EVENT ANY MATERIAL CHANGE SHALL OCCUR IN THE FINANCIAL MARKETS AFTER THE DATE OF THIS TERM SHEET, BUT BEFORE CLOSING, INCLUDING BUT NOT LIMITED TO ANY GOVERNMENTAL ACTION OR OTHER EVENT WHICH MATERIALLY ADVERSELY AFFECTS THE EXTENSION OF CREDIT BY BANKS, LEASING COMPANIES OR OTHER LENDING INSTITUTIONS, THE BANK MAY MODIFY THE INDICATIVE PRICING DESCRIBED ABOVE.  
**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

Please note that this letter does not contain all the terms, conditions and provisions involved in this transaction. Final terms will be contained in the legal documents for the proposed agreement.

Please contact us with any questions about the terms and conditions of this proposal letter. We appreciate this opportunity to work with the Island County Fire District No. 5.

Sincerely,

**Mike  
Taylor**

Digitally signed by  
Mike Taylor  
Date: 2022.12.07  
15:34:54 -08'00'

VICE PRESIDENT-COMMERCIAL LOAN OFFICER

P.O. Box 2056, Friday Harbor WA 98250

P 360-298-5283

[MTAYLOR@SAVIBANK.COM](mailto:MTAYLOR@SAVIBANK.COM)

NMLS #720611

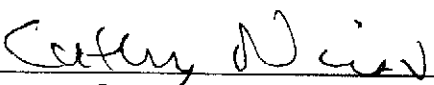
## CERTIFICATE

I, the undersigned, Secretary of the Board of Fire Commissioners of Island County Fire Protection District No. 5, Island County, Washington (the "District") and keeper of the records of the Board of Fire Commissioners (the "Board"). DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 23-01 of the Board of Fire Commissioners (the "Resolution"), duly adopted at a regular meeting thereof held on the 12<sup>th</sup> day of January, 2023:

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 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 12th day of January, 2023.

  
Secretary, Board of Fire Commissioners