

SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 3
SAN JUAN COUNTY, WASHINGTON
d/b/a Orcas Island Health Care District

TAX ANTICIPATION NOTE, 2018A

LIMITED TAX GENERAL OBLIGATION BOND, 2018B

RESOLUTION NO. 2018-16

A RESOLUTION of the Board of Commissioners of the San Juan County Public Hospital District No. 3, San Juan County, Washington, providing for the issuance and sale of a tax anticipation note to evidence a revolving line of credit in the principal amount of not to exceed \$250,000, and a limited tax general obligation bond of the district in the principal amount of not to exceed \$800,000; providing the date, form, and repayment terms of said note and bond and for the pledge of the District's full faith and credit to pay the principal thereof and interest thereon; and approving the sale of such note and bond.

APPROVED ON OCTOBER 16, 2018

PREPARED BY:

K&L GATES LLP
Seattle, Washington

SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 3
RESOLUTION NO. 2018-16*
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* This table of contents is not a part of this resolution; it is included for convenience of the reader only.

RESOLUTION NO. 2018-16

A RESOLUTION of the Board of Commissioners of the San Juan County Public Hospital District No. 3, San Juan County, Washington, providing for the issuance and sale of a tax anticipation note to evidence a revolving line of credit in the principal amount of not to exceed \$250,000, and a limited tax general obligation bond of the district in the principal amount of not to exceed \$800,000; providing the date, form, and repayment terms of said note and bond and for the pledge of the District's full faith and credit to pay the principal thereof and interest thereon; and approving the sale of such note and bond.

WHEREAS, the Board of Commissioners (the "Board") of San Juan County Public Hospital District No. 3, San Juan County, Washington, d/b/a Orcas Island Health Care District (the "District"), plans to provide financing to fund the acquisition of a health care facility, certain formation expenditures and other capital projects (the "Projects"); and

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

WHEREAS, the District also is authorized under the provisions of ch. RCW 39.50 (the "Short Term Borrowing Act") to borrow funds payable from tax receipts to fund District expenditures in anticipation of the receipt of tax levies and other revenues; and

WHEREAS, it is deemed necessary and advisable that the District establish a revolving line of credit in exchange for its tax anticipation note in the principal amount of not to exceed \$250,000 (the "Note") on the condition that the Note maintain a zero balance for at least 45 consecutive days each calendar year; and

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

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 3, SAN JUAN COUNTY, WASHINGTON, as follows:

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

Bank means Washington Federal, Seattle, Washington, and any business successor thereto.

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

Bond means the San Juan County Public Hospital District No. 3, San Juan County, Washington, Limited Tax General Obligation Bond, 2018B, in the principal amount of not to exceed \$800,000, issued pursuant to this resolution.

Bond Final Draw Date means November 1, 2020.

Bond Fund means the “San Juan County Public Hospital District No. 3 General Obligation Bond Fund, 2018” established pursuant to Section 9 of this resolution.

Bond Interest Rate means a fixed rate equal to 3.57% per annum; provided, however, that upon the occurrence of an Event of Default and notice from the Bank, the Bond Interest Rate shall be increased to 6.57% per annum.

Bond Maturity Date means November 1, 2028.

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

Designated District Representative means the Chair/President of the Board, the Secretary of the Board and/or the Superintendent of the District or such other persons as may be appointed by such persons in writing and delivered to the Bank and the Registrar.

District means San Juan County Public Hospital District No. 3, San Juan County, Washington, d/b/a Orcas Island Health Care District, a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington.

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

Events of Default mean, with respect to either the Note or the Bond:

(a) Nonpayment of principal, interest, fees or other amounts due with the Note or the Bond, respectively;

(b) Failure to perform or observe covenants set forth in the loan documentation; or

(c) Loss of the tax-exempt status of the Note or the Bond, respectively.

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

Note means the San Juan County Public Hospital District No. 3, San Juan County, Washington, Tax Anticipation Note, 2018A, in the principal amount of not to exceed \$250,000, issued pursuant to this resolution.

Note Final Payment Date means November 1, 2024.

Note Interest Rate means a variable interest rate initially equal to 3.46% per annum, subject to an annual reset on each November 1, starting November 1, 2019 (each a “Reset Date”). The Note Interest Rate shall be calculated on each Reset Date pursuant to the following formula: (the then applicable one-year LIBOR Rate plus 1.55%) multiplied by (1.00 minus the highest marginal tax rate applied to subchapter C corporations, expressed as a decimal). Upon the occurrence of an Event of Default and notification from the Bank, the Note Interest Rate will be increased by 3.00% per annum.

Note Put Date means November 1, 2021.

Note Redemption Fund means the fund by that name or other proper designation into which the District shall deposit funds it receives from the State of Washington or District taxpayers after the date of the Note in an amount to provide sufficient funds available to pay the principal of and interest on the Note as required under the terms of the Note.

Obligations mean, collectively, the Note and the Bond.

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

Projects mean the acquisition of a health care facility, certain formation expenditures and other capital projects, and may also include acquisition of the adjoining tax parcel and medical equipment in the facility.

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

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

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

Short Term Borrowing Act means RCW ch. 39.50, as the same may be amended from time to time.

State means the State of Washington.

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

Section 2. Authorization of Note and Bond.

(a) *Authorization of Note.* The District shall, for the purpose of establishing a revolving line of credit to finance its ongoing activities prior to receipt of tax revenues, issue a short-term revolving draw down obligation in the principal amount of not to exceed \$250,000. Said short-term obligation shall be designated as the “San Juan County Public Hospital District No. 3, San Juan County, Washington, Tax Anticipation Note, 2018A,” shall be dated as of the date of delivery to the Bank, shall be issued in fully-registered form, and shall be in the denomination of not to exceed \$250,000, provided that the Outstanding Principal Balance due and owing thereunder shall be measured by the total Draws made and not repaid, as evidenced by the Loan Draw Record for the Note. The Note shall bear interest on unpaid principal from the date of each Draw or the most recent date to which interest has been paid at the Note Interest Rate. Interest shall be calculated on an actual number of days elapsed over a year of 360 days basis. Interest shall be paid semiannually on each May 1 and November 1, commencing on May 1, 2019 and may be paid with a Draw under the Note. Following the occurrence of an Event of Default with respect to the Note, interest shall be payable on demand.

The District is required to prepay in full the outstanding principal and interest on the Note no later than the Note Put Date unless the Bank, in its sole discretion, waives such prepayment requirement in writing delivered to the District not earlier than 180 days and not later than 120 days prior to such Note Put Date. In the event the Bank does not waive the prepayment requirement in advance of the Note Put Date, no further Draws may be made on the Note after the Note Put Date. In the event the Bank does waive such prepayment requirement in advance of the Note Put Date, all outstanding principal and interest on the Note shall be paid in full no later

than the Note Final Payment Date, and no further Draws may be made on the Note on or after the Note Final Payment Date. In addition, the District shall cause a Form 8038-G to be completed and timely filed with the Internal Revenue Service evidencing the final maturity date of the Note as the Note Final Payment Date.

The Note is intended to be a revolving obligation; however, the Outstanding Principal Balance under the Note may never exceed \$250,000, although principal amounts repaid may be re-borrowed until the Note Put Date, or if such prepayment requirement is waived by the Bank, the Note Final Payment Date. The available principal of the Note shall be disbursed pursuant to Draws submitted to the Bank from time to time by the District as provided in Section 7 of this resolution. Draws shall be recorded on the Loan Draw Record for the Note, or in such other form as the District and the Bank may agree. The Bank's failure to record any Draws on the Loan Draw Record attached to the Note shall not affect in any way the District's obligation to pay the Note. The District may request Draws on the Note on any banking day. 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 Outstanding Principal Balance must be repaid in full, including interest thereon for a minimum of 45 consecutive days during each calendar year, commencing with the year 2019. At the time of the first Draw following the end of each such 45-day period, the District shall cause a Form 8038-G to be completed and filed with the Internal Revenue Service.

The Designated District Representative is hereby authorized to determine for the District the amount and the timing of Draws and repayments under the Note.

(b) *Authorization of Bond.* The District shall now issue and sell to the Bank its limited tax general obligation bond in the principal amount of not to exceed \$800,000 to provide

funds to pay the costs of the Projects and the costs of issuance of the Bond. The Bond shall be designated “San Juan County Public Hospital District No. 3, San Juan County, Washington, Limited Tax General Obligation Bond, 2018B,” shall be dated as of the date of its delivery to the Bank, shall be fully registered as to both principal and interest, shall be issued as a single fully registered bond, and shall be numbered in such manner and with any additional designation as the Registrar deems necessary for purposes of identification. The Bond shall be in the denomination of \$800,000, provided that the Outstanding Principal Balance due and owing thereunder shall be measured by the total Draws made, as evidenced by the Loan Draw Record for the Bond.

The Bond shall bear interest on unpaid principal from the date of each Draw or the most recent date to which interest has been paid at the Bond Interest Rate. Interest shall be calculated on 30 day month and a year of 360 days basis. Interest shall be paid semiannually on each May 1 and November 1, commencing on May 1, 2019. Following the occurrence of an Event of Default with respect to the Bond, interest shall be payable on demand. Principal shall be paid annually on November 1, commencing on November 1, 2020, with the final payment of all outstanding principal, together with interest thereon, on the Bond Maturity Date.

The Outstanding Principal Balance under the Bond may never exceed \$800,000. The available principal of the Bond shall be disbursed pursuant to Draws submitted to the Bank from time to time by the District as provided in Section 7 of this resolution. Draws shall be recorded on the Loan Draw Record for the Bond. The Bank’s failure to record any Draws on the Loan Draw Record attached to the Bond shall not affect in any way the District’s obligation to pay the Bond. The District may request Draws on the Bond on any banking day until the Bond Final Draw Date, at which time the final Bond balance will be set. The District may elect a step-down option on the outstanding principal amount of the Bond on the Bond Final Draw Date, which

would allow the District to reduce the outstanding principal amount of the Bond at the end of the Draw period without penalty. A request for a Draw may be made in writing in the manner approved by the Bank and the District. Draws submitted to the Bank in whatever form shall be binding upon the District. The Bond is not a revolving line of credit. On or prior to the Bond Final Draw Date, the Bank and the District shall agree upon an amortization schedule for the Outstanding Principal Balance of the Bond (to provide for approximately level annual payments of principal and interest), and the amortization schedule shall be communicated to the Treasurer and the Registrar.

Section 3. Registration and Payments.

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

(b) *Registered Ownership.* The District and the Registrar may deem and treat the Registered Owner of the Obligations as the absolute owner for all purposes, and neither the District nor the Registrar shall be affected by any notice to the contrary. Payment of the Obligations shall be made only as described in Section 3 hereof, but such registration may be

transferred as herein provided. All such payments made as described in Section 3 shall be valid and shall satisfy the liability of the District upon the Obligations to the extent of the amount or amounts so paid.

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

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

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

Section 4. Prepayment.

(a) *Prepayment of Note.* The District reserves the right to prepay the Note, in whole or in part, on any date, with no prepayment penalty. The District shall provide the Bank with 5 days prior notice of any such prepayment. As set forth more fully in Section 2, the Note is subject to mandatory prepayment on the Note Put Date.

(b) *Prepayment of Bond.* If the Bank is able to redeploy the funds of the Bond at a satisfactory higher rate (determined solely by the Bank), the District may be able to prepay the Bond without penalty prior to its maturity. Otherwise, any prepayment shall be subject to a prepayment penalty in order to compensate the Bank for its cost of funds. Notwithstanding the

foregoing, any prepayment of the principal amount of the Bond by the District on the Bond Final Draw Date in connection with the step-down option described under Section 2 shall be without penalty.

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

NO. [N/R-1] UNITED STATES OF AMERICA \$ _____
(or as much thereof as is shown on the attached Loan Draw Record)

STATE OF WASHINGTON
SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 3
SAN JUAN COUNTY
[TAX ANTICIPATION NOTE, 2018A/LIMITED TAX GENERAL OBLIGATION BOND, 2018B]

INTEREST RATE: _____ %
MATURITY DATE: NOVEMBER 1, 20__
REGISTERED OWNER: WASHINGTON FEDERAL N.A.
425 PIKE STREET
SEATTLE, WA 98101
TAX IDENTIFICATION #: _____
PRINCIPAL AMOUNT: _____ HUNDRED _____ THOUSAND
AND NO/100 DOLLARS (or so much as has been drawn hereunder)

SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 3, SAN JUAN COUNTY, WASHINGTON (the "District"), a municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of Washington, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, the Principal Amount specified above (or so much thereof has been drawn hereunder), together with interest thereon, at the Interest Rate set forth above.

[Interest shall be calculated on an actual/360-day basis/Interest shall be calculated on the basis of a 30 day month and a 360 day year]. Principal and interest shall be repaid as set forth in the Resolution (as such term is defined below).

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

This [note/bond] is issued pursuant to Resolution No. 2018-16 of the District (the "Resolution"), to provide funds for the Project. Capitalized terms appearing on this [note/bond] and not otherwise defined herein shall have the meanings given such terms in the Resolution.

This [note/bond] is subject to prepayment by the District prior to its scheduled maturity as described in the Resolution. [This note will maintain a zero balance for a minimum of 45 consecutive days in each calendar year, commencing in 2019.]

This [note/bond] is not transferable, except in whole to a financial institution.

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

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

To pay installments of principal of and interest on this [note/bond] as the same shall become due, the District hereby irrevocably covenants that it will deposit funds in the District's [Note Redemption Fund/Bond Fund] out of all taxes levied by the District by law and when permitted to be levied by State law, and out of other revenues received by the District, such tax receipts and other revenue in an amount which, together with other money of the District, if any, legally available for such purposes, will be sufficient to pay such principal and interest. The full faith, credit and taxing power of the District are hereby irrevocably pledged for the prompt payment of such principal and interest.

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

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed

precedent to and in the issuance of this [note/bond] have happened, been done and performed and that the issuance of this [note/bond] does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the District may incur.

IN WITNESS WHEREOF, San Juan County Public Hospital District No. 3, San Juan County, Washington, has caused this [note/bond] to be executed by the manual or facsimile signatures of the Chair/President and Secretary of its Board of Commissioners as of this ____ day of October, 2018.

SAN JUAN COUNTY PUBLIC HOSPITAL
DISTRICT NO. 3, SAN JUAN COUNTY,
WASHINGTON

By _____/s/_____
Chair/President, Board of Commissioners

ATTEST:

_____/s/_____
Secretary, Board of Commissioners

CERTIFICATE OF AUTHENTICATION

Date of Authentication: October ____, 2018

This is the [Tax Anticipation Note, 2018A/Limited Tax General Obligation Bond, 2018B], of San Juan County Public Hospital District No. 3, San Juan County, Washington, as described in the within mentioned Resolution and dated ____ day of October, 2018.

WASHINGTON STATE FISCAL AGENT
as Registrar

By _____
Authorized Signer

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

SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 3,
 SAN JUAN COUNTY, WASHINGTON
 [TAX ANTICIPATION NOTE, 2018A/LIMITED TAX GENERAL OBLIGATION BOND,
 2018B]

LOAN DRAW RECORD

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

Section 6. Execution of Obligations. The Obligations shall be executed on behalf of the District with the manual or facsimile signatures of the Chair/President and Secretary of the Board of the District. The Obligations shall be valid or obligatory for any purpose or entitled to the benefits of this resolution only if the Certificate of Authentication in the form hereinbefore recited has been manually executed by or on behalf of the Registrar or its duly designated agent.

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

Section 7. Disposition of Draws Under the Obligations. Following the execution and delivery of the Obligations, the Designated District Representative shall notify the Treasurer and the Bank in writing each time that a Draw is required. The Bank will then notify the Treasurer of its intent to wire transfer a Draw (including the dollar amount of the Draw and the date on which the Draw amount will be wired to the Treasurer for deposit). The Draws under the Note shall be used for operating expenses of the District, pending the receipt of tax revenues. The Draws under the Bond shall be used for financing or the refinancing of the Projects (including but not limited to costs of issuance of the Bond, financing, legal or any other incidental costs) and for repaying any advances heretofore or hereafter made on account of such expenses.

Section 8. Note a Special Obligation of Note Redemption Fund. A special fund of the District to be known as the “San Juan County Public Hospital District No. 3, Note Redemption Fund” (the “Note Redemption Fund”) is hereby authorized to be created by the Treasurer. The Note Redemption Fund shall be a trust account and shall be drawn upon for the sole purpose of paying the principal of and interest on the Note. Money on deposit in the Note Redemption Fund not immediately needed to pay such interest or principal may temporarily be deposited in such institutions or invested in such obligations that are legal investments for District funds. Any interest or profit from the investment of such money shall be deposited in the Note Redemption Fund. Any money remaining in the Note Redemption Fund after payment in full of the principal of and interest on the Note may be transferred to the general fund of the District, and the Note Redemption Fund shall be closed.

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

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

Section 9. Bond Fund; Pledge of Funds and Credit. A special fund of the District known as the “San Juan County Public Hospital District No. 3 General Obligation Bond Fund, 2018” (the “Bond Fund”) is authorized to be created in the office of the Treasurer. The Bond Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Bond. The District hereby irrevocably covenants with the owner of the Bond that it will annually include in its budget and levy taxes on all taxable property in the District, within and as part of the property taxes authorized by law to be levied by the District without a vote of the people, in an amount that, together with other lawfully available funds including receipts from operations of the District’s facilities, will be sufficient to pay when due the principal of and

interest on the Bond. The full faith, credit and resources of the District are hereby irrevocably pledged for the annual levy and collection of those taxes and for the prompt payment of the principal of and interest on the Bond as the same become due.

Section 10. Covenants; Special Designation. The District hereby covenants that it will not make any use of the proceeds of sale of the Obligations or any other funds of the District that may be deemed to be proceeds of such Obligations pursuant to Section 148 of the Code that will cause either Obligation to be an “arbitrage bond” within the meaning of said section and related regulations. The District will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Obligations) and the applicable regulations thereunder throughout the term of the Obligations.

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

The District hereby designates the Obligations as “qualified tax-exempt obligations” for purchase by financial institutions pursuant to Section 265(b) of the Code. The District does not anticipate that it will issue more than \$10,000,000 in qualified tax-exempt obligations during the year 2018 excluding obligations permitted by the Code to be excluded for purposes of the District’s qualification as a qualified small issuer.

The District covenants that it will provide its audited financial statements promptly upon receipt thereof from the State Auditor’s office or if no such audited financial statements are available, unaudited financial statements of the District, no later than 270 days from the end of each fiscal year.

Section 11. Sale of the Obligations. The District hereby ratifies and confirms its acceptance of the Bank’s offer dated September 5, 2018, to purchase the Obligations on the

terms specified therein and in this resolution. The proper District officials are hereby authorized and directed to do everything necessary for the prompt execution and delivery of the Obligations to the Bank and for the proper application and use of the proceeds of the Obligations. There will be a \$5,000 loan origination fee to be paid to the Bank upon issuance of the Bond. With respect to the Note, the District shall pay an annual unused commitment fee of \$2,500 on each November 1 for the prior annual period. The unused commitment fee shall be waived, however, if the average daily balance of the Note on such November 1 for the prior annual period was at least \$125,000, which shall be calculated by totaling the Outstanding Principal Balance under the Note for each day of the prior annual period and dividing that sum by 360. The District shall pay all other costs of issuing the Obligations upon closing and delivery of the Obligations, including its bond counsel fees and Bank counsel fees (\$5,000). All actions heretofore taken by the District's officials, agents and representatives in connection with the issuance and sale of the Obligations are hereby ratified, approved and confirmed.

Section 12. Severability. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the District shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bond.

Section 13. Effective Date. This resolution shall become effective immediately upon its passage and approval.

APPROVED by the Board of Commissioners of San Juan County Public Hospital
District No. 3, San Juan County, Washington, at a regular meeting thereof held this 16th day of
October, 2018.

SAN JUAN COUNTY PUBLIC HOSPITAL
DISTRICT NO. 3, SAN JUAN COUNTY,
WASHINGTON

Chair/President and Commissioner

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary, Board of Commissioners

CERTIFICATE

I, the undersigned, Secretary of the Board of Commissioners of San Juan County Public Hospital District No. 3, San Juan County, Washington, (the “District”) and keeper of the records of the Board of Commissioners (the “Board”), DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 2018-16 of the Board (the “Resolution”), duly passed at a regular meeting thereof held on the 16th day of October, 2018.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of October, 2018.

Secretary, Board of Commissioners