MASON COUNTY, WASHINGTON

RESOLUTION NO. 82-98

A RESOLUTION relating to Lake Management District No. 1; authorizing the issuance and specifying the terms of a $115,000 principal amount Lake Management District No. 1 Revenue Bond; and providing for the sale and delivery thereof to Bank of America National Trust and Savings Association, doing business as Seafirst Bank, of Seattle, Washington.

WHEREAS, by Ordinance No. 44-98 adopted May 5, 1998, the Board of County Commissioners (the "Board") of Mason County, Washington (the "County") ordered the formation of Lake Management District No. 1 ("LMD No. 1") to finance certain improvements to Island Lake (the "Improvements"), all as described in Ordinance No. 44-98; and

WHEREAS, by Resolution No. 66-98 adopted June 19, 1998, the Board confirmed and adopted the roll of rates and charges to be collected from the property owners within LMD No. 1, and specified that those rates and charges be collected in five annual installments, commencing in 1999; and

WHEREAS, the Board has determined that it is in the best interests of the County and the property owners within LMD No. 1 to issue a revenue bond payable from the rates and charges to be collected in LMD No. 1 to finance the costs of the Improvements and the costs of issuing the bond; and

WHEREAS, Bank of America National Trust and Savings Association, doing business as Seafirst Bank (the "Bank"), has offered to purchase the Bond on the terms and conditions set forth in its letter to the County Treasurer dated June 15, 1998 (the "Offer Letter"); NOW, THEREFORE,

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

<u>Section 1</u>. <u>Authorization and Description of Bond</u>. For the purpose of paying the costs of the Improvements within LMD No. 1 and paying the costs of issuing the Bond, the County shall issue its Lake Management District No. 1 Revenue Bond, 1998, in the aggregate principal amount of $115,000. The Bond shall be dated its date of delivery to the Bank; shall mature on December 1, 2003 (the "Maturity Date"); and shall bear interest at the rate of 6.60% per annum (calculated based on a 360-day year of twelve 30-day months), payable semiannually on June 1 and December 1 of each year beginning June 1, 1999. Principal of the Bond is payable in annual installments on December 1 of each year, commencing December 1, 1999, in accordance with the debt service schedule attached hereto as Exhibit B. The entire remaining principal balance, together with any accrued but unpaid interest thereon, shall be due and payable on the Maturity Date.

<u>Section 2</u>. <u>Registration and Transfer of Bond</u>. The Bond shall be issued only in registered form as to both principal and interest and shall be recorded on books or records maintained by the County Treasurer (the "Bond Register"). Such Bond Register shall contain the

name and mailing address of the owner of the Bond. The Bond may not be transferred except to any successor in interest to the Bank.

Section 3. Payment of Bond. Both principal of and interest on the Bond shall be payable solely out of the Lake Management District No. 1 Fund (the "LMD No. 1 Fund") created in the office of the County Treasurer, and shall be payable in lawful money of the United States of America, by check or wire transfer received by the Bank on or before each payment date. The final installment of principal of and interest on the Bond shall be payable upon presentation and surrender of the Bond by the Bank at the office of the Bond Registrar.

Section 4. Prepayment Provisions. The County reserves the right to prepay all or any portion of the principal amount of the Bond at any time upon payment of a prepayment fee, if any, calculated as described on Exhibit A attached hereto.

Section 5. Pledge of Rates and Charges. Rates and charges collected in LMD No. 1, together with interest and penalties, if any, are pledged to the payment of the Bond. The Bond shall not be a debt of the State of Washington or any political subdivision thereof other than the County from the sources described herein. The Bond is not a general obligation of the County. The County shall not issue any additional debt payable from the rates and charges collected in LMD No. 1 without the prior written consent of the Bank.

Section 6. Form and Execution of Bond. The Bond shall be printed, lithographed or typed on good bond paper in a form consistent with the provisions of this resolution and state law, shall be signed by the Chairman and the Clerk of the Board, either or both of whose signatures may be manual or in facsimile, and the seal of the County or a facsimile reproduction thereof shall be impressed or printed thereon.

Only a Bond 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 the fully registered Mason County, Washington, Lake Management District No. 1 Revenue Bond described in the Bond Resolution.

Mason County Treasurer
Bond Registrar

By Dorene Rae

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

If any officer whose facsimile signature appears on the Bond ceases to be an officer of the County authorized to sign Bond before the Bond is authenticated or delivered by the Bond Registrar or issued by the County, the Bond 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 the Bond. The 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 the Bond, although he or she did not hold the required office on the date of issuance of the Bond.

Section 7. Bond Registrar. The County Treasurer as Bond Registrar, shall keep, or cause to be kept, at her office, sufficient books for the registration and transfer of the Bond. The Bond Registrar is authorized to carry out all of the Bond Registrar's powers and duties under this resolution and County Resolution No. 46-98 establishing a system of registration for the County's bonds and obligations.

Section 8. Preservation of Tax Exemption for Interest on Bond. The County 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 County 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 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.

Section 9. Small Governmental Issuer Arbitrage Rebate Exception and Designation of Bond as "Qualified Tax-Exempt Obligation." The County finds and declares that (a) it is a duly organized and existing governmental unit of the State of Washington and has general taxing power; (b) the Bond is not a "private activity bond" within the meaning of Section 141 of the United States Internal Revenue Code of 1986, as amended (the "Code"); (c) at least 95% of the net proceeds of the Bond will be used for local governmental activities of the County (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the County); (d) the aggregate face amount of all tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) issued by the County and all entities 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) during the calendar year in which the Bond is issued is not reasonably expected to exceed $5,000,000; and (e) the amount of tax-exempt obligations, including the Bond, 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 Bond is issued does not exceed $10,000,000. The County therefore certifies that the Bond is eligible for the arbitrage rebate exception under Section 148(f)(4)(D) of the Code and designates the Bond as a "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

Section 10. Use of Bond Proceeds. The principal proceeds of the Bond shall be deposited in the LMD No. 1 Fund and used to finance the costs of the Improvements and to pay the costs of issuance of the Bond. Until needed to pay those costs, the County may invest principal proceeds temporarily in any legal investment, and the investment earnings may be retained in the LMD No. 1 Fund and be spent for the purposes of that fund.

Section 11. Approval of Sale and Delivery of Bond. The Board finds that it is in the Count's best interest to accept the Offer of the Bank and therefore accepts the Offer on terms consistent with this resolution.

The Bond will be printed at County expense and will be delivered to the Bank in accordance with the Bond Purchase Contract, together with the approving legal opinion of Foster Pepper & Shefelman PLLC, municipal bond counsel of Seattle, Washington, regarding the Bond. 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 material issued or used in connection with the Bond, 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 Bond to the Bank, including without limitation the execution of the Official Statement on behalf of the County, and for the proper application and use of the proceeds of the sale thereof.

Section 12. Year 2000 Compliance. On the basis of a review to date and assessment of the County's systems and equipment, and inquiry made of the County's material suppliers, vendors and customers; the County reasonably believes that the "Year 2000 problem" (that is, the inability of computers, as well as embedded microchips in non-computing devices, to perform properly date-sensitive functions with respect to certain dates prior to and after December 31, 1999), including the cost of remediation, will not result in a material adverse change in the operations, business, properties, condition (financial or otherwise) or prospects of the County.

The County has developed feasible contingency plans that it believes are adequate to ensure uninterrupted and unimpaired business operation in the event of failure of its own or a third party's system of equipment due to the "Year 2000 problem," including those of vendors, customers, and suppliers, as well as a general failure of, or interruption in its communications and delivery infrastructure.

Section 13. Effective Date of Resolution. This resolution shall take effect and be in force from and after its adoption.

Adopted by the Board of County Commissioners of Mason County, Washington, at a regular open public meeting thereof this 21st day of July, 1998.

M.A. Bolender
Chairman

Cynthia Olsen
Commissioner

Absent 7/21/98
Commissioner

50030520.02

ATTEST:

Rebecca S Rogers

Clerk of the Board

APPROVED AS TO FORM:

[illegible] CHIEF DPA

Prosecuting Attorney

SEAFIRST BANK

EXHIBIT A

PREPAYMENT FEES

If the principal balance of this note is prepaid in whole or in part, whether by voluntary prepayment, operation of law, acceleration or otherwise, a prepayment fee, in addition to any interest earned, will be immediately payable to the holder of this note.

The amount of the prepayment fee depends on the following:

(1) The amount by which interest reference rates as defined below have changed between the time the loan is prepaid and either a) the time the loan was made for fixed rate loans or b) the time the interest rate last changed (repriced) for variable rate loans.

(2) A prepayment fee factor (see "Prepayment Fee Factor Schedule" on reverse).

(3) The amount of principal prepaid.

If the proceeds from a CD or time deposit pledged to secure the loan are used to prepay the loan resulting in payment of an early withdrawal penalty for the CD, a prepayment fee will not also be charged under the loan.

Definition of Reference Rate for Variable Rate Loans

The "Reference Rate" used to represent interest rate levels for variable rate loans shall be the index rate used to determine the rate on this loan having maturities equivalent to the remaining period to interest rate change date (repricing) of this loan rounded upward to nearest month. The "Initial Reference Rate" shall be the Reference Rate at time of last repricing and a new Initial Reference Rate shall be assigned at each subsequent repricing. The "Final Reference Rate" shall be the Reference Rate at time of prepayment.

Definition of Reference Rate for Fixed Rate Loans

The "Reference Rate" used to represent interest rate levels on fixed rate loans shall be the bond equivalent yield of the average U.S. Treasury rate having maturities equivalent to the remaining period to maturity of this loan rounded upward to the nearest month. The "Initial Reference Rate" shall be the Reference Rate at the time the loan was made. The "Final Reference Rate" shall be the Reference Rate at time of prepayment.

The Reference Rate shall be interpolated from the yields as displayed on Page 119 of the Dow Jones Telerate Service (or such other page or service as may replace that page or service for the purpose of displaying rates comparable to said U.S. Treasury rates) on the day the loan was made (Initial Reference Rate) or the day of prepayment (Final Reference Rate).

An initial reference rate of 6.6 % has been assigned to this loan to represent interest rate levels at origination.

Calculation of Prepayment Fee

If the Initial Reference Rate is less than or equal to the Final Reference Rate, there is no prepayment fee.

If the Initial Reference Rate is greater than the Final Reference Rate, the prepayment fee shall be equal to the difference between the Initial and Final Reference Rates (expressed as a decimal), multiplied by the appropriate factor from the Prepayment Fee Factor Schedule, multiplied by the principal amount of the loan being prepaid.

BOARD OF MASON COUNTY COMMISSIONERS
CUSTOMER NAME(S)

By: Cynthia Olsen
SIGNATURE TITLE
Cynthia D. Olsen, Commissioner

By: JABolender
SIGNATURE TITLE
John A. Bolender, Chairperson

Date: 7/21/98

Example of Prepayment Fee Calculation

Variable Rate Loan: A non-amortizing 6-month LIBOR based loan with principal of $250,000 is fully prepaid with 3 months remaining until next interest rate change date (repricing). An Initial Reference Rate of 7.0% was assigned to the loan at last repricing. The Final Reference Rate (as determined by the 3-month LIBOR index) is 6.5%. Rates therefore have dropped 0.5% since last repricing and a prepayment fee applies. A prepayment fee factor of 0.31 is determined from Table 3 below and the prepayment fee is computed as follows:

Prepayment Fee = (0.07 - 0.065) X (0.31) X ($250,000) = $387.50

Fixed Rate Loan: An amortizing loan with remaining principal of $250,000 is fully prepaid with 24 months remaining until maturity. An Initial Reference Rate of 9.0% was assigned to the loan when the loan was made. The Final Reference Rate (as determined by the current 24-month U.S. Treasury rate on Page 119 of Telerate) is 7.5%. Rates therefore have dropped 1.5% since the loan was made and a prepayment fee applies. A prepayment fee factor of 1.3 is determined from Table 1 below and the prepayment fee is computed as follows:

Prepayment Fee = (0.09 - 0.075) X (1.3) X ($250,000) = $4,875

PREPAYMENT FEE FACTOR SCHEDULE

TABLE I. - FULLY AMORTIZING LOANS

Proportion of Remaining Principal Amount Being Prepaid

Months Remaining To Maturity/Repricing (1)

	0	3	6	9	12	24	36	48	60	84	120	240	360
90 - 100%	0	.21	.36	.52	.67	1.3	1.9	2.5	3.1	4.3	5.9	10.3	13.1
60 - 89%	0	.24	.44	.63	.83	1.6	2.4	3.1	3.9	5.4	7.5	13.2	17.0
30 - 59%	0	.28	.53	.78	1.02	2.0	3.0	4.0	5.0	7.0	9.9	18.5	24.4
0 - 29%	0	.31	.63	.92	1.22	2.4	3.7	5.0	6.3	9.0	13.4	28.3	41.8

TABLE II. - PARTIALLY AMORTIZING (BALLOON) LOANS

Proportion of Remaining Principal Amount Being Prepaid

Months Remaining To Maturity/Repricing (1)

	0	3	6	9	12	24	36	48	60	84	120	240	360
90 - 100%	0	.26	.49	.71	.94	1.8	2.7	3.4	4.2	5.6	7.4	11.6	14.0
60 - 89%	0	.30	.59	.86	1.15	2.2	3.3	4.3	5.3	7.1	9.4	15.0	18.1
30 - 59%	0	.31	.63	.95	1.27	2.6	3.9	5.3	6.6	9.1	12.6	21.2	26.2
0 - 29%	0	.31	.63	.95	1.27	2.6	4.0	5.4	7.0	10.2	15.7	33.4	46.0

TABLE III. - NON-AMORTIZING (INTEREST ONLY) LOANS

Proportion of Remaining Principal Amount Being Prepaid

Months Remaining To Maturity/Repricing (1)

	0	3	6	9	12	24	36	48	60	84	120	240	360
0 - 100%	0	.31	.61	.91	1.21	2.3	3.4	4.4	5.3	6.9	8.9	13.0	14.8

(1) For the remaining period to maturity/repricing between any two maturities/repricings shown in the above schedules, interpolate between the corresponding factors to the closest month.

The holder of this note is not required to actually reinvest the prepaid principal in any U.S. Government Treasury Obligations, or otherwise prove its actual loss, as a condition to receiving a prepayment fee as calculated above.

E

EXHIBIT B

MASON COUNTY LAKS MANAGEMENT DISTRICT

Debt Service Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
6/ 1/99			6,388.25	6,388.25	
12/ 1/99	18,151.42	6.600000	3,795.00	21,946.42	28,334.67
6/ 1/ 0			3,196.01	3,196.01	
12/ 1/ 0	21,942.66	6.600000	3,196.01	25,138.67	28,334.67
6/ 1/ 1			2,471.90	2,471.90	
12/ 1/ 1	23,390.88	6.600000	2,471.90	25,862.78	28,334.67
6/ 1/ 2			1,700.00	1,700.00	
12/ 1/ 2	24,934.68	6.600000	1,700.00	26,634.68	28,334.67
6/ 1/ 3			877.15	877.15	
12/ 1/ 3	26,580.36	6.600000	877.15	27,457.51	28,334.66
	115,000.00		26,673.34	141,673.34	
ACCRUED					
	115,000.00		26,673.34	141,673.34	

Dated 7/28/98 with Delivery of 7/28/98

Bond Years	404.142	
Average Coupon	6.599999	
Average Life	3.514274	
N I C %	6.599999 %	Using 100.0000000
T I C %	6.580634 %	From Delivery Date
Arbitrage Yield	6.580634 %	

BancAmerica ROBBRTSON STEPHENS-Municipal Finance

Filename: Key: