KLICKITAT COUNTY FIRE DISTRICT 3

200 Husum Street, Husum, WA 98623
Commissioner's Meeting
Thursday August 24 2017
SPECIAL MEETING

Called to order: 08:02

Attendance: Commissioner Zoller, Commissioner Montag, Commissioner Connor, Chief Long, Secretary Plumb, Assistant Chief Nelson. Public: William Crouse, Christie Hessler, Sandy Montag, Eric Bosler.

Approval of the agenda- Motion to approve the agenda for August 24 2017 made by Commissioner Montag, seconded by Commissioner Connor, (3 yay, 0 nay).

Public Discussion: Commissioners agreed to accept comments from the public during the meeting.

Commissioner Zoller addressed the reason behind this exploration of a bond. The District has a financial need to replace equipment and repair buildings to comply with federal and state requirements.
Mr. Crouse asked if grants are an option. The Department has been the recipient of grants in the past but the competition for large items is fierce. It is also not a sustainable method for the district to rely on.

Following the conference call with Mr. Jim Nelson at the last business meeting on August 11 2017, the Commissioners reviewed the engagement letter for the DA Davidson Company to serve as Bond Underwriter or placement agent. This is an agreement that indicates we will explore the option of the Bond and Mr. Nelson will guide us through the process. Should the bond not pass with needed votes then there will be no cost to the district. The Commissioners requested clarification of the financial liability indicated in the original letter if the district decided not to move forward at some point prior to the vote. This was clarified by Mr. Jim Nelson by removing the sentence that implied liability.

The Commissioners indicated they feel very comfortable with the reputation of this company and Jim Nelson. Chief has spoken to several fire Chiefs who have used Jim Nelson for Bonds and they are all very positive.

Motion to approve the letter of engagement with DA Davidson. Made by Commissioner Connor, Seconded by Commissioner Montag. (3 yay, 0 nay).

Motion to appoint Commissioner Connor as the contact for the bond project, made by commissioner Montag, seconded by commissioner Zoler. (2 yay, 0 nay , 1 abstained).

Next steps will be refining the list of needs and the costs.

Motion to Adjourn the meeting made by Commissioner Montag, Seconded by Commissioner Connor (3 yay, 0 nay)

***Meeting Adjourned:** 08:32.*

APPROVED BY:

8/14/17

Chairman - Commissioner Zoller. (date)

9-14-17

Commissioner Connor. (date)

9/14/17

Commissioner Montag (date)

Attest:

District Secretary Rozalind Plumb

Klickitat County Fire District 3 Commissioners Meeting
200 Husum Street Husum, WA .

Thursday August 24th, 2017 at 08.00am

AGENDA

Special Meeting

The Commissioners of KCFD3 will meet

To discuss and take action on the development of a Voted Bond proposal.

- **Open Meeting:** Call to order.
- **Approval of agenda** (A)

- **Attendance:**

- **DISCUSSION**:

  Review the Engagement letter to serve as Bond Underwriter or placement agent to Klickitat County Fire District 3 from Jim Nelson of D.A Davidson.

- **ACTION ITEMS:** Commissioners to take any action needed to proceed with the project including but not limited to;

  1. Authorize an elected Commissioner to act on behalf of the board between meetings (A).
  2. Authorization to staff to move forward with the project as needed by the consultant (A).

- **Motion to adjourn:** (A) Time___________

Version 08.24.2017 13:15

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D A DAVIDSON
FIXED INCOME CAPITAL MARKETS

August 14, 2017

Klickitat County Fire District No. 3
200 Husum Street
Husum, WA 98623

Attention: Mr. Wesley Long, Fire Chief

Re: Underwriting Engagement Letter

On behalf of D.A. Davidson & Co. ("Davidson"), we wish to thank you for the opportunity to serve as underwriter (or placement agent) for Klickitat County Fire District No. 3 ("Issuer") on its proposed offering and issuance of Unlimited Tax General Obligation Bonds (the "Securities"). This letter will confirm the terms of our engagement; however, it is anticipated that this letter will be replaced and superseded by a bond purchase agreement to be entered into by the parties (the "Purchase Agreement") if and when the Securities are priced following successful completion of the offering process.

1. Services to be Provided by Davidson. The Issuer hereby engages Davidson to serve as managing underwriter (or placement agent) of the proposed offering and issuance of the Securities, and in such capacity Davidson agrees to provide the following services:

- Provide various bond structures and estimated bond levy scenarios; calculation of the debt capacity; etc.,
- Develop a marketing plan for the bond offering, including identification of potential investors,
- Assist in the preparation of the official statement and other offering documents,
- Assist in preparing materials to be provided to securities ratings agencies and in developing strategies for meetings or conference calls with the ratings agencies,
- Contact potential investors, provide them with offering-related information, respond to their inquiries and, if requested, coordinate their due diligence sessions,
- Consult with counsel and other service providers about the offering and the terms of the Securities,
- Inform the Issuer of the marketing and offering process,
- Negotiate the pricing, including the interest rate, and other terms of the Securities,
- Obtain CUSIP number(s) for the Securities and arrange for their DTC book-entry eligibility,
- Plan and arrange for the closing and settlement of the issuance and the delivery of the Securities,
- Such other usual and customary underwriting services as may be requested by the Issuer.

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- As Placement Agent, send out a Request for Proposals to various banks for a fixed interest rate bid for the term of the outstanding bonds. (With a private placement to a bank, there is no Official Statement and no rating presentation.)

As underwriter, Davidson will not be required to purchase the Securities except pursuant to the terms of the Purchase Agreement, which will not be signed until successful completion of the pre-sale offering period. This letter does not obligate Davidson to purchase any of the Securities.

2. No Advisory or Fiduciary Role. The Issuer acknowledges and agrees that: (i) the primary role of Davidson, as an underwriter, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Issuer and Davidson and that Davidson has financial and other interests that may differ from those of the issuer.; (ii) Davidson is not acting as a municipal advisor, financial advisor, or fiduciary to the Issuer and has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether Davidson has provided other services or is currently providing other services to the Issuer on other matters); (iii) the only obligations Davidson has to the Issuer with respect to the transaction contemplated hereby expressly are set forth in this agreement; and (iv) the Issuer has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. If the Issuer would like a municipal advisor in this transaction that has legal fiduciary duties to the Issuer, then the Issuer is free to engage a municipal advisor to serve in that capacity.

In addition, the Issuer acknowledges receipt of certain regulatory disclosures as required by the Municipal Securities Rulemaking Board that are attached to this agreement as Exhibit A. Issuer further acknowledges that Davidson may be required to supplement or make additional disclosures as may be necessary as the specific terms of the transaction progress.

3. Fees and Expenses. Davidson's proposed underwriting fee/spread is approximately 1% or less of the principal amount of the Securities issued. The underwriting fee/spread will represent the difference between the price that Davidson pays for the Securities and the public offering price stated on the cover of the final official statement. The Issuer shall be responsible for paying for all other costs of issuance, including without limitation, bond counsel fee, rating agency fee (if any), and all other expenses incident to the performance of the Issuer's obligations under the proposed offering.

4. Term and Termination. The term of this engagement shall extend from the date of this letter to the closing of the offering of the Securities. Notwithstanding the forgoing, either party may terminate Davidson's engagement at any time without liability of penalty upon at least 30 days' prior written notice to the other party.

5. Miscellaneous. This letter shall be governed and construed in accordance with the laws of the State of Washington. This Agreement may not be amended or modified except by means of a written instrument executed by both parties hereto. This Agreement may not be assigned by either party without the prior written consent of the other party.

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If there is any aspect of this Agreement that you believe requires further clarification, please do not hesitate to contact us. If the foregoing is consistent with your understanding of our engagement, please sign and return the enclosed copy of this letter.

Again, we thank you for the opportunity to assist you with your proposed financing and the confidence you have placed in us.

Very truly yours,

D.A.DAVIDSON & CO.

By: James M. Nelson

Signature:

Title: Senior Vice President

Accepted this 24 day of August, 2017

Klickitat County Fire District No. 3

By (print name): Robert Conner

Signature:

Title: Commissioner

EXHIBIT A

D.A. Davidson & Co. (hereinafter referred to as "Davidson" or "underwriter") intends/ proposes to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

As part of our services as sole underwriter, Davidson may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds.

Disclosures Concerning the Underwriters Role:

(i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.

(ii) The underwriters' primary role is to purchase the Bonds with a view to distribution in an arm's-length transaction with the Issuer. The underwriters financial and other interests that may differ from those of the Issuer.

(iii) Unlike a municipal advisor, the underwriters do not have a fiduciary duty to the Issuer under the federal securities laws and are, therefore, not required by federal law to act in the best interests of the Issuer without regard to their own financial or other interests.

(iv) The underwriters have a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Bonds to investors at prices that are fair and reasonable.

(v) The underwriter will draft and review the official statement for the Bonds in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.

Disclosures Concerning the Underwriters Compensation:

As underwriter, Davidson will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation Is customary in the municipal securities market, it presents a conflict of interest since the underwriter may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

Additional Conflicts Disclosure:

Davidson has not identified any additional potential or actual material conflicts that require disclosure

Risk Disclosures Pursuant to MSRB Rule G-17 - Fixed Rate Bonds

The following is a general description of the financial characteristics and security structures of fixed rate municipal bonds ("Fixed Rate Bonds"), as well as a general description of certain financial risks that you should consider before deciding whether to issue Fixed Rate Bonds.

Financial Characteristics

Maturity and Interest. Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Fixed Rate Bonds are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date is 20 years or less from the date of issuance. Interest on the Fixed Rate Bonds typically is paid semiannually at a stated fixed rate or rates for each maturity date.

Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates.

Fixed Rate Bonds will be subject to optional redemption only after the passage of a specified period of time, often approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

Security

Payment of principal of and interest on a municipal security, including Fixed Rate Bonds, may be backed by various types of pledges and forms of security, some of which are described below.

Unlimited Tax General Obligation Bonds. The District has irrevocably pledged that, for as long as any of the Bonds are outstanding, it will levy taxes annually without limitation as to rate or amount upon all the taxable property within the District in an amount sufficient, together with other money legally available and to be used therefor to pay, when due, the principal of and interest on the Bonds. The full faith, credit and resources of the District have been irrevocably pledged for the prompt payment of the principal of and interest on the Bonds.

The Bonds are not obligations of the State, the County or any other municipal corporation other than the District.

The description above regarding "Security" is only a brief summary of certain possible security provisions for the bonds and is not intended as legal advice. You should consult with your bond counsel for further information regarding the security for the bonds.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all of the following:

Issuer Default Risk. You may be in default if the funds pledged to secure your bonds are not sufficient to pay debt service on the bonds when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds, the trustee and any credit support provider may be able to exercise a range of available remedies against you. For example, if the bonds are secured by a general obligation pledge, you may be ordered by a court to raise taxes. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the bonds.

This description is only a brief summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

Redemption Risk. Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Refinancing Risk. If your financing plan contemplates refinancing some or all of the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required. Further, limitations in the federal tax rules on advance refunding of bonds (an advance refunding of bonds occurs when tax-exempt bonds are refunded more than 90 days prior to the date on which those bonds may be retired) may restrict your ability to refund the bonds to take advantage of lower interest rates.

Reinvestment Risk. You may have proceeds of the bonds to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the bonds, which is referred to as "negative arbitrage".

Tax Compliance Risk. The issuance of tax-exempt bonds is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds.

The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited.

This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing the bonds.

If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer's own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.