

SEQUIM SCHOOL DISTRICT NO. 323
CLALLAM AND JEFFERSON COUNTIES, WASHINGTON

RESOLUTION NO. 08-2016/2017

A RESOLUTION of the Board of Directors of Sequim School District No. 323, Clallam and Jefferson Counties, Washington, relating to contracting indebtedness; providing for the issuance of a \$3,500,000 principal amount Limited General Obligation Bond, 2017, for the purpose of paying costs of renovating and expanding the Central Kitchen Facility, and carrying out other purposes authorized by RCW 28A.530.080; fixing the date, interest rate, form, maturity, terms and covenants of such bond; establishing a limited general obligation bond redemption account for payment of the bond; approving the sale and providing for the delivery of the bond to ZB, N.A., Salt Lake City, Utah; and providing for other matters properly related thereto, all as more particularly set forth herein.

ADOPTED: AUGUST 7, 2017

This document prepared by:

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** The cover page, table of contents and section headings of this resolution are for convenience of reference only, and shall not be used to resolve any question of interpretation of this resolution.*

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BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SEQUIM SCHOOL DISTRICT NO. 323, CLALLAM AND JEFFERSON COUNTIES, WASHINGTON, as follows:

Section 1. Definitions. In addition to the words and terms defined elsewhere in this resolution, the following words and terms as used in this resolution shall have the following meanings, unless the context or use indicates another or different meaning or intent. Unless the context indicates, words importing the singular number shall include the plural number and vice versa.

- (a) “Board” means the Board of Directors of the District.
- (b) “Bond” means the \$3,500,000 principal amount Sequim School District No. 323, Clallam and Jefferson Counties, Washington, Limited General Obligation Bond, 2017, issued pursuant to and for the purposes provided in this resolution.
- (c) “Bond Account” means the Limited General Obligation Bond Account, 2017, created within the Debt Service Fund by Section 13 of this resolution for the payment of the Bond.
- (d) “Bond Counsel” means the firm of Foster Pepper PLLC, its successor or any other attorneys or firm of attorneys with a nationally recognized standing as bond counsel in the field of municipal finance selected by the Board.
- (e) “Bond Register” means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of the Bond, which contains the name and mailing address of the Registered Owner.
- (f) “Bond Registrar” means the fiscal agent of the State (as designated by the State Finance Committee from time to time pursuant to chapter 43.80 RCW), currently, U.S. Bank, National Association, and any successors or assigns, who has been appointed by the Treasurer as authenticating agent, transfer agent, exchange agent and bond registrar with respect to the Bond in the manner provided in this resolution.

(g) “Capital Projects Fund” means the Sequim School District No. 323, Clallam and Jefferson Counties, Washington, Capital Projects Fund heretofore created pursuant to RCW 28A.320.330.

(h) “Code” means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

(i) “Date of Delivery” means the date of issuance and delivery of the Bond to the Purchaser in exchange for the purchase price of the Bond.

(j) “Debt Service Fund” means the Sequim School District No. 323, Clallam and Jefferson Counties, Washington, Debt Service Fund heretofore created pursuant to RCW 28A.320.330.

(k) “District” means Sequim School District No. 323, Clallam and Jefferson Counties, Washington.

(l) “Engagement Letter” means the engagement letter, dated August 7, 2017, regarding the legal services to be provided by Bond Counsel in connection with the issuance of the Bond.

(m) “Executive Director” means the District’s Executive Director of Finance and Operations or such other officer of the District who may in the future perform the duties of that office, if any.

(n) “General Fund” means the Sequim School District No. 323, Clallam and Jefferson Counties, Washington, General Fund heretofore created pursuant to RCW 28A.320.330.

(o) “Government Obligations” means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

(p) “Maturity Date” means June 1, 2020.

(q) “Placement Agent” means Piper Jaffray & Co., or any successor to the functions thereof.

(r) “President” means the President of the Board (including the Vice President of the Board in case of the President’s absence or disability), or any presiding officer or titular head of the Board, or any successor to the functions of the President.

(s) “Projects” means:

(i) Renovating and expanding the Central Kitchen Facility, including, but not limited to: (1) upgrading and/or modernizing HVAC, electrical and fire protection systems; (2) acquiring and installing new food service equipment; (3) making site improvements; (4) demolishing the 1950s portion of the community school building; (5) renovating the District warehouse; (6) adding additional freezer space and prep area; and (7) making other capital improvements, all as deemed necessary and advisable by the Board;

(ii) Carrying out other purposes authorized by RCW 28A.530.080, all as deemed necessary and advisable by the Board;

(iii) Acquiring, constructing and installing all necessary furniture, equipment, apparatus, accessories, fixtures and appurtenances in the foregoing, all as deemed necessary and advisable by the Board; and

(iv) Paying incidental costs incurred in connection with carrying out and accomplishing the foregoing pursuant to RCW 39.46.070. Such costs shall be deemed part of the Projects and shall include, but are not limited to: (1) costs related to the issuance, sale and delivery of the Bond; (2) payments for fiscal and legal costs; (3) costs of printing, advertising, establishing and funding accounts; (4) necessary and related engineering, architectural, planning, consulting, permitting, inspection and testing costs; (5) administrative and relocation costs; (6) site acquisition and improvement costs; (7) demolition costs; (8) costs related to demolition and/or deconstruction of existing school facilities to recycle, reclaim and repurpose all or a portion of such facilities and/or building materials; (9) costs of on-site and off-site utilities and road improvements; and (10) costs of other similar activities or purposes, all as deemed necessary and advisable by the Board.

(t) “Purchaser” means ZB, N.A., Salt Lake City, Utah, a wholly owned subsidiary of Zions Bancorporation, and its successors and assigns.

(u) “Qualified Institutional Buyer” means a “qualified institutional buyer” as defined in the United States Securities and Exchange Commission Rule 144A.

(v) “RCW” means the Revised Code of Washington.

(w) “Registered Owner” means the entity or person named as registered owner of the Bond on the Bond Register, initially the Purchaser.

(x) “Secretary” means the Secretary to the Board, or other officer of the District who is the custodian of the records and proceedings of the Board, or any successor to the functions of the Secretary.

(y) “State” means the State of Washington.

(z) “System of Registration” means the system of registration for the District’s bonds and other obligations set forth in District Resolution No. 07-2016/2017.

(aa) “Term Sheet” means the agreement between the District and the Purchaser, dated July 12, 2017, providing terms for the purchase of the Bond by the Purchaser.

(bb) “Treasurer” means the Treasurer of Clallam County, Washington, as *ex-officio* treasurer of the District.

Section 2. Findings and Determinations. The Board takes note of the following facts and hereby makes the following findings and determinations:

(a) The District is in need of accomplishing the Projects, the total estimated cost of which is \$3,500,000, and the District does not have available sufficient money to pay such costs.

(b) The District is authorized and empowered by RCW 28A.530.080 to borrow money and issue a limited general obligation bond to pay costs of the Projects.

(c) It is in the best interest of the District to issue, sell and deliver the Bond to pay the costs of the Projects.

(d) The Board, following notice thereof being published in a newspaper of general circulation within the District, conducted a public hearing on July 17, 2017, in accordance with the requirements of RCW 28A.530.080(2) on the proposed issuance of the Bond.

(e) The Purchaser has offered to purchase the Bond under the terms and conditions hereinafter set forth.

Section 3. Authorization of the Bond. The District shall issue, sell and deliver the Bond for the purpose of paying costs of the Projects. The Projects, or any portion or portions thereof, shall be accomplished insofar as is practicable with available money and in such order of time as shall be deemed necessary and advisable by the Board. The Board shall determine the application of available money between the various parts of the Projects so as to accomplish, as near as may be, all of the Projects. The Board shall determine the exact order, extent and specifications for the Projects. The Projects are to be more fully described in the plans and specifications to be prepared by and filed with the District.

Section 4. Description of the Bond. The District shall issue, sell and deliver the Bond as a single bond designated as the "Sequim School District No. 323, Clallam and Jefferson Counties, Washington, Limited General Obligation Bond, 2017." The Bond shall be in the principal amount of \$3,500,000; shall be dated the Date of Delivery; shall be numbered R-1; shall be issued only in fully registered form; and shall mature on the Maturity Date. From the Date of Delivery through and including the Maturity Date or earlier prepayment of the Bond, the unpaid principal amount of the Bond shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) at a fixed rate of 1.71% *per annum*.

Interest on the outstanding principal of the Bond shall be payable semiannually on each June 1 and December 1, commencing December 1, 2017, to the Maturity Date or earlier prepayment of the Bond. Principal of the Bond shall be payable semiannually on each June 1 and December 1, commencing June 1, 2018, to the Maturity Date or earlier prepayment of the Bond. A debt service schedule reflecting the payments due on the Bond is attached hereto as Exhibit A, which by this reference is incorporated herein (unless such debt service schedule is otherwise recalculated through partial prepayment of the Bond as provided in Section 7 herein). The final installment payment of principal of and interest on the Bond, whether on the Maturity Date or upon prepayment, shall be in an amount equal to the remaining principal and interest due on the Bond. The life of the Projects to be financed with the proceeds of the Bond exceeds the term of the Bond.

Section 5. Bond Registrar; Registration and Transfer of the Bond. Pursuant to RCW 39.46.030(3)(b), the Treasurer has appointed the Bond Registrar to act as the District's bond

registrar, authenticating agent, transfer agent and exchange agent with respect to the Bond. The Bond Registrar shall keep, or cause to be kept sufficient books for the registration and transfer of the Bond, which books shall be open to inspection by the District at all times. The Bond Registrar is authorized, on behalf of the District, to authenticate and deliver the Bond transferred in accordance with the provisions of the Bond and this resolution, to serve as the District's paying agent for the Bond and to carry out all of the Bond Registrar's powers and duties under this resolution and the System of Registration. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bond.

The Bond may be assigned or transferred only: (a) in whole; (b) to a single investor that is a Qualified Institutional Buyer; (c) if endorsed in the manner provided thereon and surrendered to the Bond Registrar; and (d) if the transferee provides the Bond Registrar with an executed transfer certificate in substantially the form to be attached to the Bond. Any such transfer shall be without cost to the Registered Owner or transferee (other than any cost incurred by the Registered Owner or transferee in preparing and delivering such transfer certificate) and shall be noted on the Bond Register. The Bond Registrar shall not be obligated to assign or transfer the Bond during the 15 days preceding any installment payment or prepayment date.

Section 6. Payment of the Bond. The installments of principal of and interest on the Bond shall be payable in lawful money of the United States of America and shall be paid by check, draft or electronic transfer of the Bond Registrar sent to the Registered Owner so that such Registered Owner receives said payments when due at the address appearing on the Bond Register. Upon receipt of the final installment payment of principal of and interest on the Bond, whether on the Maturity Date or upon prepayment, the Registered Owner shall present and surrender the Bond to the Bond Registrar to be destroyed or cancelled in accordance with law. The District and the Bond Registrar may deem and treat the Registered Owner of the Bond as the absolute owner of the Bond for the purpose of receiving payment of principal and interest and for all other purposes, and neither the District nor the Bond Registrar shall be affected by any notice to the contrary other than proper notice of assignment or transfer.

Section 7. Prepayment Provisions. The District reserves the right and option to prepay and redeem, at any time prior to the Maturity Date, any or all of the principal amount of the Bond outstanding at par plus accrued interest to the date of prepayment. The District shall provide the Registered Owner, the Treasurer and the Bond Registrar with written notice of any intended prepayment at least 30 days prior to such prepayment date. Interest on the principal amount of the Bond called for prepayment shall cease to accrue on the date fixed for prepayment unless the principal amount called for prepayment is not paid on the prepayment date.

At any time there is a partial prepayment, the remaining installment payments shall be recalculated to reflect a reduction in the installment payment amount to the Maturity Date. Such recalculated debt service schedule shall be provided by the Placement Agent to the Registered Owner, the District, the Treasurer and the Bond Registrar within seven (7) business days following any prepayment and shall be effective on the next scheduled installment payment date.

Section 8. Failure to Pay Installments; No Acceleration. If any installment of principal is not paid when due, the District shall be obligated to pay interest on that installment at the same rate provided in the Bond until that installment, together with interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Account, or in a trust account

established to refund or defease the Bond, and the principal represented by such installment has been called for payment by giving notice of that call to the Registered Owner. The Bond is not subject to acceleration upon the occurrence of a payment default.

Section 9. Pledge of Payment. The Bond is a limited general obligation of the District. For as long as the Bond is outstanding, the District irrevocably pledges that it will budget and appropriate money legally available from the Capital Projects Fund and the General Fund, and from other money legally available therefor, in amounts sufficient to pay the principal of and interest on the Bond when due, and the full faith, credit and resources of the District are pledged irrevocably for the budget and appropriation of those amounts and the prompt payment of that principal and interest.

Section 10. Form and Execution of the Bond. The Bond shall be prepared in a form consistent with the provisions of this resolution and State law and shall be signed by the President and the Secretary, either or both of whose signatures may be manual or in facsimile. The Bond shall be printed at District expense and shall be delivered to the Purchaser in accordance with the Term Sheet, together with the approving legal opinion of Bond Counsel regarding the Bond.

The Bond shall not be valid or obligatory for any purpose, or entitled to the benefits of this resolution, unless the Bond bears a certificate of authentication manually signed by the Bond Registrar stating: "This Bond is the fully registered Sequim School District No. 323, Clallam and Jefferson Counties, Washington, Limited General Obligation Bond, 2017, described in the Bond Resolution." A minor deviation in the language of such certificate shall not void a certificate of authentication that otherwise is substantially in the form of the foregoing. The authorized signing of a certificate of authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

If any officer whose manual or facsimile signature appears on the Bond ceases to be an officer of the District authorized to sign bonds before the Bond bearing his or her signature is authenticated or delivered by the Bond Registrar or issued by the District, the Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the District as though that person had continued to be an officer of the District authorized to sign bonds. The Bond also may be signed on behalf of the District by any person who, on the actual date of signing of the Bond, is an officer of the District authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bond.

Section 11. Tax Covenants.

(a) Preservation of Tax Exemption for Interest on the Bond. The District covenants that it will take all actions necessary to prevent interest on the Bond from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bond or other funds of the District treated as proceeds of the Bond at any time during the term of the Bond which will cause interest on the Bond to be included in gross income for federal income tax purposes. The District also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Bond, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bond.

(b) Post-Issuance Compliance. The Secretary is authorized and directed to adopt, amend and implement, on behalf of the District, written procedures to facilitate compliance by the District with the covenants in this Section 11 and the applicable requirements of the Code that must be satisfied after the Date of Delivery to prevent interest on the Bond from being included in gross income for federal income tax purposes.

(c) Designation of the Bond as a “Qualified Tax-Exempt Obligation.” The District designates the Bond as a “qualified tax-exempt obligation” for the purposes of Section 265(b)(3) of the Code, and makes the following findings and determinations:

(i) the Bond does not constitute a “private activity bond” within the meaning of Section 141 of the Code;

(ii) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the District and any entity subordinate to the District (including any entity that the District controls, that derives its authority to issue tax-exempt obligations from the District, or that issues tax-exempt obligations on behalf of the District) will issue during the calendar year in which the Bond is issued will not exceed \$10,000,000; and

(iii) the amount of tax-exempt obligations, including the Bond, designated by the District as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Bond is issued will not exceed \$10,000,000.

Section 12. Refunding or Defeasance of the Bond. The District may issue refunding bonds pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (a) paying when due the principal of and interest on the Bond (the “defeased Bond”); (b) redeeming the defeased Bond prior to its maturity; and (c) paying the costs of the refunding or defeasance. If the District sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the “trust account”), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the defeased Bond in accordance with its terms, then all right and interest of the Registered Owner of the defeased Bond in the covenants of this resolution and in the funds and accounts obligated to the payment of the defeased Bond shall cease and become void. Thereafter, the Registered Owner of the defeased Bond shall have the right to receive payment of the principal of and interest on the defeased Bond solely from the trust account and the defeased Bond shall be deemed no longer outstanding. In that event, the District may apply money remaining in any fund or account (other than the trust account) established for the payment or redemption of the defeased Bond to any lawful purpose.

Section 13. Bond Account and Deposit of Bond Proceeds. There is hereby created and established in the office of the Treasurer, a special account in the District’s existing Debt Service Fund known as the Limited General Obligation Bond Account, 2017, or such other designation conforming to accounting practices (the “Bond Account”), for the purpose of paying principal of and interest on the Bond. All money of the District allocated to the payment of the principal of and interest on the Bond shall be transferred to the Bond Account at least one day prior to each installment payment date.

The Treasurer is authorized and directed to deposit in the Capital Projects Fund the principal proceeds of the Bond received from the Purchaser to be used to pay costs of the Projects. Until needed to pay costs of the Projects, the District may invest principal proceeds of the Bond temporarily in any legal investment, and the investment earnings shall be retained in the Capital Projects Fund and be spent to pay costs of the Projects.

Section 14. Approval of Agreements. The Purchaser has presented the Term Sheet offering to purchase the Bond under the terms and conditions provided in the Term Sheet, which written Term Sheet is on file with the Secretary and is incorporated herein by this reference. The Board finds that accepting the terms of the Term Sheet is in the District's best interest and therefore accepts the offer contained therein.

Bond Counsel has presented the Engagement Letter to the District, which Engagement Letter is on file with the Secretary and is incorporated herein by this reference. The Board finds that entering into the Engagement Letter is in the District's best interest, and therefore, authorizes its execution by either the President or the Secretary.

Section 15. Annual Financial Statements and State Audit. For so long as the Bond remains outstanding, the District shall provide the Registered Owner with financial information as reasonably required by the Registered Owner, including: (a) the District's annual financial statements/reports no later than 180 days after the end of each fiscal year; and (b) the District's audited financial statements within 30 days of publication.

Section 16. Supplemental and Amendatory Resolutions. The District may supplement or amend this resolution for any one or more of the following purposes without the consent of the Registered Owner of the Bond:

(a) To add covenants and agreements that do not materially adversely affect the interests of the Registered Owner, or to surrender any right or power reserved to or conferred upon the District.

(b) To cure any ambiguities, or to cure, correct or supplement any defective provision contained in this resolution in a manner that does not materially adversely affect the interests of the Registered Owner.

Section 17. General Authorization and Ratification. The Secretary, the Executive Director, the President, the Treasurer, other appropriate officers of the District and Bond Counsel are severally authorized and directed to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the terms of, and complete the transactions contemplated by, this resolution and the Term Sheet (including everything necessary for the prompt delivery of the Bond to the Purchaser and for the proper application, use and investment of the proceeds of the sale thereof). All actions taken prior to the effective date of this resolution in furtherance of and not inconsistent with the provisions of this resolution are hereby ratified and confirmed in all respects.

Section 18. Severability. The provisions of this resolution are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this resolution to be invalid or unenforceable as to any

person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this resolution in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 19. Effective Date. This resolution shall become effective immediately upon its adoption.

ADOPTED by the Board of Directors of Sequim School District No. 323, Clallam and Jefferson Counties, Washington, at a regular open public meeting thereof, held this 7th day of August, 2017, the following Directors being present and voting in favor of the resolution.

SEQUIM SCHOOL DISTRICT NO. 323
CLALLAM AND JEFFERSON COUNTIES,
WASHINGTON

President and Director

Vice President and Director

Director

Director

Director

ATTEST:

GARY NEAL
Secretary to the Board of Directors

EXHIBIT A

Debt Service Schedule

CERTIFICATION

I, GARY NEAL, Secretary to the Board of Directors (the “Board”) of Sequim School District No. 323, Clallam and Jefferson Counties, Washington (the “District”), hereby certify as follows:

1. The foregoing Resolution No. 08-2016/2017 (the “Resolution”) is a full, true and correct copy of the Resolution duly adopted at a regular meeting of the Board held at the regular meeting place thereof on August 7, 2017, as that Resolution appears on the minute book of the District, and the Resolution is now in full force and effect; and

2. A quorum of the members of the Board was present throughout the meeting and a sufficient number of members of the Board present voted in the proper manner for the adoption of the Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of August, 2017.

SEQUIM SCHOOL DISTRICT NO. 323
CLALLAM AND JEFFERSON COUNTIES,
WASHINGTON

GARY NEAL
Secretary to the Board of Directors