

The Port
OF PORT TOWNSEND
SERVING ALL OF JEFFERSON COUNTY

**Port of Port Townsend
1st Monthly (Special) Meeting Agenda
Tuesday, May 8, 2018, 9:00 am
Port Commission Building
333 Benedict Street
Port Townsend, WA**

- I. Call to Order / Pledge of Allegiance
- II. Approval of Agenda
- III. Public Comments (related to/not related to the agenda)
- IV. Consent Agenda
 - A. Approval of Regular Meeting Minutes – April 25, 2018.....1-4
 - Approval of Special Meeting Minutes – May 2, 2018.....5-6
 - B. Resolution No. 679-18 – Declaring Certain Items Surplus.....7-8
 - C. Approval of Warrants
- V. Second Reading
 - A. Verbal Report of Bid Results for Point Hudson Jetty (South) and Resolution
No. 678-18 – Limited Tax General Obligation Bonds, 2018.....9-45
- VI. First Reading
- VII. Regular Business
 - A. Selection of Port Attorney.....46
- VIII. Staff Comments
- IX. Commissioner Comments
- X. Next Public Workshop / Regular Meeting:
Wednesday, May 23, 2018: Workshop at 1:00 pm, Meeting at 5:30 pm
Port Commission Building, 333 Benedict Street, Port Townsend, WA
- XI. Executive Session
- XII. Adjournment

PORT COMMISSION REGULAR MEETING– April 25, 2018

The Port of Port Townsend Commission met in regular session at the Commission Building, 333 Benedict Street, Port Townsend, WA

Present: Commissioners – Tucker, Hanke and Putney
Executive Director Gibboney
Auditor Berg
Director of Operations & Business Development Englin
Communications Coordinator Matej
Attorney Lake
Minutes – Nelson

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner Tucker called the meeting to order at 5:30 p.m.

II. APPROVAL OF AGENDA:

Commissioner Tucker added to XI, Executive Session, Item B) To discuss the minimum price at which real estate will be offered for lease, pursuant to RCW 42.30.110 (c). He made note that the May 8, 2018 Commission Meeting will be a Special Meeting due to the date change.

Commissioner Hanke moved to approve the Agenda as amended.

Commissioner Putney seconded the motion.

Motion carried by unanimous vote.

III. PUBLIC COMMENTS (00:01:23):

Carol Hasse discussed wind and wave action and tidal conditions at Point Hudson and expressed her opinion about wave reflection with the steel jetty, and the possibility of damaging effects to the marina and boats.

Anne Ricker read from a letter asking why Penn Cove Mussels in Quilcene, does not pay for certain items such as ramp use and equipment storage. She believes they should be paying more for their lease.

George Yount thanked Commissioner Putney and Director Gibboney for their participation and presentation at the Jefferson Co. Democrats forum held in Port Ludlow.

IV. CONSENT AGENDA (00:09:15):

A. Approval of Regular Meeting Minutes – April 11, 2018

B. Approval of Warrants

Warrant #059007 through #059014 in the amount of \$12,694.25 for Payroll & Benefits

Electronic Payment in the amount of \$65,250.72 for Payroll & Benefits

Warrant #059015 through #059049 in the amount of \$222,542.04 for Accounts Payable

Electronic Debit in the amount of \$7,504.92 for WA State Department of Revenue

Combined Excise Tax Return for March 2018

Electronic Debit in the amount of \$18,027.10 for WA State Department of Labor &

Industries 1st Quarter Tax Return for January – March 2018

Commissioner Putney asked about the due date for the Kidder Mathews study. Director Gibboney explained that it was expected today, but the new tentative date is April 27, 2018.

Commissioner Putney moved to approve the Consent Agenda as presented.

Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

V. SECOND READING (Action Items):

VI. FIRST READING (Discussion Only):

A. Resolution No. 678-18 – Limited Tax General Obligation Bonds, 2018 (00:10:37):

Director Gibboney introduced Scott McJannet of K&L Gates and Scott Bauer of Northwest Municipal Advisors who were available to take questions. She then explained the bond amount is not to exceed \$3.4M. This amount provides cushion to the \$3.2M and allows for changes in the market conditions, bond issuance expenses or for a change in the project proceeds, if desired by the Commission. Staff recommends using the funds for construction of the Point Hudson south jetty and replenishment of cash, which was used in 2017 for stormwater improvements and repair of the jetty at the Boat Haven commercial basin. Ms. Gibboney explained the requested bond amount was based on cash flow projections and ability to service bond debt, long term bonding capacity and preliminary cost estimates based on 60% design of the south jetty. Final cost estimate was affected by steel tariffs. She added staff continues to work to bring costs down, one instance is the approved construction easement by the Northwest Maritime Center and she thanked them for that. Staff also has been working with permitting agencies and has requested an increase in the use of vibratory hammers, which could also reduce the project cost. A mandatory pre-bid meeting was conducted last week and staff was pleased to have seven different companies in attendance. She expressed staff's concerns that with the bond and remaining grant monies, the Port still may not be able to afford to award the project. Ms. Gibboney wanted to make it clear that with the issuance of the bond, this is no guarantee that the project will be awarded. Commissioner Hanke asked if project bids come in higher than the estimate, what would happen with the bond. Director Gibboney explained bid opening is scheduled for May 7, 2018. She stated if there are not enough resources to award the project, the second reading of the bond resolution could be postponed. She added that staff will assess the bids, and if high, would provide recommendations to lower the price such as a re-design or modification of the bid. Another option would be to reconfigure bond issuance and lower the amount and notate different use, such as replenish cash and maintenance repairs. However, staff cannot make a recommendation until bids have been opened. She reminded the commission that if the bids come in too high, they have the option to postpone the bond resolution reading or postpone the project.

Ms. Gibboney explained once bids are opened May 7, and a contractor is selected, the Port would respond within thirty days with a Notice of Intent to Award the contract.

The commission, staff and bond counsel discussed effects and options to the bond if the bids come in too high. Ms. Gibboney stated if this is the case, staff would bring options

to the commission.

VII. REGULAR BUSINESS:

A. March Financials (29:58):

Ms. Berg briefed on revenue trends, where operating revenues are ahead of 2017 by \$120K, and are ahead of budget year-to-date. Marinas and RVs lead in revenues. Yard revenues and shipyard hoists are both ahead of 2017, but short of budget. Shipyard revenues barely ahead of 2017 but below budget. She stated property revenues lag, mainly due to vacant spaces at Point Hudson (Cupola and space in Armory Building). Fuel sales are low, ramp fees are level. Utility revenues are up.

Mr. Englin discussed yard revenues and staff is working on plans to increase yard revenue.

Ms. Berg discussed expenses, which are less than 2017, mostly due to unfilled staff positions, contract services, consulting services, utilities and facilities & operations.

Commissioner Hanke requested A&G to be broken out in the 5-year trend.

Ms. Berg discussed the marina and RV 5-year trend and credited rate increases and staff management of the marinas and RV Park. She noted the yard no longer collects the 3% marine trades revenue, since that program ended.

Questions arose from the commission on why there were such discrepancies in occupancy numbers between this year and previous years.

Ms. Gibboney credited staff for avoiding bad debt, such as not taking in derelict vessels and decreasing liabilities.

Ms. Berg briefed further on security deposits, improvements to expenses for utilities and garbage management. Ms. Gibboney commended staff on tightening expenses and revenue collections.

B. Commission Workshop Calendar (51:37):

Ms. Gibboney discussed the May/June Commission workshop schedule. She elaborated on the May 23 schedule – Business Practices and Leasing Practices. She noted first reading of these Practices would occur June 13 and second reading on June 27. Next, the June 13 5-year Capital Program was discussed. The commissioners questioned if the Strategic Plan should occur before the 5-year Capital Plan. Discussion ensued.

The commissioners discussed the Commission Retreat and agreed holding it mid-way through the year rather than in January would make good sense. Commissioner Hanke suggested a retreat prior to June 27.

VIII. STAFF COMMENTS (1:07:37):

Ms. Gibboney stated staff had hoped to have received the Kidder Mathews rent study on April 25, but that has been changed tentatively to April 27. She explained if the report was not ready by the 27th; it would be delayed an undetermined amount of time due to Mr. Shorett's (Kidder Mathews) schedule, as he will be away.

Mr. Englin briefed on the Operations & Occupancy Report. He pointed out that RVs and the marinas were doing well. He noted storage in the yard is down. He thanked TJ Quandt, Terry Khile, Larry Aase and the maintenance crew for their work.

Ms. Matej announced Opening Day Boating season is May 5 this year. Ms. Gibboney will speak at the boat parade, sponsored by the PT Yacht Club.

IX. COMMISSIONER COMMENTS (1:13:21):

Commissioner Putney discussed his attendance at the Jefferson Co. Democrats meeting Port Ludlow, where he spoke on the subject of Economic Development. He also reported he attended a recent PT Marine Trades Association meeting, where they discussed policies and rate structures.

Commissioner Tucker stated his appreciation of Ron Hayes, Mark Burns and a few others for volunteering their time participating in an advisory group. He then reported he set out the No Anchor buoys in the eelgrass zones over the weekend. He added this program is working well and eelgrass is healthy and growing.

X. NEXT MEETINGS:

Special Meeting-Executive Session only, pursuant to RCW 42.30.110 (g) (2 items) Wednesday, May 2, 2018 at 1:00 pm, Port Commission Building, 333 Benedict Street, Port Townsend

Special Meeting, Wednesday, May 8, 2018 at 9:00 am, Port Commission Building, 333 Benedict Street, Port Townsend

XI. EXECUTIVE SESSION:

The regular session recessed at 6:48 pm into Executive Session, which began at 6:56 pm to discuss a A) Potential Litigation, pursuant to RCW 42.30.110 (i) and B) Acceptable minimum bid price for a lease, pursuant to RCW 42.30.110 (c), duration of thirty minutes with no action. At 7:26 pm, Ms. Nelson announced a fifteen-minute extension. At 7:41 pm, Ms. Nelson announced a ten-minute extension. At 7:51 pm, Ms. Nelson announced an extension of ten more minutes. At 8:01 pm, she announced another ten-minute extension.

XII. ADJOURNMENT:

The meeting reconvened and adjourned at 8:09 pm there being no further business to come before the Commission.

ATTEST:

William W. Putney, III, Secretary

Stephen R. Tucker, President

Peter W. Hanke, Vice President

PORT COMMISSION SPECIAL MEETING– May 2, 2018

The Port of Port Townsend Commission met in special session at the Port Commission Building, 333 Benedict Street, Port Townsend, WA

Present: Commissioners – Tucker, Hanke and Putney
Executive Director Gibboney
Director of Operations & Business Development Englin
Director of Planning, In-house Counsel Toews
Minutes – Nelson

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner Tucker called the meeting to order at 1:00 p.m.

II. APPROVAL OF AGENDA:

Commissioner Hanke moved to approve the Agenda as presented.
Commissioner Putney seconded the motion.
Motion carried by unanimous vote.

III. REGULAR BUSINESS:

A. Attorney Interviews:

1:00 – 2:00 pm: Frank Chmelik of Chmelik Sitkin & Davis

2:00 pm: Upon conclusion of the interview with Mr. Chmelik, Commissioner Tucker recessed the meeting for a thirty-minute break.

2:30 – 3:20 pm: Carolyn Lake of Goodstein Law Group

3:20 pm – The interview with Ms. Lake concluded. Commissioner Tucker called for a ten-minute break.

At 3:30 pm, the meeting reconvened.

IV. NEXT SPECIAL MEETING:

Tuesday, May 8, 2018 at 9:00 am in the Port Commission Building, 333 Benedict Street, Port Townsend, WA.

V. EXECUTIVE SESSION:

The regular session recessed into Executive Session at 3:30 pm, to review the performance of a public employee, pursuant to RCW 42.30.110 (g), duration of twenty minutes with no action.

Ms. Nelson announced outside the following extensions of the Executive Session:

3:52 pm, extended ten minutes.

4:04 pm, extended ten minutes.

4:15 pm, extended five minutes.

4:20 pm, extended ten minutes.

4:31 pm, extended five minutes.

4:36 pm, extended five minutes.

X. RECONVENING AND ADJOURNMENT:

The meeting reconvened and adjourned at 4:42 pm with no further business to come before the Commission.

ATTEST:

Stephen R. Tucker, President

William W. Putney, III, Secretary

Peter W. Hanke, Vice President

RESOLUTION NO. 679-18

A Resolution of the Commission of the Port of Port Townsend

RESOLUTION DECLARING CERTAIN ITEMS SURPLUS AND AUTHORIZING THEIR SALE AND/OR DISPOSAL

WHEREAS: The Port of Port Townsend has in its possession old, outdated, and/or non-operable computers, monitors, printers and similar type equipment, as described in Exhibit A and attached to this resolution; and

WHEREAS: due to continual usage and age, this equipment is of little or no value to the Port and is therefore no longer needed for Port purposes; and

WHEREAS: such property having been certified in writing as not needed for Port purposes by the Executive Director, its managing official, a copy of said certification is marked Exhibit A and attached to this Resolution,

NOW, THEREFORE BE IT HEREBY RESOLVED by the Port Commission of the Port of Port Townsend that the said property be declared surplus, and that the Executive Director is authorized to sell or dispose of the property in the best manner which she, in her discretion, shall determine, including by negotiation or informal bidding from members of the public, or direct disposal.

ADOPTED this 8th day of May 2018 by the Commission of the Port of Port Townsend and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the Seal of the Commission duly affixed.

ATTEST:

William W. Putney III, Secretary

Stephen R. Tucker, President

Peter W. Hanke, Vice President

APPROVED AS TO FORM:

EXHIBIT "A"

CERTIFICATE

THAT CERTAIN PORT DISTRICT PROPERTY IS SURPLUS

The undersigned, Sam Gibboney, Executive Director, the managing official of the Port District of the Port of Port Townsend, hereby certifies that the following property is surplus and is not needed for Port District purposes.

EQUIPMENT TO SURPLUS:

<u>LOCATION:</u>	<u>TYPE:</u>	<u>BRAND:</u>	<u>MODEL:</u>	<u>SERIAL #</u>
Accounting Office	Printer	HP	LaserJet 2430N	CNGJF52407
Accounting Office	Printer	HP	LaserJet Pro 8000	CN11B3Q35P
Accounting Office	Printer	HP	LaserJet P1102W	VND3K87591
Accounting Office	Computer	Optiplex	755	3QMJ4G1
Yard Lot	Vehicle	Ford	1990 Ford Pickup	1882
Admin. Building	Shredder	Fellows	MS-460CS	CRC38440

Sam Gibboney, Executive Director

PORT OF PORT TOWNSEND

AGENDA COVER SHEET

MEETING DATE	May 8, 2018
AGENDA ITEM	<input type="checkbox"/> First Reading <input checked="" type="checkbox"/> Second Reading <input type="checkbox"/> Regular Business
AGENDA TITLE	V. A) Verbal Report of Bid Results for Point Hudson Jetty (South) and Resolution No. 678-18 – Limited Tax General Obligation Bonds, 2018
STAFF LEAD	Sam Gibboney
REQUESTED	<input type="checkbox"/> Motion <input type="checkbox"/> Action <input type="checkbox"/> Discussion
ATTACHMENTS	A. Info Memo B. Resolution No. 678-18

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 5/8/2018
TO: Commission
FROM: Executive Staff
SUBJECT: Resolution No. 678-18, Limited Tax General Obligation Bonds, 2018

ISSUE: Whether the Commission should proceed with second reading and adoption of Resolution No. 678-18, authorizing the issuance of LTGO bonds in the amount of \$3.2 million dollars to fund (in part): a) the demolition and reconstruction of the Port's Point Hudson South Jetty; and b) reimbursement to Port cash for the construction, capital improvements and repairs to the Port's Boat Haven work yard and shipyard areas including resurfacing, stormwater treatment, and certain other improvements described in the Port's 2018 Capital Improvement Plan.

DISCUSSION: On April 25, 2018, the Commission considered a first reading of Resolution No. 678-18. If adopted by the Commission on May 8th, this resolution will set in motion the sale of \$3.2 million in general obligation bonds to assist in funding the Point Hudson Jetty South project, and to replenish the Port's cash reserves used in 2017 to fund capital improvements in the Boat Haven work and ship yards (i.e., largely associated with stormwater compliance).

As the Commission is aware, the Bid Opening for the Jetty Project will occur at 2:00 p.m. on Monday, May 7th. Receipt of bids will help to inform the Commission's decision as to whether the Resolution 678-18 should be adopted as presented, or whether adoption should be delayed to allow time to modify the bond package and supporting resolution.

Specifically, if the bids received for the Jetty exceed the Port's financial capacity to undertake the project, the Commission may wish to consider the following options:

1. **Adopt Resolution No. 678-18¹:** Under this option, the Commission would proceed to adopt the resolution while concurrently:
 - a. Directing that staff immediately seek a one (1) year extension to its BIG Tier 2 Grant Agreement to preserve remaining grant monies through April of 2020; and
 - b. Preserving \$2.7 million in bond sale proceeds in a dedicated account, anticipating that replacement of the Jetty would occur on a delayed timeline. (\$500,000 of the \$3.2 million in bond proceeds would be used to replenish Port cash reserves). Future construction would be dependent on obtaining additional funding.
2. **Postpone Adoption of Resolution No. 678-18 – Modify/Downsize Bond Package:** Under this alternative, the Commission would delay adoption of the resolution, and seek to downsize the bond issuance amount and repurpose a portion of the bond proceeds for other high priority projects. Replenishing cash reserves by at least \$500,000 would remain a priority. This

¹ Please refer to Scenario #2, presented to the Commission on April 11, 2018 to understand the impacts of Resolution No. 678-18 on projected future Port cash flow.

alternative would require substantial modifications to the bond package and accompanying resolution, and would likely not be ready for Commission review and reconsideration until the second regular meeting in May, or first regular meeting in June of this year at the earliest.

FISCAL IMPACT: As previously presented and discussed with the Commission, Resolution No. 678-18 would authorize a bond in the amount of \$3.2 million dollars to partially fund the Point Hudson South Jetty project and replenish Port cash reserves used in 2017 to fund stormwater infrastructure improvements at Boat Haven. The attached bond resolution has a "not to exceed" amount of \$3.4 million which provides cushion to the \$3.2 million amount and allows for changes in market conditions, bond issuance expenses (currently estimated at approximately \$73,000), or for a modest increase in the project proceeds, should the Commission so desire. As noted in footnote #1, an analysis was presented at the April 11, 2018 Commission meeting which revealed the anticipated effects of incurring this bond debt on Port cash flow over the next 10 years.

RECOMMENDATION: Staff will present the results of the Jetty bid opening to the Commission, as well as its recommendation as how best to proceed at the May 8th meeting.

ATTACHMENTS: Resolution No 678-18, Limited Tax General Obligation Bonds, 2018

PORT OF PORT TOWNSEND

LIMITED TAX GENERAL OBLIGATION BONDS, 2018

RESOLUTION NO. 678-18

A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF PORT TOWNSEND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE PORT IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$3,400,000 FOR THE PURPOSE OF FINANCING THE COSTS OF IMPROVEMENTS TO PORT FACILITIES; PROVIDING FOR THE ANNUAL LEVY OF TAXES TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS; AND DELEGATING CERTAIN AUTHORITY TO THE DESIGNATED PORT REPRESENTATIVE TO APPROVE THE FINAL TERMS AND CONDITIONS OF THE BONDS.

ADOPTED: MAY 8, 2018

Prepared By:

K&L GATES LLP
Seattle, Washington

PORT OF PORT TOWNSEND

RESOLUTION NO. 678-18

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RESOLUTION NO. 678-18

A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF PORT TOWNSEND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE PORT IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$3,400,000 FOR THE PURPOSE OF FINANCING THE COSTS OF IMPROVEMENTS TO PORT FACILITIES; PROVIDING FOR THE ANNUAL LEVY OF TAXES TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS; AND DELEGATING CERTAIN AUTHORITY TO THE DESIGNATED PORT REPRESENTATIVE TO APPROVE THE FINAL TERMS AND CONDITIONS OF THE BONDS.

WHEREAS, the Port of Port Townsend, Jefferson County, Washington (the "Port"), a municipal corporation of the State of Washington, owns and operates industrial properties; and

WHEREAS, the Port Commission (the "Commission") of the Port deems it necessary and in the best interest of the citizens of the Port to undertake certain improvements to Port facilities within and as a part of its comprehensive scheme of improvements under RCW 53.20.010 (collectively, the "Projects"); and

WHEREAS, the Port is authorized by RCW 53.36.030 and Ch. 39.46 RCW to borrow money and issue general obligation bonds payable, *inter alia*, from regular tax levies of the Port; and

WHEREAS, it is in the best interest of the Port to issue limited tax general obligation bonds to be sold pursuant to a negotiated sale as herein provided; and

WHEREAS, this Commission has determined to delegate authority to the Port's Executive Director (the "Designated Port Representative") to approve the final principal amount of the bonds, date of the bonds, denominations, interest rates, payment dates, redemption provisions, and maturity dates of such bonds for a limited time;

NOW, THEREFORE, BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF PORT TOWNSEND, WASHINGTON, as follows:

Section 1. Definitions. As used in this resolution, the following words shall have the following meanings, unless a different meaning clearly appears from the context.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Bond Fund means the Port of Port Townsend General Obligation Bond Redemption Fund maintained in the office of the Treasurer.

Bond Register means the books or records maintained by the Registrar containing the name and mailing address of the owner of each Bond or nominee of such owner and the principal amount and number of Bonds held by each owner or nominee.

Bond Year means each one-year period that ends on the date selected by the Port. The first and last Bond Years may be a shorter period. If no day is selected by the Port before the earlier of the final maturity date of the Bonds or the date that is five years after the Date of Issue of the Bonds, Bond Years end on each anniversary of the Date of Issue and on the final maturity date of the Bonds.

Bonds mean the principal amount of not to exceed \$3,400,000 of the Port's Limited Tax General Obligation Bonds, 2018 issued pursuant to this resolution.

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

Commission means the Port Commission, as general legislative authority of the Port as the same shall be duly and regularly constituted from time to time.

Date of Issue means the date of issuance and delivery of the Bonds to the Underwriter.

Designated Port Representative means the Executive Director and/or the Director of Finance/Auditor of the Port (or the successor in function to such person) or such other person as may be directed by resolution of the Commission.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 4 hereof.

Federal Tax Certificate means the certificate with respect to federal tax matters relating to the Bond to be executed by a Designated Port Representative on the Date of Issue of the Bond.

Government Obligations mean those obligations now or hereafter defined as such in chapter 39.53 RCW.

Letter of Representations means the Blanket Issuer Letter of Representations from the Port to DTC.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions. Until otherwise designated by the MSRB or the United States Securities and Exchange Commission, any information, reports or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system, currently located at www.emma.msrb.org.

Net Proceeds, when used with reference to the Bonds, mean the principal amount of the Bonds, plus accrued interest and original issue premium, if any, and less original issue discount.

Port means the Port of Port Townsend, Washington, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of Washington.

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

Private Person Use means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial expenses.

Projects mean the capital projects and improvements authorized in Section 2 hereof.

Purchase Contract means the Purchase Contract relating to the Bonds between the Port and the Underwriter as approved by a Designated Port Representative pursuant to Section 11.

Record Date means the close of business on the 15th day of the month prior to each date on which a payment of interest on the Bonds is due and payable.

Registrar means, initially, the fiscal agent of the State of Washington, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of

ownership of the Bonds and paying interest on and principal of the Bonds. The term **Registrar** shall include any successor to the fiscal agent, if any, hereinafter appointed by the Treasurer.

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

Rule means the SEC's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SEC means the United States Securities and Exchange Commission.

Term Bonds means any Bonds designated as "Term Bonds" in the Purchase Contract for such Bonds.

Treasurer means the Treasurer of Jefferson County, as *ex officio* Treasurer of the Port, or any successor to the functions of such Treasurer.

Underwriter means Piper Jaffray & Co., Seattle, Washington.

Rules of Interpretation. In this resolution, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this resolution;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect;

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

Section 2. Authorization of the Projects. As a part of its comprehensive scheme of improvements to the Port’s facilities, the Port intends to finance the acquisition, construction, and capital improvements and repairs to the Port’s Point Hudson South Jetty, including workyard resurfacing and workyard stormwater treatment improvements (collectively, the “Projects”). The costs of the Projects are expected to be paid or reimbursed in part with the proceeds of the Bonds. Any excess costs of the Projects, not paid from proceeds of the Bonds, respectively, will be paid from other Port funds.

Section 3. Authorization of Bonds. For the purpose of paying all or a portion of the costs of the Projects and paying the costs of issuance, the Port shall now issue and sell its limited tax general obligation bonds in the aggregate principal amount of not to exceed \$3,400,000 (the “Bonds”). The Bonds shall be general obligations of the Port; shall be designated “Port of Port Townsend, Washington, Limited Tax General Obligation Bonds, 2018”; shall be registered as to both principal and interest, shall be issued in the aggregate principal amount set forth in the Purchase Contract, and shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated their date of delivery to the Underwriter, and shall be in the denomination of \$5,000 each or any integral multiple of \$5,000 within a maturity. The Bonds shall bear interest from their date of

delivery to the Underwriter until the Bonds bearing such interest have been paid or their payment duly provided for, at the rates, payable semiannually on the dates, set forth in the Purchase Contract and shall mature on the dates and in the principal amounts set forth in the Purchase Contract, all as approved by the Designated Port Representative pursuant to Section 11 of this resolution.

Section 4. Registration, Payment and Transfer.

(a) *Registrar/Bond Register.* The Port hereby requests that the Treasurer specify and adopt the system of registration and transfer for the Bonds approved by the Washington State Finance Committee from time to time through the appointment of the state fiscal agent. The Port shall cause a bond register to be maintained by the Registrar. So long as any Bonds remain outstanding, the Registrar shall make all necessary provisions to permit the exchange and registration of transfer of Bonds at its principal corporate trust office. The Registrar may be removed at any time at the option of the Treasurer upon prior notice to the Registrar, DTC, each party entitled to receive notice pursuant to Section 13, and a successor Registrar appointed by the Treasurer. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder. The Registrar is authorized, on behalf of the Port, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this resolution and to carry out all of the Registrar's powers and duties under this resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) *Registered Ownership.* The Port and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes

(except as provided in Section 13 of this resolution), and neither the Port nor the Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4(h) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 4(h) shall be valid and shall satisfy and discharge the liability of the Port upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* To induce DTC to accept the Bonds as eligible for deposit at DTC, the Port has executed and delivered to DTC a Letter of Representations.

Neither the Port nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the Port to the Registrar or to DTC (or any successor depository), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder (except as provided in Section 13), and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of "Cede & Co.," as nominee of DTC, with one Bond maturing for each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Designated Port Representative pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) 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 Designated Port Representative to discontinue the system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the Designated Port Representative may hereafter 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.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Designated Port Representative, issue a single new Bond for each maturity of the Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Designated Port Representative.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained,

or (B) the Designated Port Representative determines that it is in the best interest of the Beneficial Owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. The Designated Port Representative shall deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Registrar of all then outstanding Bonds together with a written request on behalf of the Designated Port Representative to the Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.*

The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless such Bond is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination or denominations. The

Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding the date any such Bond is to be redeemed.

(f) *Registrar's Ownership of Bonds.* The Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Place and Medium of Payment.* 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 calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Bonds are in fully immobilized form, payments of principal and interest shall be made as provided to the parties entitled to receive payment as of each Record Date in accordance with the operational arrangements of DTC referred to in the Letter of Representations.

In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed (or by wire transfer to a Registered Owner of such Bonds in aggregate principal amount of \$1,000,000 or more who so requests) to the Registered Owners of the Bonds at the addresses for such Registered Owners appearing on the Bond Register as of the Record Date, and principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Registrar; provided, however, that if so requested in writing by the Registered Owner of at least \$100,000 principal amount of the Bonds, interest will be paid by wire transfer on the date due to an account with a bank located within the United States.

If any Bond shall be duly presented for payment and funds have not been duly provided by the Port on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until such Bond is paid.

Section 5. Redemption and Purchase of Bonds.

(a) *Optional Redemption.* The Bonds may be subject to optional redemption at any time prior to their scheduled maturities under terms approved by the Designated Port Representative in the Purchase Contract pursuant to Section 11 of this resolution, but not greater than 10.5 years from the Date of Issue of the Bonds.

(b) *Mandatory Redemption of Term Bonds and Optional Redemption, if any.* The Bonds may be subject to mandatory redemption at any time prior to scheduled maturity under terms approved by the Designated Port Representative in the Purchase Contract pursuant to Section 11 of this resolution.

In the event that the Port determines to optionally redeem a portion of any Term Bond maturity, the Port may apply the principal amount so redeemed to reduce a similar amount of mandatory redemption amount(s) in the years designated by the Designated Port Representative.

(c) *Purchase of Bonds.* The Port reserves the right to purchase any Bonds offered to the Port at any price deemed reasonable by the Designated Port Representative.

(d) *Selection of Bonds for Redemption.* As long as the Bonds are held in book-entry only form, the maturities to be redeemed shall be selected by the Port and, within a maturity, the selection of Bonds to be redeemed shall be made in accordance with the operational arrangements in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed shall be made as provided in this subsection (d). If the Port redeems at any one time fewer than all of the Bonds having the same maturity date, the

particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such other manner determined by the Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the Port and the Registrar shall treat each Bond as representing such number of separate Bonds in the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the principal office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(e) *Notice of Redemption.*

(1) Official Notice. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which notice, in the case of an optional redemption, shall state that redemption is conditioned by the Registrar on the receipt of sufficient funds for redemption) shall be given by the Registrar on behalf of the Port by mailing a copy of an official redemption notice by first-class mail, postage prepaid, at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Registrar.

All official notices of redemption shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,

(C) if fewer than all outstanding Bonds are to be redeemed, the identification by maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(D) that (unless the notice of redemption is a conditional notice, in which case the notice shall state that interest shall cease to accrue from the redemption date if and to the extent that funds have been provided to the Registrar for the redemption of Bonds) on the redemption date, provided that in the case of optional redemption the full amount of the redemption price is on deposit therefor, the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar.

Unless the Port has revoked a notice of redemption, on or prior to any redemption date, the Treasurer shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Failure to give notice as to redemption of any Bond or any defect in such notice shall not invalidate redemption of any other Bond.

Notwithstanding the foregoing, if the Bonds are then held in book-entry only form, notice of redemption shall be given only in accordance with the operational arrangements then effect at DTC but not less than 20 days prior to the date of redemption.

(2) Effect of Notice; Bonds Due. Unless the Port has revoked a notice of redemption (or unless the Port provided a conditional notice and the conditions for redemption set forth therein are not satisfied), official notice of redemption having been given as aforesaid,

the Bonds or portions of Bonds so to be redeemed shall, on the redemption date (unless in the case of optional redemption the Port shall default in the payment of the redemption price), become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the Port as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 25 days before the redemption date to each party entitled to receive notice pursuant to Section 13, and the Underwriter or to its business successors, if any, and to such persons (including securities repositories who customarily at the time receive notices of redemption in accordance with rules promulgated by the SEC) and with such additional information as the Registrar deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) Use of CUSIP Numbers. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(5) Amendment of Notice Provisions. The foregoing notice provisions of this Section 5(e), including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6. Form of Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. _____ \$ _____

STATE OF WASHINGTON
PORT OF PORT TOWNSEND

LIMITED TAX GENERAL OBLIGATION BOND, 2018

INTEREST RATE: % MATURITY DATE: CUSIP NO.: _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

THE PORT OF PORT TOWNSEND, WASHINGTON (the "Port"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from _____, 2018, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on _____ 1, 2018, and semiannually thereafter on the first days of each succeeding June and December.

Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the

operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the Port to DTC. Initially, the Port has specified and adopted the registration system for the bonds of this issue specified by the State Finance Committee, and the fiscal agent of the state will act as the registrar, authenticating agent and paying agent (the "Registrar"). Capitalized terms used in this bond that are not otherwise defined have the meanings given in such terms in the hereinafter defined Bond Resolution.

This bond is one of an authorized series of bonds of like date, tenor and redemption provisions, except as to number, amount, rate of interest and date of maturity in the aggregate principal amount of \$_____, and is issued pursuant to Resolution No. ____-18 of the Port Commission (the "Bond Resolution") for the purpose of financing the costs of certain capital improvements to port facilities, and paying costs of issuance.

The bonds of this issue are subject to redemption as set forth in the Bond Resolution and the Purchase Contract.

The bonds of this issue are not "private activity bonds" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). The bonds of this issue have been designated by the Port as "qualified tax-exempt obligations" under Section 265(b) of the Code for banks, thrift institutions and other financial institutions.

The Port hereby irrevocably covenants that it will levy taxes annually upon all the taxable property in the Port within the levy limits permitted to the Port without a vote of the electors and in amounts sufficient, with other monies legally available therefor, to pay the principal of and interest on the bonds of this issue as the same shall become due. The full faith, credit and resources of the Port are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The pledge of tax levies may be discharged prior to maturity of the Bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Resolution.

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

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and resolutions duly adopted by the Port Commission including the Bond Resolution.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this bond and the bonds of this issue have happened, been done and performed and that the issuance of this bond and the bonds of this issue does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the Port may incur.

IN WITNESS WHEREOF, the Port of Port Townsend, Washington, has caused this bond to be executed by the facsimile signatures of the President and Secretary of the Port Commission and the seal of the Port to be impressed, imprinted or otherwise reproduced hereon, as of the 8th day of May, 2018.

[SEAL]

PORT OF PORT TOWNSEND, WASHINGTON

By: _____
Commissioner Stephen R. Tucker, President

ATTEST:

Commissioner Peter W. Hanke, Vice President

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

CERTIFICATE OF AUTHENTICATION

Dated of Authentication:

This bond is one of the bonds described in the within-mentioned Bond Resolution and is one of the Limited Tax General Obligation Bonds, 2018 of the Port of Port Townsend, Washington, dated _____, 2018.

WASHINGTON STATE FISCAL AGENT,
as Registrar

By _____
Authorized Signer

Section 7. Execution of Bonds. The Bonds shall be executed on behalf of the Port with the manual or facsimile signature of the President of its Commission, shall be attested by the manual or facsimile signature of the Secretary thereof and shall have the seal of the Port, if any, impressed, imprinted or otherwise reproduced thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this resolution.

In case either of the officers who shall have executed the Bonds shall cease to be an officer or officers of the Port before the Bonds so signed shall have been authenticated or delivered by the Registrar, or issued by the Port, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the Port as though those who signed the same had continued to be such officers of the Port. Any Bond may also be signed and attested on behalf of the Port by such persons who are at the actual date of delivery of such Bond are the proper officers of the Port although at the original date of such Bond any such person shall not have been such officer of the Port.

Section 8. Bond Fund and Provision for Tax Levy Payments. A special fund of the Port known as the "Port of Port Townsend General Obligation Bond Redemption Fund" (the "Bond Fund") has been created in the office of the Treasurer. The Bond Fund shall be drawn upon for the sole purpose of paying the principal of and interest on general obligation bonds of the Port.

The Port hereby further irrevocably covenants that, unless the principal of and interest on the Bonds are paid from other sources, it will make annual levies of taxes upon all of the property in the Port subject to taxation within and as a part of the tax levy permitted to port districts without a vote of the electors in amounts sufficient to pay such principal and interest as the same shall become due. The full faith, credit and resources of the Port are hereby irrevocably

pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest.

Section 9. Defeasance. In the event that money and/or noncallable Government Obligations that are direct obligations of the United States or obligations unconditionally guaranteed by the United States maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Bonds authorized hereunder in accordance with their terms, are set aside in a special account to effect such redemption and retirement, and such moneys and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund of the Port for the payment of the principal of and interest on the Bonds so provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of this resolution, except the right to receive the moneys so set aside and pledged, such Bonds shall be deemed not to be outstanding hereunder.

The Registrar shall provide notice of defeasance of Bonds to Registered Owners and to each party entitled to receive notice pursuant an ongoing disclosure undertaking entered into pursuant to Section 13 of this resolution.

Section 10. Application of Bond Proceeds. The proceeds of the Bonds, net of Underwriter's discount, shall be paid into the Project Fund—2018 (hereinafter authorized to be created).

The Treasurer of the Port is hereby authorized and directed to create a special fund or account of the Port, designated as the "Port of Port Townsend Project Fund, 2018" (the "Project Fund—2018"). The money on deposit in the Project Fund—2018 shall be utilized to pay or reimburse the Port for the costs of the Projects and costs incidental thereto, and costs incurred in

connection with the issuance and sale of the Bonds, to the extent designated by the Designated Port Representative.

All or part of the proceeds of the Bonds may be temporarily invested in or with such institutions or in such obligations as may now or hereafter be permitted to port districts of the State of Washington by law and that will mature or otherwise be subject to liquidation at the option of the owner thereof prior to the date on which such money shall be needed.

In the event that it shall not be possible or practical to accomplish all of the Projects, the Port may apply the proceeds of the Bonds to pay the costs of such portion thereof or such other projects as the Commission shall determine to be in the best interests of the Port, subject to the limitations set forth in this resolution.

Any part of the proceeds of the Bonds remaining in the Project Fund—2018 after all costs referred to in this section have been paid may be used to make other Port capital improvements subject to the limitations set forth in this resolution or may be transferred to the Bond Fund for the uses and purposes therein provided.

Section 11. Sale of Bonds.

(a) *Bond Sale.* The Bonds shall be sold at negotiated sale to the Underwriter pursuant to the terms of the Purchase Contract. The Designated Port Representative is hereby authorized to negotiate terms for the purchase of the Bonds and to execute the Purchase Contract, with such terms as are approved by the Designated Port Representative pursuant to this section and consistent with this resolution. The Port Commission has been advised that market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Commission. The Commission has determined that it would be in the best interest of the Port to delegate to the Designated Port Representative for a limited

time the authority to approve the final interest rates, maturity dates, aggregate principal amount, principal amounts and prices of each maturity, redemption rights (provided that the Bonds shall be subject to optional redemption not later than 10.5 years from the Date of Issue) and other terms and conditions of the Bonds. The Designated Port Representative is hereby authorized to approve the final interest rates, maturity dates, aggregate principal amount, principal amounts and prices of each maturity and redemption rights for the Bonds (provided that the Bonds shall be subject to optional redemption not later than 10.5 years from the Date of Issue) in the manner provided hereafter so long as (i) the aggregate principal amount of the Bonds does not exceed the maximum principal amount set forth in Section 3 and (ii) the true interest cost of the Bonds is not greater than 5.50%.

In determining the final interest rates, maturity dates, aggregate principal amount, principal amounts and prices of each maturity and redemption rights of the Bonds (optional redemption not later than 10.5 years from the Date of Issue), the Designated Port Representative, in consultation with Port staff, shall take into account those factors that, in his or her judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Bonds. Subject to the terms and conditions set forth in this section, the Designated Port Representative is hereby authorized to execute the final form of the Purchase Contract. Following the execution of the Purchase Contract, the Designated Port Representative shall provide a report to the Commission, describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Port Representative by this section shall expire on October 31, 2018. If a Purchase Contract for the Bonds has not been executed by October 31, 2018, the authorization for the

issuance of such Bonds shall be rescinded, and such Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by resolution of the Commission. The resolution reauthorizing the issuance and sale of the Bonds may be in the form of a new resolution repealing this resolution in whole or in part or may be in the form of an amendatory resolution approving a Purchase Contract or establishing terms and conditions for the authority delegated under this section.

(b) *Delivery; Documentation.* Upon the adoption of this resolution, the proper officials of the Port including the Designated Port Representative, are authorized and directed to undertake all other actions necessary for the prompt execution and delivery of the Bonds to the Underwriter and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Purchase Contract.

The Designated Port Representative and other Port officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds to the Underwriter and for the proper application and use of the proceeds of sale of the Bonds. In furtherance of the foregoing, the Designated Port Representative is authorized to approve and enter into agreements for the payment of costs of issuance, including Underwriter's discount, the fees and expenses specified in the Purchase Contract, including fees and expenses of Underwriter and other retained services, including bond counsel, financial advisor, rating agency, fiscal agent, and other expenses customarily incurred in connection with issuance and sale of bonds.

(c) *Preliminary and Final Official Statements.* The Designated Port Representative is authorized to ratify and to approve for purposes of the Rule, on behalf of the Port, the Official Statement (and any Preliminary Official Statement) and any supplement thereto relating to the

issuance and sale of the Bonds and the distribution of the Bonds pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate. The Designated Port Representative is authorized to ratify, execute, deliver and approve for purposes of the Rule, on behalf of the Port, the Official Statement (and to approve, deem final and deliver any Preliminary Official Statement) and any supplement thereto relating to the issuance and sale of the Bonds and the distribution of the Bonds pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate.

Section 12. Tax Covenants.

(a) *Arbitrage Covenant.* The Port hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the Port which may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Code which will cause the Bonds to be “arbitrage bonds” within the meaning of said section and said Regulations. The Port will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) and the applicable Regulations thereunder throughout the term of the Bonds.

(b) *Private Person Use Limitation for Bonds.* The Port covenants that for as long as the Bonds are outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Bonds to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Bonds in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the Port) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The Port further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bonds are to be used for any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this resolution or any underlying arrangement) directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the Port) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the projects financed or refinanced with Bond proceeds, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of the projects to which the Private Person Use of such portion of such projects relates. The Port further covenants that it will comply with any limitations on the use of the projects by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds.

(c) *Designation under Code Section 265(b).* The Port hereby designates the Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The Port does not anticipate issuing more than

\$10,000,000 in qualified tax-exempt obligations during 2018 (excluding obligations permitted by the Code to be excluded for purposes of the Port's qualification as a qualified small issuer).

(d) *Compliance with Tax Certificate.* The Port covenants to comply with all representations, covenants and assurances contained in the Federal Tax Certificate, which Federal Tax Certificate shall constitute a part of the contract between the Port and the Registered Owners of the Bonds.

Section 13. Undertaking to Provide Ongoing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the Port's written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

(b) *Financial Statements/Operating Data.* The Port agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), the following annual financial information and operating data for the prior fiscal year (commencing in 2019 for the fiscal year ended December 31, 2018):

(1) Annual financial statements, which statements may or may not be audited, showing ending fund balances for the Port's general fund prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included in the official statement for the Bonds under the headings "Comparative Statement of Revenues, Expenses and Changes in Fund Net Position" and "Comparative Statement of Net Position";

(2) The assessed valuation of taxable property in the Port;

(3) Ad valorem taxes due and collected;

(4) Property tax levy rate per \$1,000 of assessed valuation; and

(5) Outstanding general obligation debt of the Port.

Items 2-5 shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided within nine months of the end of the Port's fiscal year. The Port's current fiscal year ends December 31. The Port may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the Port may cross-refer to other documents available to the public on the MSRB's internet website or filed with the SEC.

If not provided as part of the annual financial information discussed above, the Port shall provide the Port's audited annual financial statement prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

(c) *Listed Events.* The Port agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds not in excess of ten business days after the occurrence of the event:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB)

or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- Modifications to the rights of Bondholders, if material;
- Bond calls, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds,

if material;

- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the Port;
- The consummation of a merger, consolidation, or acquisition involving the

Port or the sale of all or substantially all of the assets of the Port, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Solely for purposes of information, and not intending to modify this undertaking, the Port advises that no debt service reserves, credit enhancement or property secures payment of the Bonds. The Port shall promptly determine whether the events described above are material.

(d) *Notification Upon Failure to Provide Financial Data.* The Port agrees to provide or cause to be provided, in a timely manner to the MSRB notice of its failure to provide the annual financial information described in subsection (b) above on or prior to the date set forth in subsection (b) above.

(e) *Emma; Format for Filings with the MSRB.* Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org (which is not incorporated into this Official Statement by reference). All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) *Termination/Modification.* The Port's obligations to provide annual financial information and notices of listed events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the Port (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of this section.

The Port may amend this section with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this section, the Port shall describe such amendment in the next annual report, and shall include, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a listed event under subsection (c), and (ii) the annual report for the year in which the change is

made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(g) *Bond Owner's Remedies Under This Section.* The right of any bondowner or beneficial owner of Bonds to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the Port's obligations under this section, and any failure by the Port to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. For purposes of this section, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Section 14. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Registrar may execute and deliver a new Bond or Bonds of like date, number and tenor to the owner thereof upon the owner's paying the expenses and charges of the Port in connection therewith and upon his or her filing with the Port evidence satisfactory to the Port that such Bond was actually lost, stolen or destroyed and of his or her ownership thereof, and upon furnishing the Port with indemnity satisfactory to the Port, the Registrar and the Treasurer.

Section 15. Severability. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the Port shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

Section 16. Effective Date. This resolution shall become effective immediately upon its adoption.

ADOPTED AND APPROVED at a regular meeting of the Commission of the Port of Port Townsend, Washington held this 8th day of May, 2018.

PORT OF PORT TOWNSEND,
WASHINGTON

By _____
Commissioner Stephen R. Tucker, President

By _____
Commissioner Peter W. Hanke, Vice President

By _____
William W. Putney III, Secretary

CERTIFICATE

I, the undersigned, Secretary of the Port Commission of the Port of Port Townsend, Washington (the "Port") and keeper of the records of the Port Commission (the "Commission"), DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 678-18 of the Port Commission (the "Resolution"), duly adopted at a regular meeting thereof held on the 8th day of May, 2018.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of May, 2018.

Commissioner William W. Putney III, Secretary

PORT OF PORT TOWNSEND

AGENDA COVER SHEET

MEETING DATE	May 8, 2018
AGENDA ITEM	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
AGENDA TITLE	VII. A) Selection of Port Attorney
STAFF LEAD	Sam Gibboney
REQUESTED	<input type="checkbox"/> Motion <input checked="" type="checkbox"/> Possible Action <input type="checkbox"/> Discussion
ATTACHMENTS	A. None