



PORT OF CHELAN COUNTY
Board of Commissioners
"Special" Meeting Minutes
238 Olds Station Rd, Suite A, Wenatchee, WA 98801
 January 4th, 2008
10:00 am

Present: JC Baldwin, President
 Craig Larsen, Vice President-via conference call
 Mike Mackey, Secretary
 Mark Urdahl, Executive Director
 Pete Fraley, Legal Counsel
 Dayle Rushing, Property/Risk Manager
 Judy Bradford, Business Manager/Recording Secretary

Others:

Commission President JC Baldwin called the meeting to order at 10:05 am. Commissioner Larsen joined the meeting via conference call.

Bond Resolution No. 2008-01

Pete Fraley briefed the Commission on the letter he received confirming bond counsel opinion from Cynthia Weed, the Port's bond counsel. Fraley noted there is a slight change in the amortization schedule of the bond. It will be a twenty year bond.

Fraley briefly explained the salient points in the updated commitment letter from Cashmere Valley Bank. A copy of the updated commitment letter is attached.


Motion No. 01-06-08
 Moved By: Michael H. Mackey
 Seconded By: Craig N. Larsen
 To approve Bond Resolution No. 2008-01. Motion Carried

Motion No. 01-07-08
 Moved By: Michael H. Mackey
 Seconded By: Craig N. Larsen
 To authorize the Executive Director to sign the Cashmere Valley Bank commitment letter. Motion Carried

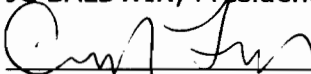
The Commission meeting was adjourned with no further discussion or action taken at 10:13 am.

Dated and approved this 16th day of January, 2008.

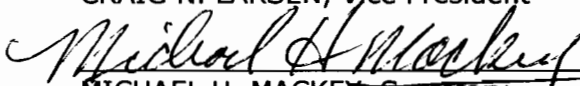
BOARD OF COMMISSIONERS



 JC BALDWIN, President



 CRAIG N. LARSEN, Vice President



 MICHAEL H. MACKEY, Secretary



January 2, 2008

Mr. Mark Urdahl
Executive Director
Port of Chelan County
P.O. Box 849
Wenatchee, WA 98807-0849

Re: Port of Chelan County
Series A \$750,000 tax-exempt LTGO Bond 2008
Series B \$1,350,000 taxable LTGO Bond 2008

Dear Mark,

Thank you for the opportunity to provide this offer to purchase the Port of Chelan County 2008 LTGO Bonds as described above. Detailed below is Cashmere Valley Bank's offer:

1. Borrower: Port of Chelan County
2. Amounts: Series A \$750,000
Series B \$1,350,000
3. Form:

Registered limited tax general obligation bonds issued by the Port and purchased by Cashmere Valley Bank at private sale.

4. Purpose:
To provide financing for the purchase of property known as the Cashmere lumber mill site as well as certain remediation and improvements to the property and other real property of the Port and to pay certain costs of bond issuance.

5. Bond Terms:

Interest Rate:

Series A (tax-exempt bond) rate 4.65% callable after 10 years

Series B (taxable bond) 7.35% callable after three years

Note the attached Exhibit A "breakage fee" language in this offer to purchase bonds. This language would require that the Port make the Bank whole for any loss incurred by the Bank for its commitment to provide funding but only if the Port, at its sole option, decides to cancel the bond offering by the expiration date of this offer.

Term:

Series A: semi annual interest only for three years and approximately level debt service for 17 years thereafter with semi annual payments of principal and interest.

Series B: Non revolving line of credit with \$750,000 drawn at closing and up to \$600,000 additional available for draw for a 12 month period. The fixed rate will apply to all draws. Semi annual interest only for three years and approximately level debt service for 17 years thereafter based on the total amount drawn with semi annual payments of principal and interest.

6. Transferability

Cashmere Valley Bank will hold this bond with no intent to sell or transfer. However, the Bond will provide provisions allowing transfer to another qualified purchaser

7. Prepayment:

The Series A Bond will be not callable for 10 years. The Series B Bond is not callable for three years. After the call protection periods, the Port may prepay the obligations, in whole or in part, at anytime. The Bank will not charge a prepayment fee on any amounts prepaid by the Port.

8. Covenants:

Maintain general cash reserves of at least \$1,000,000. Should reserves drop below this amount the Port will revise its annual budget to bring reserves back to this level within 24 months. This is the same cash reserve supporting the 2002 bonds, not a cumulative requirement.

9. Fees:

A 1% fee will be payable at closing, provided that the fee with respect to the Series B Bond shall be paid at the time of each Series B Draw. All legal costs incurred by the Port for purposes of issuing the bond will be the responsibility of the Port. The Bank will require a bond counsel opinion on the bond.

10. Additional Terms:

The bond documents will be in the standard forms customarily required by the Bank for municipal funding and will include additional terms and conditions not discussed above. For the Series A Bond only, the Port will designate that Bond as a "qualified tax-exempt obligation" under Section 265(b) (3) of the Internal Revenue Code of 1986, as amended, for investment by financial institutions. At the date of closing the Bonds, the financial condition and credit of the Port and all other features of this transaction will be as represented to the Bank without material adverse change. In the event of adverse material changes in the credit worthiness of the Port, including litigation involving or claims filed against the Port, any commitment will terminate upon notice by the Bank. For purposes of this letter, materiality is defined as any condition, event, asserted claim not considered frivolous, or change or occurrence (other than political or economic matters of general application) that has had or

reasonably likely to have a material adverse affect upon the condition (financial or otherwise), results or operations, or properties of the Port.

11. Closing is anticipated on or about January 10, 2008.

If this response meets the Ports financing objectives, please sign in the space provided below, retain a copy of the signed letter, and mail the original back to the Bank by January 10, 2008. If the bonds have not closed on or before January 25th, this commitment will expire and the "breakage fee" calculation noted in Exhibit A will apply. Thank you for the opportunity to work with you.

Oral agreements or oral commitments to loan money, extend credit, or to forbear from enforcing repayment of a debt are not enforceable under Washington law.

Sincerely,



Ron Olsen
Vice President and
Director Municipal Services

Acknowledged and accepted this ^{4th} ~~2nd~~ day of January, 2008

Port of Chelan County

By:  _____

Title: Executive Director

cc: Pete Fraley
Cynthia Weed
Lindsay Sovde
Dave Griffiths
Monica Lough

Exhibit A

Failure to Close Bonds, Breakage Fee:

If the Bonds fail to close, and the failure to close is solely caused by or is at the sole discretion of the District, District agrees to the payment provision, stated below, which shall apply whether or not District borrows the full sum of the Bond. This payment provision shall apply for the period from the date of acceptance of this Commitment by District to the Closing Date, [January 10], _____, 2008 (“Closing Date”).

District understands that the Bank intends to purchase the Bonds and in connection therewith, Bank will “hedge” an amount equal to the principal amount of the Bonds in the financial market. The hedge transaction may result in costs and risks to Bank beyond those that Bank would otherwise incur with respect hereto, if the Bonds are not funded as provided herein. Accordingly, if District fails to close the Bonds on or about the Closing Date, District shall pay to Bank, within 10 days after demand, a breakage fee which is the sum of the discounted 6-monthly differences for each 6-month period, from the time Closing Date through the tenth anniversary of the funding date of the Bond (“Prepayment Date”) calculated as follows for each such 6-month period:

(i) Determine the amount of interest which would have accrued each month on the amount prepaid at the Initial Swap Rate (as defined below in this section) had such amount remained outstanding until the Prepayment Date.

(ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same 6-month period on the amount prepaid for the remaining term until the Prepayment Date at the Prepayment Swap Rate (as defined below in this section).

(iii) For the result obtained in (ii) above, discount that difference by the Prepayment Swap Rate, if the resulting amount is greater than zero, the District will pay such amount to the Bank, and if the resulting amount is less than zero, no breakage amount will be due.

District agrees to pay the above-described breakage fee, as the case may be, and agrees that said amount represents a reasonable estimate of Bank’s additional costs for providing the Fixed Rate, as well as reasonable compensation for Bank’s incurring of the additional risks associated therewith.

This provision shall apply upon District’s approval of this Commitment.

“Initial Swap Rate” means a fixed rate of interest established at the time of acceptance of the Commitment, as announced or established by Banc Investment Group, LLC, a California limited liability company, as the interest rate it would charge Bank to assume an obligation in the amount of the Bond having the credit and underwriting characteristics of the Bond, for the term of the Bond.

“Prepayment Swap Rate” means a fixed rate of interest established at the time of full or partial prepayment of the Bond, as announced or established by Banc Investment Group, LLC, a California limited liability company, as the interest rate it would charge to assume, as of such full or partial prepayment date, an obligation in the amount of such prepayment and having the credit and underwriting characteristics of the Bond, for the remaining term of the Bond.