

Pete Sullivan  
Vice President  
425 Pike Street  
Seattle, WA 98101  
206-626-8111  
pete.sullivan@wafd.com

February 16, 2018

Nick Green  
City Manager  
City of John Day  
450 East Main Street  
John Day, OR 97845

Sent via email to:       greenn@grantcounty-or.gov

Regarding:               \$1,800,000 Term Loan

Dear Mr. Green:

We enclose a summary of terms and conditions outlining the proposed terms under which Washington Federal may extend credit to the City of John Day. Please note that this is not a commitment to lend.

Washington Federal appreciates the opportunity to provide our financing proposal. Please call Pete Sullivan at 206-626-8111 to discuss any questions or comments you may have regarding our proposal. I look forward to working with you.

Sincerely,



Pete Sullivan  
Vice President

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**Parties to the Transaction:**

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*BORROWER:* City of John Day (the “Borrower”)  
*LENDER:* Washington Federal N.A. (the “Bank”)

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**The Facility:**

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*FACILITY:* Term Loan (the “Credit Facility”)  
*FACILITY AMOUNT:* \$1,800,000  
*CLOSING DATE:* March 27, 2018 (estimated)  
*USE OF PROCEEDS:* The proceeds of the Credit Facility will be used to refinance two Special Public Works Fund Loans and pay for cost of issuance.  
*REPAYMENT/MATURITY:* Interest on the Credit Facility shall be paid semi-annually on each June 1 and December 1, beginning June 1, 2018. Principal on the Credit Facility shall be repaid annually each year on June 1, beginning June 1, 2018. The Credit Facility will mature and all unpaid principal and interest will be due and payable at maturity on June 1, 2027.  
*PREPAYMENT:* The Borrower may prepay the Credit Facility at any time prior to maturity with a prepayment fee. The prepayment fee shall be in an amount sufficient to compensate the Bank for any loss incurred by it as a result of the prepayment, including any loss arising from the liquidation or reemployment of funds obtained by it to maintain the funds used to purchase the Credit Facility.  
Without penalty, the Borrower has the option to pay the Credit Facility in full on June 1, 2022.  
If the Bank were able to redeploy the funds of the Credit Facility at a satisfactory higher rate (determined solely by the Bank), the Borrower may be able to prepay the Credit Facility without penalty before or after June 1, 2022.  
**PUT OPTION** **Option A (only)** - The Bank reserves the right, at its sole option, to request the Credit Facility to be paid in full on December 1, 2022 or the Bank, at its sole option, could reset the rate at December 1, 2022 and allow the Credit Facility to continue on to the 10 year maturity.

If the Put Option is not exercised and the rate is reset, the interest rate will be based on the St Louis Fed 5-Year Treasury Constant Maturity Rate, plus 1.75%, multiplied by 0.79.

**INTEREST CALCULATION:** All calculations of interest shall be made on a 30 day month and a 360 day year.

**SECURITY:** The Credit Facility is a general obligation of the Borrower. The full faith and credit and taxing power of the Borrower will be pledged to pay the Credit Facility. The Borrower will covenant to levy annually a direct ad valorem tax upon all of the taxable property within the Borrower's city limits which is sufficient, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, to pay all principal and interest when due. This tax shall be in addition to all other taxes of the Borrower and this tax shall not be limited in rate, amount or otherwise, by Sections 11 or 11b of Article XI of the Oregon Constitution. The obligation is not subject to appropriation.

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**Fees and Expenses:**

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**ORIGINATION FEE:** \$5,000

**BANK COUNSEL:** Hillis, Clark, Martin & Peterson - \$5,000 fee estimate.

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**Rates:**

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**INTEREST RATE:** These is a firm rate as of submission date and can be held firm until closing, up to and including March 27, 2018.

**Option A** - Tax Exempt, Fixed Rate: 3.34% (5-year Put Option Rate)

**Option B** - Tax Exempt, Fixed Rate: 3.61%

- A fixed rate for the full 10 years, with a pay in full, no penalty call provision on 6/1/2022.

Rates quoted are for the City of John Day, a tax exempt entity.

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**Description of Basic Terms and Conditions**

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**COVENANTS:** Usual and customary for transactions of this type.

**DOCUMENTATION:** Documentation will be usual and customary for transactions of this type, including:



- (a) A copy of the Resolution passed by the Council/Board authorizing the issuance of the Credit Facility;
- (b) A receipt of the original signed Note or Bond at closing;
- (c) The resolution or financing/bond purchase agreement (“Agreement”), prepared by bond counsel and subject to approval by Bank Counsel.
- (d) An unqualified legal opinion of nationally recognized bond counsel, in form and substance acceptable to Bank and its legal counsel that:
  - i. The resolution and all documents related to the Credit Facility have been properly adopted, authorized and executed;
  - ii. The resolution and all documents related to the Credit Facility constitute a legally binding obligation of the Borrower and enforceable according to their terms (subject to standard exceptions);
  - iii. Interest on the Credit Facility is excluded from the gross income of the Bank for federal income tax purposes; and
  - iv. The Borrower has designated the Credit Facility as either a “non bank qualified tax-exempt obligation” or “bank qualified”.

**REPORTING REQUIREMENTS:** The Borrower shall provide the following information and statements in form and content acceptable to the Bank:

- (a) Within 270 days after the close of each financial year of the Borrower, the complete audited financial statements of the Borrower.
- (b) Such other information respecting the affairs, condition and/or operations, financial or otherwise, of the Borrower as the Bank may from time to time reasonably request.

**EVENTS OF DEFAULT:** Usual and customary in transactions of this type including, without limitation the following:

- (a) Nonpayment of principal, interest, fees or other amounts;
- (b) Failure to perform or observe covenants set forth in the loan documentation; or
- (c) Loss of the tax-exempt status of the Credit Facility.

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**Description of the Process:**

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**THE PROPOSAL:** This summary of terms is not a commitment. It represents a willingness on the part of the Bank to seek approval to provide the commitment indicated herein and consummate a transaction based on the terms and conditions outlined in the proposal and is subject to:

- (a) Final credit approval (see “Credit Process” below),
- (b) Such any due diligence as Bank may require, and



(c) Agreement as to all final terms and conditions and satisfactory documentation thereof (including satisfactory legal opinions).

**CREDIT PROCESS:**

The credit process will take approximately 4-weeks from the point at which the Bank is officially awarded the transaction and has in its possession all materials necessary to undertake a full credit analysis.

Washington Federal is a Seattle based, FDIC insured financial institution with total assets in excess of \$15 billion. Washington Federal and assigned contacts have specific experience in lending to governmental issuers.

**EXPIRATION:**

Consideration of a financing based on the terms and conditions presented in this proposal letter shall automatically expire on March 27, 2018.

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**Contacts:**

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**BANK:**

Washington Federal N.A.  
Pete Sullivan  
425 Pike Street  
Seattle, WA 98101  
206-626-8111  
pete.sullivan@wafd.com

**BANK COUNSEL:**

Hillis Clark Martin & Peterson P.S.  
Brandon Pond  
999 Third Avenue, Suite 4600  
Seattle, Washington 98104  
206.470-7623  
brandon.pond@hcmp.com

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**Agreement by the Borrower:**

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By signing below, the Borrower agrees to engage the Bank to provide the Credit Facility pursuant to the terms and conditions stated in this proposal, including the Borrower's responsibility for the Bank's legal fees even if closing & funding does not occur.

Please evidence your agreement with the foregoing by signing and returning a copy of this document to the Bank.



**Accepted and Agreed to:**

**City of John Day**

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Printed Name:** \_\_\_\_\_

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**Disclosure:**

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The transaction contemplated by this term sheet is an arm's length, commercial transaction between you and the Bank, in which the Bank (i) is acting solely as a principal and for its own interest; (ii) is not acting as a municipal advisor or financial advisor to you; (iii) has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to you with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto; and (iv) is not recommending that you take any action with respect to the transaction contemplated by this term sheet, and before taking any action with respect to the contemplated transaction, you should discuss the information contained herein with your own legal, accounting, tax, financial and other advisors, as it deems appropriate.

The only obligations the Bank has to you with respect to the transaction contemplated hereby are set forth in this term sheet. If you would like a municipal advisor in this transaction that has legal fiduciary duties to you, you are free to engage a municipal advisor to serve in that capacity. This term sheet is provided to you pursuant to and in reliance upon the "bank exemption" provided under the municipal advisor rule of the Securities and Exchange Commission, Rule 15Ba1-1 *et seq.*

**PLEASE BE ADVISED THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER OREGON LAW.**

