

ISLAND COUNTY COMMISSIONERS - MINUTES OF MEETING

SPECIAL SESSION - JULY 23, 1997

The Board of Island County Commissioners met in Special Session on Wednesday, July 23, 1997, beginning at 10:00 a.m., Hearing Room 1, Courthouse Annex, Coupeville, Wa. Mike Shelton, Chairman, Wm. L. McDowell, Member, and Tom Shaughnessy, Member, were present. Also in attendance were Margaret Rosenkranz, Auditor/Clerk of the Board, and E. Meyer, Secy. to the Board.

The purpose of the Special Session was to consider and take action on the following documents:

(1) Resolution #C-38 -97: a resolution of the Board of County Commissioners of Island County relating to contracting indebtedness; providing for issuance of \$9,990,000 par value of Limited Tax General Obligation Improvement and Refunding Bonds, 1997A; and the \$305,000 par value taxable Limited Tax General Obligation Bond, 1997B, and other associated documents;

(2) Bond Purchase Contract between Island County and Seafirst; and

(3) Resolution #C-39-97 in the matter of the purchase of real property by the Conservation Futures Fund (Greenbank Farm Property).

PRESENTATION - SEAFIRST BANK

Jane Towery, Vice President, Municipal Finance, Seafirst Bank, Seattle, provided a handout packet for the Board summarizing her presentation and several graphs used. About timing of entering the market and the interest rate trend over the past year, interest rates reached the bottom of the market within last 12 months. Looking at a graph showing the tax exempt municipal rates over since January of 1980, she noted that if not at the bottom, rates are about as low as they can get so timing of the issue was very good. Another graph showed how Island County's bond rates compared to other issues in the market (Island County Comparable Sales Data).

The County's issue is a limited tax general obligation bond solely capped by the revenues. There was a good reception in the market for the County's bonds; a fresh name on the market, and somewhat of a mystique

with Island County that was very attractive to investors, and was a very good bond sale. The County received an A2 bond rating; most of the islands that are rated by Moody are A3; it is very much of an acclamation that the County received the A2 rating. Island County is in a solid financial position with modest debt level, with the ability to get access to key employment centers; that, along with the policies of the County Commissioners, and through conversations rating members had with various members of staff, and the Treasurer's Investment Policy, was extremely good news and critical in receiving an A2 rating. Refunded within this bond issue were four underlying bond issues, which as a result, achieved \$250,000 worth of debt service savings for the County. The average coupon on the County's 20 year bond issue came in at 4.99% - that rate has not been seen for a very long time.

One entity that came out ahead was the Port of Coupeville. The Port wanted maximum flexibility on their use of proceeds and that equates back to some private activity concerns. Because of the County's bond issue size, the Port was able to issue almost a million dollars worth of its bonds on a tax exempt basis whereas it would have had to issue that on a taxable basis. If they had, that debt service would have been approximately \$380,000 more over the life of the bonds versus working together with Island County.

The County can invest in itself by buying directly the taxable piece issued. There is about \$305,000 which is taxable and the County Treasurer will have discretion to buy that taxable piece and put that directly into the reserve fund for Solid Waste. That taxable rate is set at higher than the U. S. Treasury rate; therefore, the County will be achieving greater returns than by just investing in other options. Because the interest rates have dropped there is a cap on how much reinvestment earnings can be earned so the refunding bond size did go up. The County's savings level increased over \$85,000 more from when she spoke with the Board in April. On a present value basis that was little over \$71,000 [savings number after all expenses].

RESOLUTION #C-38-97 RELATING TO CONTRACTING INDEBTEDNESS

Karen Boyle, Bond Counsel, Foster Pepper & Shefelman PLLC, Seattle, summarized what Resolution #C-38-97 does:

- authorizes issuance of \$9,990,000 Tax Exempt Limited Tax General Obligation Improvement and Refunding Bonds, 1997A bonds, proceeds used to do the refunding and pay the majority of the cost of the various projects being financed, including acquisition of Greenbank Farms
- authorizes a \$305,000 taxable bond, 1997B bond, proceeds only used for the acquisition of Greenbank Farms
- provides for refunding of the bonds being paid off; County declare that in 1999 and 2001 those bonds will actually be called for redemption, and provides that money be set aside to acquire securities to pay off those bonds held by Bankers Trust Company acting as refunding trustee. As of the date bond issue

closes, two weeks from now, the County will no longer have any obligation with respect to the bonds that are being called.

- provides for bond insurance for 1997A bonds only, the tax exempt piece; the taxable portion not insured
- approves the sale of the 1997A bonds to Seafirst Bank and approves the sale of the 1997B Bond to a purchaser that is approved by the County Treasurer and also authorizes the County treasurer at her discretion to invest in that bond.

One issue called to the Board's attention (Section 21, Page 26) is a new requirement of SCC to provide disclosure, which will require the County to provide information contained in the financial statement on an annual basis statement with 6 repositories. Information is that

provided in the County's audited financial statement, filed 9 months after the end of the fiscal year. The County can file an unaudited copy by the date required and follow with the audited financial report once available from the State Auditor's Office.

Commissioner Shaughnessy moved adoption of Resolution #C-38-97. Motion, seconded by Commissioner McDowell, carried unanimously

ISLAND COUNTY, WASHINGTON

RESOLUTION NO. C-38-97

A RESOLUTION of the Board of County Commissioners of Island County, Washington, relating to contracting indebtedness; providing for the issuance of \$9,990,000 par value of tax-exempt Limited Tax General Obligation Improvement and Refunding Bonds, 1997A (the "1997A Bonds"), and the \$305,000 par value taxable Limited Tax General Obligation Bond, 1997B (the "1997B Bond"), of the County for general County purposes to provide part of the funds with which to acquire the Greenbank Farm property for open space and recreation and other County purposes, and construct and furnish an addition to the County Courthouse, improve the adjacent streets and park, renovate other County Courthouse facilities and stormwater facilities and other County purposes as identified in the Capital Improvement Program, as amended from time to time, advance refund the callable portion of various issues of limited tax general obligation bonds of the County and to pay the administrative costs of such refunding and the costs of issuance of the bonds; fixing the date, form, maturities, interest rates, terms and covenants of the bonds; establishing a bond redemption fund and a project fund; providing for and authorizing the purchase of certain obligations out of the proceeds of the sale of the 1997A Bonds and for the use and application of the money derived from those investments; authorizing the execution of an agreement with Bankers Trust Company of New York, New York, as refunding trustee; providing for the call, payment and redemption of the outstanding bonds to be refunded; providing for bond insurance with respect to the 1997A Bonds; approving the sale and providing for the delivery of the 1997A Bonds to Bank of America, NT&SA, doing business as Seafirst Bank, of Seattle, Washington; approving the sale of the 1997B Bond to a purchaser approved by the County Treasurer; and authorizing the County Treasurer to invest in the 1997B

Bond.

WHEREAS, pursuant to Resolution No. C-153-89, Island County, Washington (the "County"), heretofore issued its \$750,000 par value Limited Tax General Obligation Bonds, 1989 (the "1989 Bonds"), and by that resolution reserved the right to redeem the 1989 Bonds prior to their maturity on December 1, 1999, or any semiannual interest payment date thereafter, at a price of par plus accrued interest to the date fixed for redemption; and

WHEREAS, there are presently outstanding \$330,000 par value of 1989 Bonds maturing on December 1 of each of the years 2000 through 2004, inclusive, and bearing various interest rates from 6.90% to 7.15% (the "Refunded 1989 Bonds"); and

WHEREAS, pursuant to Resolution No. C-03-92, the County heretofore issued its \$2,040,000 par value Limited Tax General Obligation Bonds, 1992 (the "1992A Bonds"), and by that resolution reserved the right to redeem the 1992A Bonds prior to their maturity on December 1, 2001, or any semiannual interest payment date thereafter, at a price of par plus accrued interest to the date fixed for redemption; and

WHEREAS, there are presently outstanding \$1,310,000 par value of 1992A Bonds maturing on December 1 of each of the years 2002 through 2011, inclusive, and bearing various interest rates from 5.90% to 6.50% (the "Refunded 1992A Bonds"); and

WHEREAS, pursuant to Resolution No. C-11-92, the County heretofore issued its \$3,250,000 par value Limited Tax General Obligation Bonds, 1992 (the "1992B Bonds"), and by that resolution reserved the right to redeem the 1992B Bonds prior to their maturity on December 1, 2001, or any semiannual interest payment date thereafter, at a price of par plus accrued interest to the date fixed for redemption; and

WHEREAS, there are presently outstanding \$1,190,000 par value of 1992B Bonds maturing on December 1 of each of the years 2002 through 2006, inclusive, and bearing various interest rates from 6.25% to 6.55% (the "Refunded 1992B Bonds"); and

WHEREAS, pursuant to Resolution No. C-134-92, the County heretofore issued its \$925,000 par value Limited Tax General Obligation Bonds, 1993 (the "1993 Bonds"), and by that resolution reserved the right to redeem the 1993 Bonds prior to their maturity on December 1, 2000, or any semiannual interest payment date thereafter, at a price of par plus accrued interest to the date fixed for redemption; and

WHEREAS, there are presently outstanding \$550,000 par value of 1993 Bonds maturing on December 1 of each of the years 2001 through 2007, inclusive, and bearing various interest rates from 5.70% to 6.40% (the "Refunded 1993 Bonds"); and

WHEREAS, after due consideration, it appears to the Board of County Commissioners that the Refunded 1989 Bonds, the Refunded 1992A Bonds, the Refunded 1992B Bonds and the Refunded 1993 Bonds (collectively, the "Refunded Bonds") may be refunded by the issuance and sale of the Limited Tax General Obligation Improvement and Refunding Bonds, 1997A, authorized herein (the "1997A Bonds") so that a substantial savings will be effected by the difference between the principal and interest cost over the life of the 1997A Bonds allocated to such refunding and the principal and interest cost over the life of the Refunded Bonds but for such refunding, which refunding will be effected by:

(a) The issuance of the 1997A Bonds and the payment of the costs of the issuance of the 1997A Bonds and the costs of the refunding;

(b) The payment of the interest on the Refunded 1989 Bonds when due up to and including

December 1, 1999, and the call, payment and redemption on December 1, 1999, of all of the Refunded 1989 Bonds at a price of par;

(c) The payment of the interest on the Refunded 1992A Bonds when due up to and including December 1, 2001, and the call, payment and redemption on December 1, 2001, of all of the Refunded 1992A Bonds at a price of par;

(d) The payment of the interest on the Refunded 1992B Bonds when due up to and including December 1, 2001, and the call, payment and redemption on December 1, 2001, of all of the Refunded 1992B Bonds at a price of par; and

(e) The payment of the interest on the Refunded 1993 Bonds when due up to and including December 1, 2000, and the call, payment and redemption on December 1, 2000, of all of the Refunded 1993 Bonds at a price of par;

and

WHEREAS, to effect that refunding in the manner that will be most advantageous to the County it is found necessary and advisable that certain Acquired Obligations (hereinafter defined) bearing interest and maturing at such time or times as necessary to accomplish the refunding as aforesaid be purchased out of a portion of the proceeds of the 1997A Bonds; and

WHEREAS, the County is in need of acquiring land and improvements known as the Greenbank Farm for open space and recreation and other County purposes, constructing and furnishing an addition to the County Courthouse, improving the adjacent streets and park, renovating the other County Courthouse facilities and stormwater facilities and other County purposes as identified in the County's Capital Improvement Program, as amended from time to time (collectively, the "Projects"), the estimated cost of which is \$6,500,000, and the County does not have available sufficient funds to pay that cost; and

WHEREAS, the Board of County Commissioners deems it to be in the best interests of the County to issue and sell the 1997A Bonds in the aggregate principal amount of \$9,990,000 to provide part of the funds required to pay the cost of the Projects and of refunding the Refunded Bonds and to pay the administrative costs of such refunding and part of the costs of issuance and sale of the 1997A Bonds; and

WHEREAS, MBIA Insurance Corporation of Armonk, New York, ("Bond Insurer"), has made a commitment to issue an insurance policy (the "Municipal Bond Insurance Policy") insuring the payment when due of the principal of and interest on the 1997A Bonds as provided therein, and the Board of County Commissioners of the County deems that the purchase of the Municipal Bond Insurance Policy is in the best interest of the County; and

WHEREAS, Bank of America, NT&SA, doing business as Seafirst Bank, of Seattle, Washington, has offered to purchase the 1997A Bonds under the terms and conditions hereinafter set forth; and

WHEREAS, the Board of County Commissioners deems it to be in the best interests of the County to issue and sell its taxable Limited Tax General Obligation Improvement Bond, 1997B (the "1997B Bond"), to provide funds required to pay part of the costs of acquiring Greenbank Farm, and to authorize the County Treasurer to sell the 1997B Bond to a purchaser approved by the County Treasurer on terms and conditions consistent with this resolution; and

WHEREAS, the Board of County Commissioners further deems it to be in the best interest of the County to authorize the County Treasurer, in her discretion, to invest County funds in the 1997B Bond; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF ISLAND COUNTY, WASHINGTON, as follows:

Section 1. Authorization of Bonds. The County shall borrow money on the credit of the County and issue its negotiable tax-exempt Limited Tax General Obligation Improvement and Refunding Bonds, 1997A (the "1997A Bonds"), evidencing that indebtedness in the amount of \$9,990,000 for general County purposes to provide the funds (i) to pay part of the cost of acquiring the Greenbank Farm property for open space and recreation and other County purposes, constructing and furnishing an addition to the County Courthouse, improving the adjacent streets and park, renovating other County Courthouse facilities and stormwater facilities and other County purposes as identified in the County's Capital Improvement Program, as amended from time to time (collectively, the "Projects"), (ii) required to:

(a) Pay interest on the Refunded 1989 Bonds when due up to and including December 1, 1999, and call, pay and redeem on December 1, 1999, all of the Refunded 1989 Bonds at a price of par;

(b) Pay interest on the Refunded 1992A Bonds when due up to and including December 1, 2001, and call, pay and redeem on December 1, 2001, all of the Refunded 1992A Bonds at a price of par;

(c) Pay interest on the Refunded 1992B Bonds when due up to and including December 1, 2001, and call, pay and redeem on December 1, 2001, all of the Refunded 1992B Bonds at a price of par; and

(d) Pay interest on the Refunded 1993 Bonds when due up to and including December 1, 2000, and call, pay and redeem on December 1, 2000, all of the Refunded 1993 Bonds at a price of par;

(the "Refunding Plan"), and (iii) to pay the administrative costs of such refunding and part of the costs of issuance of the 1997A Bonds.

The County shall borrow money on the credit of the County and issue its negotiable taxable Limited General Obligation Improvement Bond, 1997B (the "1997B Bond"), evidencing that indebtedness in the amount of \$305,000 for general County purposes to provide funds to pay part of the cost of acquiring Greenbank Farm.

The 1997A Bonds and the 1997B Bond are collectively referred to herein as the "Bonds."

The general indebtedness to be incurred shall be within the limit of up to 1-1/2% of the value of the taxable property within the County permitted for general municipal purposes without a vote of the qualified voters therein.

Section 2. Description of Bonds. The 1997A Bonds shall be in the aggregate principal amount of \$9,990,000; shall be dated August 1, 1997; shall be in the denomination of \$5,000 or any integral multiple thereof within a single series and

maturity; shall be numbered separately in the manner and with any additional designation as the Bond Registrar for the 1997A Bonds (collectively, the fiscal agencies of the State of Washington) deems necessary for purposes of identification; and shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on each June 1 and December 1, commencing December 1, 1997, to the maturity or earlier redemption of the 1997A Bonds.

The 1997A Bonds shall mature on December 1 in years and amounts and bear interest at the rates per annum as follows:

Maturity Interest

Years Amounts Rates

1998 \$ 90,000 3.90%

1999 105,000 4.10

2000 175,000 4.20

2001 245,000 4.25

2002 565,000 4.35

2003 590,000 4.45

2004 600,000 4.55

2005 600,000 4.60

2006 660,000 4.65

2007 625,000 4.70

2008 555,000 4.75

2009 585,000 4.85

2010 610,000 4.95

2011 565,000 5.05

2012 500,000 5.10

2013 525,000 5.15

2014 550,000 5.20

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2017 1,845,000 5.30

Portions of the above maturity amounts of the 1997A Bonds are allocated to paying the respective costs of the Projects and of carrying out the Refunding Plan, including a ratable share of proceeds used to pay the costs of issuance of the 1997A Bonds, in accordance with the schedule set forth in Exhibit A attached hereto and by this reference made a part

hereof. The County may further allocate the portion of the 1997A Bonds allocated to the Projects among the Projects for purposes of identifying repayment sources. The life of the facilities to be acquired and constructed with the proceeds of the new money portion of the 1997A Bonds exceeds the term of the 1997A Bonds allocated to the Projects.

The 1997B Bond shall be issued in the principal amount of \$305,000; shall be dated its date of issue; shall be numbered B-1 and with any additional designation as the Bond Registrar for the 1997B Bond (the County Treasurer) deems necessary for purposes of identification; and shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on each June 1 and December 1, commencing December 1, 1997, to the maturity or earlier redemption of the 1997B Bond. The 1997B Bond shall mature on December 1, 2004, and shall bear interest at the rate of 6.52% per annum. All of the proceeds of the 1997B Bond are allocated to paying costs of acquiring Greenbank Farm. The life of the facilities to be acquired with the proceeds of the 1997B Bond exceeds the term of the 1997B Bond.

Section 3. Registration and Transfer of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on books or records maintained by the applicable Bond Registrar (the "Bond Register"). The Bond Register shall contain the name and mailing address of the owner of each Bond and the principal amount and number of each of the Bonds held by each owner.

Bonds surrendered to the applicable Bond Registrar may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same series, interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal payment or redemption date.

The 1997A Bonds initially shall be registered in the name of CEDE & CO., as the nominee of The Depository Trust Company, New York, New York ("DTC"). The 1997A Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of a Blanket Issuer Letter of Representations (the "Letter of Representations") with DTC substantially in the form on file with the Clerk of the Board of County Commissioners and by this reference made a part hereof (the "Letter of Representations"). To induce DTC to accept the 1997A Bonds as eligible for deposit at DTC, the County approves the Letter of Representations. The County Treasurer is authorized and directed to execute and deliver the Letter of Representations, on behalf of the County, to DTC on or before the date of delivery of the 1997A Bonds to the purchaser thereof and the payment therefor, with such changes as she deems to be in the best interests of the County, and /her execution and delivery of the Letter of Representations shall evidence irrevocably the approval of the Letter of Representations by the County. Neither the County nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the 1997A Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or interest on the 1997A Bonds, or any notice which is permitted or required to be given to registered owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC).

For so long as any 1997A Bonds are held in fully immobilized form, DTC or its successor depository shall be deemed to be the registered owner for all purposes hereunder and all references to registered owners, bondowners, bondholders or the like shall mean DTC or its nominees and shall not mean the owners of any beneficial interests in the 1997A Bonds. Registered ownership of such 1997A Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of DTC or its nominee, if that successor shall be qualified under any applicable laws to provide the services proposed to be provided by it; (ii) to any substitute depository appointed by the County or such substitute depository's successor; or (iii) to any person if the 1997A Bonds are no longer held in immobilized form.

Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the County that it no longer wishes to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the County may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services

proposed to be provided by it.

If (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the County determines that the 1997A Bonds are to be in certificated form, the ownership of 1997A Bonds may be transferred to any person as provided herein and the 1997A Bonds no longer shall be held in fully immobilized form.

Section 4. Payment of Bonds. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by checks or drafts of the applicable Bond Registrar mailed on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal of the 1997A Bonds shall be payable upon presentation and surrender of the 1997A Bonds by the registered owners at either of the principal offices of the Bond Registrar for the 1997A Bonds, at the option of the owners. Principal of the 1997B Bond shall be payable upon presentation and surrender of the 1997B Bond at the office of the County Treasurer in Coupeville, Washington.

Notwithstanding the foregoing, as long as the 1997A Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on the 1997A Bonds shall be made in the manner set forth in the Letter of Representations.

Section 5. Optional Redemption, Mandatory Redemption and Open Market Purchase of Bonds. 1997A Bonds maturing in the years 1998 through 2007, inclusive, shall be issued without the right or option of the County to redeem those 1997A Bonds prior to their stated maturity dates. The County reserves the right and option to redeem 1997A Bonds maturing on or after December 1, 2008, prior to their stated maturity dates at any time on or after December 1, 2007, as a whole at any time, or in part on any interest payment date within one or more maturities selected by the County (and by lot within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date fixed for redemption.

The County further reserves the right to redeem the 1997B Bond at any time, as a whole or in part, at par plus accrued interest to the date fixed for redemption.

1997A Bonds maturing in 2017 are 1997A Term Bonds and, if not redeemed under the optional redemption provisions set forth above or purchased in the open market under the provisions set forth below, shall be called for redemption by lot (in such manner as the Bond Registrar shall determine) at par plus accrued interest on December 1 in years and amounts as follows:

Mandatory Mandatory

Redemption Redemption

Years Amounts

2015 \$585,000

2016 610,000

2017* 650,000

* Maturity

If the County shall redeem 1997A Term Bonds under the optional redemption provisions set forth above or purchase 1997A Term Bonds in the

open market as set forth below, the par amount of the 1997A Term Bonds so redeemed or purchased (irrespective of their actual redemption or purchase prices) shall be credited against one or more scheduled mandatory redemption amounts for those Term Bonds (as allocated by the County) beginning not earlier than 60 days after the date of the optional redemption or purchase, and the County shall promptly notify the Bond Registrar in writing of the manner in which the credit for the Term Bonds so redeemed or purchased has been allocated.

If not redeemed under the optional redemption provisions set forth above, the 1997B Bond shall be subject to redemption at par plus accrued interest on December 1 in years and amounts as follows:

Mandatory

Mandatory

Redemption Redemption

Years Amounts

1998 \$35,000

1999 40,000

2000 40,000

2001 45,000

2002 45,000

2003 50,000

2004* 50,000

* Maturity

If the County shall redeem any portion of the 1997B Bond under the optional redemption provisions set forth above, the par amount of the 1997B Bond so redeemed shall be credited against one or more scheduled mandatory redemption amounts for the 1997B Bond (as allocated by the County) beginning not earlier than 60 days after the date of the optional redemption.

Portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple thereof, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond at a principal office of the appropriate Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same maturity and interest rate in any of the denominations authorized by this resolution in the aggregate principal amount remaining unredeemed.

The County further reserves the right and option to purchase any or all of the 1997A Bonds in the open market at any time at any price acceptable to the County plus accrued interest to the date of purchase.

All Bonds purchased or redeemed under this section shall be canceled.

Notwithstanding the foregoing, for so long as the 1997A Bonds are registered in the name of Cede & Co., as nominee of DTC, selection of 1997A Bonds for redemption shall be in accordance with the Letter of Representations (as it may be changed).

Section 6. Notice of Redemption of 1997A Bonds. The County shall cause notice of any intended redemption of 1997A Bonds to be given not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any 1997A Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the owner of any 1997A Bond. Interest on 1997A Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the 1997A Bond or 1997A Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice shall be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's at their offices in New York, New York, or their successors, to Seafirst Bank at its principal office in Seattle, Washington, or its successor, to the Bond Insurer at its principal office in Armonk, New York, or its successor, and to such other persons and with such additional information as the County shall determine, but these additional mailings shall not be a condition precedent to the redemption of 1997A Bonds. Notwithstanding the foregoing, for so long as the 1997A Bonds are registered in the name of Cede & Co., as nominee of DTC, notice of redemption shall be given in accordance with the Letter of Representations (as it may be changed).

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Section 7. Failure to Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or call date, the County shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the bond redemption fund hereinafter created and the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

Section 8. Pledge of Taxes. For as long as any of the Bonds are outstanding, the County irrevocably pledges to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the County on all of the taxable property within the County in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds, and the full faith, credit and resources of the County are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

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Section 9. Form and Execution of Bonds. The Bonds shall be printed, typed or lithographed on good bond paper in a form consistent with the provisions of this resolution and state law and shall be signed by the Chairman and Clerk of the Board of County Commissioners of the County, either or both of whose signatures may be manual or in facsimile, and the seal of the Board of County Commissioners or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication in the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution:

CERTIFICATE OF AUTHENTICATION

This Bond is one of the fully registered Island County, Washington, Limited Tax General Obligation Improvement [and Refunding] Bond[s], 1997[A/B], described in the Bond Resolution.

Bond Registrar

By

Authorized Signer

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered and are entitled to the benefits of this resolution.

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

Section 10. Bond Registrars. Each Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the applicable series of Bonds, which shall be open to inspection by the County at all times. Each Bond Registrar is authorized, on behalf of the County, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this resolution, to serve as the County's paying agent for the applicable Bonds and to carry out all of the Bond Registrar's powers and duties under this resolution and County Resolution No. C-61-86 establishing a system of registration for the County's bonds and obligations.

Each Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the applicable Bonds. Each Bond Registrar may become the owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Bond owners.

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Section 11. Preservation of Tax Exemption for Interest on 1997A Bonds. The County covenants that it will take all actions necessary to prevent interest on the 1997A Bonds 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 1997A Bonds or other funds of the County treated as proceeds of the 1997A Bonds at any time during the term of the 1997A Bonds which will cause interest on the 1997A Bonds to be included in gross income for federal income tax purposes. The County also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), is applicable to the 1997A Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the 1997A Bonds, including the calculation and payment of any penalties that the County has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the 1997A Bonds from being included in gross income for federal income tax purposes. The County certifies that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

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Section 12. Designation of 1997A Bonds as "Qualified Tax-Exempt Obligations." The County has determined and certifies that (a) the 1997A Bonds are not "private activity bonds" within the meaning of Section 141 of the Code; (b) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) which the County and any entity subordinate to the County (including any entity which the County controls, which derives its authority to issue tax-exempt obligations from the County or which issues tax-exempt obligations on behalf of the County) will issue during the calendar year in which the 1997A Bonds are issued will not exceed \$10,000,000; and (c) the amount of tax-exempt obligations, including the 1997A Bonds, designated by the County as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the 1997A Bonds are issued does not exceed \$10,000,000. The County designates the 1997A Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

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Section 13. Bonds Negotiable. The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-102 and 62A.8-105.

Section 14. Refunding or Defeasance of the Bonds. The County may issue refunding bonds pursuant to the laws of the State of Washington or use money available from any other lawful source to pay when due the principal of and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund or defease all such then-outstanding Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of the refunding or defeasance. If money and/or direct obligations of the United States of America maturing at a time or times and bearing interest in amounts (together with money, if necessary) sufficient to redeem and retire, refund or defease the defeased Bonds in accordance with their terms are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance of defeased Bonds (hereinafter called the "trust account"), then all right and interest of the owners of the defeased Bonds in the covenants of this resolution and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. The owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account. The County shall include in the refunding or defeasance plan such provisions as the County deems necessary for the random selection of any defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be given to the owners of the defeased Bonds and to such other persons as the County shall determine, and for any required replacement of Bond certificates for defeased Bonds. The defeased Bonds shall be deemed no longer outstanding, and the County may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine.

Notwithstanding anything in this section to the contrary, if the principal of and/or interest due on the 1997A Bonds is paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the 1997A Bonds shall be treated as remaining outstanding for all purposes and shall not be considered paid the County, and the covenants, agreements and other obligations of the County to the registered owners of the 1997A Bonds shall continue to exist, and the Bond Insurer shall be subrogated to the rights of the registered owners.

Section 15. Bond Fund and Deposit of Bond Proceeds. There is created and established in the office of the County Treasurer a special fund designated as the Limited Tax General Obligation Bond Fund, 1997 (the "Bond Fund"). Accrued interest on the Bonds, if any, received from the sale and delivery of the Bonds shall be paid into the Bond Fund. All taxes collected for and allocated to the payment of the principal of and interest on the Bonds shall be deposited in the Bond Fund.

There also is created and established in the office of the County Treasurer a special fund designated as the Island County Courthouse Expansion Fund (the "Project Fund"). Of the principal proceeds received from the sale and delivery of the 1997A Bonds, an amount sufficient to carry out the Refunding Plan shall be deposited with the Refunding Trustee in accordance with Section 16 and the balance of the principal proceeds of the 1997A Bonds shall be deposited in the Project Fund and used for the Projects. All of the proceeds of the 1997B Bond shall be deposited in the Project Fund and used for the acquisition of Greenbank Farm. Until needed to pay the costs of the Projects, the County may invest principal proceeds temporarily in any legal investment, and the investment earnings may be retained in the Project Fund and be spent for the purposes of that fund except that earnings subject to a federal tax or rebate requirement may be withdrawn from the Project Fund and used for those tax or rebate purposes.

Section 16. Refunding of the Refunded Bonds.

(a) Appointment of Refunding Trustee. Bankers Trust Company of New York, New York, is appointed Refunding Trustee.

(b) Use of 1997A Bond Proceeds: Acquisition and Substitution of Acquired Obligations. A sufficient amount of the proceeds of the sale of the 1997A Bonds shall be deposited immediately upon the receipt thereof with the Refunding Trustee and used to discharge the obligations of the County relating to the Refunded Bonds under Resolutions Nos. C-153-89, C-03-92, C-11-92 and C-134-93 (the "Refunded Bond Resolutions") by providing for the payment of the amounts required to be paid by the Refunding Plan. To the extent practicable, such obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amount required to be paid by the Refunding Plan. The Acquired Obligations are listed and more particularly described in Schedule A attached to the Refunding Trust Agreement between the County and the Refunding Trustee, but are subject to substitution as set forth below. Any 1997A Bond proceeds or other money deposited with the Refunding Trustee not needed to purchase the Acquired Obligations and provide a beginning cash balance, if any, and pay the costs of issuance of the 1997A Bonds shall be returned to the County at the time of delivery of the 1997A Bonds to the initial purchaser thereof and deposited in the Project Fund to pay costs of the Projects.

(c) Substitution of Acquired Obligations. Prior to the purchase of any Acquired Obligations, the County reserves the right to substitute other direct, noncallable obligations of the United States of America ("Government Obligations") for any of the Acquired Obligations and to use any savings created thereby for any lawful County purpose if, (a) in the opinion of Foster Pepper & Shefelman PLLC, the County's bond counsel, the interest on the 1997A Bonds and the Refunded Bonds will remain excluded from gross income for federal income tax purposes under Sections 103, 148 and 149(d) of the Code, and (b) such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized independent certified public accounting firm.

After the purchase of the Acquired Obligations by the Refunding Trustee, the County reserves the right to substitute therefor cash or Government Obligations subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, that such substitution will not cause the 1997A Bonds and the Refunded Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and regulations thereunder in effect on the date of such substitution and applicable to obligations issued on the issue date of the 1997A Bonds, and that the County obtain, at its expense: (1) a verification by a nationally recognized independent certified public accounting firm confirming that the payments of principal of and interest on the substitute securities, if paid when due, and any other money held by the Refunding Trustee will be sufficient to carry out the Refunding Plan; and (2) an opinion from Foster Pepper & Shefelman PLLC, bond counsel to the County, its successor, or other nationally recognized bond counsel to the County, to the effect that the disposition and substitution or purchase of such securities, under the statutes, rules and regulations then in force and applicable to the 1997A Bonds, will not cause the interest on the 1997A Bonds or the Refunded Bonds to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the 1997A Bonds. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and transferred to the County to be used for any lawful County purpose.

(d) Administration of Refunding Plan. The Refunding Trustee is authorized and directed to purchase the Acquired Obligations (or substitute obligations) and to make the

payments required to be made by the Refunding Plan from the Acquired Obligations (or substitute obligations) and money deposited with the Refunding Trustee pursuant to this resolution. All Acquired Obligations (or substitute obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the Refunded Bond Resolutions, this resolution, chapter 39.53 RCW and other applicable statutes of the State of Washington and the Refunding Trust Agreement. All necessary and proper fees, compensation and expenses of the Refunding Trustee for the 1997A Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the 1997A Bonds, including bond printing, verification fees, bond counsel's fees and other related expenses, shall be paid out of the proceeds of the 1997A Bonds.

(e) Authorization for Refunding Trust Agreement. To carry out the Refunding Plan provided for by this resolution, the Chairman of the Board of County Commissioners or the Treasurer of the County is authorized and directed to execute and deliver to the Refunding Trustee a Refunding Trust Agreement substantially in the form on file with the Clerk of the Board and by this reference made a part hereof setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption and retirement of the Refunded Bonds as provided herein and stating that the provisions for payment of the fees, compensation and expenses of such Refunding Trustee set forth therein are satisfactory to it. Prior to executing the Refunding Trust Agreement, the Chairman of the Board of County Commissioners or the Treasurer of the County are authorized to make such changes therein which do not change the substance and purpose thereof or which assure that the escrow provided therein and the 1997A Bonds are in compliance with the requirements of federal law governing the exclusion of interest on the 1997A Bonds from gross income for federal income tax purposes.

Section 17. Calls for Redemption of the Refunded Bonds. The County calls for redemption on December 1, 1999, all of the Refunded 1989 Bonds at par plus accrued interest; the County calls for redemption on December 1, 2000, all of the Refunded 1993 Bonds at par plus accrued interest; and the County calls for redemption on December 1, 2001, all of the Refunded 1992A Bonds and Refunded 1992B Bonds at par plus accrued interest. Such calls for redemption shall be irrevocable after the delivery of the 1997A Bonds to the initial purchaser thereof. The dates on which the Refunded Bonds are herein called for redemption are the first dates on which each respective issue of Refunded Bonds may be called.

The proper County officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required, pursuant to Resolution No. C-153-89 in order to effect the redemption prior to their maturity of the Refunded 1989 Bonds, Resolution No. C-03-92 in order to effect the redemption prior to their maturity of the Refunded 1992A Bonds, Resolution No. C-11-92 in order to effect the redemption prior to their maturity of the Refunded 1992B Bonds, and Resolution No. C-134-92 in order to effect the redemption prior to their maturity of the Refunded 1993 Bonds.

Section 18. County Findings with Respect to Refunding. The Board of County Commissioners finds and determines that the issuance and sale of the 1997A Bonds at this time will effect a savings to the County and is in the best interest of the County and its taxpayers and in the public interest. In making such finding and determination, the Board has given consideration to the fixed maturities of the 1997A Bonds allocated to the Refunding Plan and the Refunded Bonds, the costs of issuance of the 1997A Bonds allocated to the Refunding Plan and the known earned income from the investment of the proceeds of the issuance and sale of those 1997A Bonds pending payment and redemption of the Refunded Bonds.

The Board of County Commissioners further finds and determines that the money to be deposited with the Refunding Trustee for the Refunded Bonds in accordance with Section 17 of this resolution will discharge and satisfy the obligations of the County under the Refunded Bond Resolutions with respect to the Refunded Bonds, and the pledges, charges, trusts, covenants and agreements of the County therein made or provided for as to the Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to be outstanding under their respective resolution immediately upon the deposit of such money with the Refunding Trustee.

Section 19. Sale of Bonds. Bank of America, NT&SA, doing business as Seafirst Bank, of Seattle, Washington, has presented a purchase contract (the "Bond Purchase Contract") to the County offering to purchase the 1997A Bonds under the terms and conditions provided in the Bond Purchase Contract, which written Bond Purchase Contract is on file with the Clerk of the Board of County Commissioners and is incorporated herein by this reference. The Board of County Commissioners finds that entering into the Bond Purchase Contract is in the County's best interest and therefore accepts the offer contained therein and authorizes its execution by County officials.

The Board of County Commissioners authorizes the sale of the 1997B Bond to a purchaser or purchasers approved by the County Treasurer on terms and conditions consistent with this resolution. The Board of County Commissioners further authorizes the County Treasurer, in her discretion, to invest County funds in the 1997B Bond.

The Bonds will be printed at County expense and will be delivered to the purchasers thereof in accordance with this resolution and, with respect to the 1997A Bonds, the Bond Purchase Contract, with the approving legal opinion of Foster Pepper & Shefelman PLLC, municipal bond counsel of Seattle, Washington, regarding the Bonds. Bond counsel shall not be required to review and shall express no opinion concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material issued or used in connection with the Bonds, and bond counsel's opinion shall so state.

The proper County officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the respective purchasers thereof and for the proper application and use of the proceeds of the sale thereof.

Section 20. Preliminary Official Statement Deemed Final. The Board of County Commissioners has been provided with copies of a preliminary official statement dated July 11, 1997 (the "Preliminary Official Statement"), prepared in connection with the sale of the 1997A Bonds. For the sole purpose of the 1997A Bond purchaser's compliance with Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(1), the County "deems final" that Preliminary Official Statement as of its date, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, options of redemption, delivery dates, ratings and other terms of the 1997A Bonds dependent on such matters.

Section 21. Undertaking to Provide Continuing Disclosure. To meet the requirements of SEC Rule 15c2-12(b)(5) (the "Rule"), as applicable to a participating underwriter for the 1997A Bonds, the County makes the following written undertaking (the "Undertaking") for the benefit of holders of the 1997A Bonds:

(a) Undertaking to Provide Annual Financial Information and Notice of Material Events. The County undertakes to provide or cause to be provided, either directly or through a designated agent:

(i) To each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule ("NRMSIR") and to a state information depository, if any, established in the State of Washington (the "SID") annual financial information and operating data of the type included in the final official statement for the 1997A Bonds and described in Section 21(b) ("annual financial information");

(ii) To each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, timely notice of the occurrence of any of the following events with respect to the 1997A Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the 1997A Bonds; (7) modifications to rights of holders of the 1997A Bonds; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds); (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 1997A Bonds; and (11) rating changes; and

(iii) To each NRMSIR or to the MSRB, and to the SID, timely notice of a failure by the County to provide required annual financial information on or before the date specified in Section 21(b).

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the County undertakes to provide in Section 21(a):

(i) Shall consist of (1) annual financial statements, (2) a statement of authorized, issued and outstanding general obligation debt of the County, (3) the assessed value of the property within the County subject to ad valorem taxation, and (4) ad valorem tax levy rates and amounts and percentage of taxes collected;

(ii) Shall be prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles promulgated by the Government Accounting Standards Board ("GASB"), as such principles may be changed from time to time by GASB or its successor;

(iii) Shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the County they will be provided;

(iv) Shall be provided to each NRMSIR and the SID, not later than the last day of the ninth month after the end of each fiscal year of the County (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the County's fiscal year ending December 31, 1997; and

(v) May be provided in a single or multiple documents, and may be incorporated by reference to other documents that have been filed with each NRMSIR and the SID, or, if the document incorporated by reference is a "final official statement" with respect to other obligations of the County, that has been filed with the MSRB.

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the 1997A Bonds without the consent of any holder of any 1997A Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule.

The County will give notice to each NRMSIR or the MSRB, and the SID, of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this Section 21 shall inure to the benefit of the County and any holder of 1997A Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The County's obligations under this Undertaking shall terminate upon the legal defeasance of all of the 1997A Bonds. In

addition, the County's obligations under this Undertaking shall terminate if those provisions of the Rule which require the County to comply with this Undertaking become legally inapplicable in respect of the 1997A Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the County, and the County provides timely notice of such termination to each NRMSIR or the MSRB and the SID.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the County learns of any failure to comply with the Undertaking, the County will proceed with due diligence to cause such noncompliance to be corrected. No failure by the County or other obligated person to comply with the Undertaking shall constitute a default in respect of the 1997A Bonds. The sole remedy of any holder of a 1997A Bond shall be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the County or other obligated person to comply with the Undertaking.

(g) Designation of Official Responsible to Administer Undertaking. The Treasurer of the County (or such other officer of the County who may in the future perform the duties of the Treasurer) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the County in respect of the 1997A Bonds set forth in this Section 21 and in accordance with the Rule, including, without limitation, the following actions:

(i) Preparing and filing the annual financial information undertaken to be provided;

(ii) Determining whether any event specified in Section 21(a) has occurred, assessing its materiality with respect to the 1997A Bonds, and, if material, preparing and disseminating notice of its occurrence;

(iii) Determining whether any person other than the County is an "obligated person" within the meaning of the Rule with respect to the 1997A Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of material events for that person in accordance with the Rule;

(iv) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the County in carrying out the Undertaking; and

(v) Effecting any necessary amendment of the Undertaking.

Section 22. Bond Insurance for 1997A Bonds. The Board of County Commissioners finds that it is in the County's best interest to purchase, and that a savings will result from purchasing, the Municipal Bond Insurance Policy for the 1997A Bonds. The County shall purchase from the Bond Insurer the Municipal Bond Insurance Policy insuring the prompt payment of the principal of and interest on the 1997A Bonds and agrees to the conditions for obtaining that policy, including the payment of the premium therefor and the following provisions entitled "Payments under the Policy" required by the Bond Insurer to be included in this resolution:

"A. In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Obligations, the Paying Agent [the Bond Registrar] has not received sufficient moneys to pay all principal of and interest on the Obligations due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

"B. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

"C. In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Obligation to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

"D. The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Obligations as follows:

"1. If and to the extent there is a deficiency in amounts required to pay interest on the Obligations, the Paying Agent shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

"2. If and to the extent of a deficiency in amounts required to pay principal of the Obligations, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Obligation surrendered to the Insurance Paying agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

"E. Payments with respect to claims for interest on and principal of Obligations disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Obligations, and the Insurer shall become the owner of such unpaid Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

"F. Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent hereby agree for the benefit of the Insurer that:

"1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Obligations, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in this Indenture and the Obligations; and

"2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Obligations, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Obligations to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

"G. In connection with the issuance of additional Obligations, the Issuer shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Obligations.

"H. Copies of any amendments made to the documents executed in connection with the issuance of the Obligations which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

"I. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

"J. The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Issuer's audited financial statements and Annual Budget.

"Notices: Any notice that is required to be given to a holder of the Obligation or to the Paying Agent pursuant to the Indenture shall also be provided to the Insurer. All notices required to be given to the Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance."

Section 23. Temporary 1997A Bonds. Pending the printing, execution and delivery to the purchasers of definitive 1997A Bonds, the County may cause to be executed and delivered to the purchaser a single temporary 1997A Bond in the total principal amount of the 1997A Bonds. The temporary 1997A Bond shall bear the same date of issuance, interest rates, principal payment dates and terms and covenants as the definitive 1997A Bonds, shall be issued as a fully registered 1997A Bond in the name of

the purchaser of the 1997A Bonds, and otherwise shall be in a form acceptable to the purchaser. The temporary 1997A Bond shall be exchanged for definitive 1997A Bonds as soon as they are printed, executed and available for delivery.

ADOPTED by the Board of County Commissioners of Island County, Washington, at a regular open public meeting thereof, this 23rd day of July, 1997.

**BOARD OF COUNTY COMMISSIONERS
OF ISLAND COUNTY, WASHINGTON**

Mike Shelton, Chairman

William L. McDowell, Member

Tom Shaughnessy, Member

ATTEST: Margaret Rosenkranz, County

Auditor and Ex Officio Clerk of the Board

of County Commissioners

I, Margaret Rosenkranz, County Auditor and Ex Officio Clerk of the Board of County Commissioners of Island County, Washington, certify that the attached copy of Resolution No. C-38-97 is a true and correct copy of the original resolution adopted on the 23rd day of July, 1997, as such resolution appears on the Minute Book of the County.

DATED this 23rd day of July, 1997.

County Auditor and Ex Officio Clerk of the
Board of County Commissioners

EXHIBIT A

ALLOCATION OF 1997A BOND PRINCIPAL

Maturity New 1989 1992A 1992B 1993 Total

Years Money Bonds Bonds Bonds Bonds Principal

1998 \$70,000 -- \$ 15,000 -- \$ 5,000 \$ 90,000

1999 70,000 \$10,000 15,000 \$ 5,000 5,000 105,000

2000 70,000 65,000 15,000 20,000 5,000 175,000

2001 75,000 65,000 15,000 20,000 70,000 245,000

2002 75,000 70,000 115,000 230,000 75,000 565,000

2003 75,000 70,000 125,000 240,000 80,000 590,000

2004 80,000 80,000 125,000 240,000 75,000 600,000

2005 130,000 130,000 260,000 80,000 600,000

2006 155,000 140,000 275,000 90,000 660,000

2007 380,000 150,000 95,000 625,000

2008 405,000 150,000 555,000

2009 425,000 160,000 585,000

2010 445,000 165,000 610,000

2011 475,000 90,000 565,000

2012 500,000 500,000

2013 525,000 525,000

2014 550,000 550,000

2015 585,000 585,000

2016 610,000 610,000

2017 650,000 650,000

BOND PURCHASE AGREEMENT

Under cover letter today from Seafirst, is the Bond Purchase Agreement between Island County and Seafirst. Bond counsel reviewed the agreement and her suggested minor changes incorporated. Ms. Towery drew the Board's attention to Appendix A, Description of Bonds, and Appendix B Mandatory Redemption, and the last page of the presentation package describing the issuance expense, proposed at \$7.75 per \$1,000. About 75% of the bonds were sold yesterday. Some are available in the middle maturity and will probably take two or three weeks to sell.

Commissioner Shaughnessy moved that the Board approve the Bond Purchase Contract between Island County and Seafirst. Motion, seconded by Commissioner McDowell, carried unanimously.

RESOLUTION #C-39-97 IN THE MATTER OF THE PURCHASE OF REAL PROPERTY ("GREENBANK FARM PROPERTY") BY THE CONSERVATION FUTURES FUND

Larry Kwarsick, Public Works Director, presented Resolution #C-39-97 dealing with the release of the three contingencies contained in the existing agreement between Island County and the Trust for Public Lands. Those contingencies, listed within the body of the resolution, have been met and can now be lifted.

The County applied for and received a waiver of retroactivity from IAC for most of but not all of the property being purchased. The commercial portion of the property and the farm site itself are not part of the waiver, but all the other properties are eligible under that waiver. Mr. Kwarsick reminded the Board that one of the County's prerequisites will be the update of the County's Park and Recreation Plan.

Commissioner Shaughnessy moved approval of Resolution #C-39-97 in the matter of the purchase of real property ("Greenbank Farm Property") by the Conservation Futures Fund. Motion, seconded by Commissioner McDowell, carried unanimously.

BEFORE THE BOARD OF COUNTY COMMISSIONERS

OF ISLAND COUNTY, WASHINGTON

IN THE MATTER OF THE PURCHASE OF)
 REAL PROPERTY ("GREENBANK FARM) RESOLUTION NO. C-39-97
 PROPERTY") BY THE CONSERVATION)
 FUTURES FUND)

WHEREAS, the Board of Island County Commissioners in open public session on June 2, 1997 signed an Agreement for Sale of Real Property ("Agreement") to purchase property from the Trust for Public Land for property commonly known as the "Greenbank Farm Property," as described in Exhibit "A"; and

WHEREAS, the Agreement has three purchase contingencies which need to be officially removed; and

WHEREAS, Contingency 1 requires that the purchase of the Subject Property by Buyer shall have been approved by the Island County Board of County Commissioners and the Commissioners of the Port; and

WHEREAS, the Commissioners of the Coupeville Port District at their regular meeting on May 14, 1997 adopted a motion approving acquisition of the Greenbank Farm Property in accordance with the Interlocal Agreement between Island County and the Coupeville Port District under date of August 1, 1996 and any modifications thereof as may be mutually agreed between the parties thereto; and

WHEREAS, Contingency 2 requires that Island County and the Port have entered into an agreement under the Interlocal Cooperation Agreement Act, Chapter 39.34 RCW (the "Interlocal Agreement") to purchase, and finance the purchase, of the Subject Property; and

WHEREAS, Island County and the Port of Coupeville entered into an Interlocal Cooperation Contract on July 14, 1997 and Resolution C-37-97, and furthermore said contract in Paragraph 1.10 also satisfies Contingency 1; and

WHEREAS, Contingency 3 requires that sufficient funds for the purchase of the Subject Property shall have been allocated by Island County Commissioners and the Port and are or will be available on or before the close of escrow; and

WHEREAS, the Interlocal Cooperation Contract addresses both the County's and the Port's financing plan and the issuance of limited tax general obligation bonds for the purpose of acquiring the property; and

WHEREAS, the Board of Island County Commissioners on this day approved Resolution No. C-39-97 which authorizes a bond issue for the purchase of such property and other county financing; and

WHEREAS, sufficient funds will thereby be available in the Conservation Futures Fund for the purchase of the Greenbank Farm Property;

NOW THEREFORE BE IT HEREBY RESOLVED that the acquisition of the Greenbank Farm Property by the Conservation Futures Fund is authorized by this resolution and that all contingencies to the County's agreement with the Trust for Public Lands dated June 2, 1997 are removed.

ADOPTED this 23rd day of July 1997.

BOARD OF COUNTY COMMISSIONERS

ISLAND COUNTY WASHINGTON

Mike Shelton, Chairman

Wm. L. McDowell, Member

Tom Shaughnessy, Member

Attest: Margaret Rosenkranz,

County Auditor & Ex-Officio

Clerk of the Board

There being no further business to come before the Board at this time, the Chairman adjourned the meeting at 10:45 a.m. The next Regular meeting will be held on July 28, 1997, beginning at 1:30 p.m.

BOARD OF COUNTY COMMISSIONERS

ISLAND COUNTY, WASHINGTON

Mike Shelton, Chairman

Wm. L. McDowell, Member

Tom Shaughnessy, Member

Attest:

Margaret Rosenkranz, County Auditor

& Ex-Officio Clerk of the Board