

**WEST SOUND UTILITY DISTRICT
RESOLUTION NO. 615-16**

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF WEST SOUND
UTILITY DISTRICT APPROVING A PLACEMENT AGENT ENGAGEMENT LETTER
FOR WATER AND SEWER REVENUE REFUNDING BONDS, 2016**

WHEREAS, West Sound Utility District provided for the issuance of \$3,385,000 of Water and Sewer Improvement and Refunding Revenue Bonds in 2009; and

WHEREAS, the District has the opportunity to refinance these bonds which have a current principal balance of \$2,265,000; and

WHEREAS, the total cost to initiate and complete this refinance measure is estimated at approximately \$30,000; and

WHEREAS, due to the current low interest rates for municipal bond financing, the District's Managing Underwriter, DA Davidson, has estimated the net savings to the District to refinance these bonds should be in excess of \$100,000; and

WHEREAS, DA Davidson has submitted to the District a Placement Agent Engagement Letter for the services of placement agent in the amount of \$12,500; **NOW, THEREFORE**,

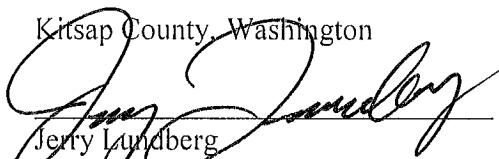
**THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT
HEREBY RESOLVES:**

Section 1. The Board hereby approves the attached "Placement Agent Engagement Letter for Water and Sewer Revenue Refunding Bond, 2016"(Exhibit "A"), and the Board further authorizes the District's General Manager to sign this Letter of Engagement.

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a Special Board meeting scheduled on July 20, 2016.

WEST SOUND UTILITY DISTRICT

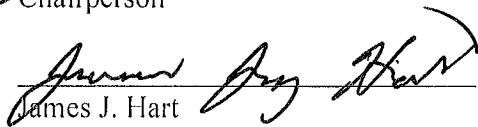
Kitsap County, Washington



Jerry Lundberg
Chairperson



Susan Way
Vice Chairperson



James J. Hart
Secretary



July 18, 2016

Mr. Michael Wilson
General Manager
West Sound Utility District
2924 SE Lund Avenue
Port Orchard, WA 98366

Re: Placement Agent Engagement Letter for Water and Sewer Revenue Refunding Bond, 2016

On behalf of D.A. Davidson & Co. ("Davidson"), we wish to thank you for the opportunity to serve as placement agent for the West Sound Utility District ("Issuer") on its proposed offering and issuance of Water and Sewer Revenue Refunding Bond, 2016 (the "Bond"). In compliance with Municipal Securities Rulemaking Board ("MSRB") Rule G-23, this letter will confirm the terms of our engagement.

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

- Provide various bond structures, payment options and estimated bond scenarios; etc.
- Develop a placement plan, including identification of potential purchasers
- Consult with bond counsel and other service providers about the offering and the terms of the Bond
- Inform the Issuer of the marketing and placement process
- Negotiate the pricing, including the interest rate, and other terms of the Bond
- Plan and arrange for the closing and settlement of the issuance and the delivery of the Bond
- Such other usual and customary placement agent services as may be requested by the Issuer

2. No Advisory or Fiduciary Role. The Issuer acknowledges and agrees that: (i) the primary role of Davidson, as placement agent, is to place the bond with a purchaser, 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 placement agent fee will be \$12,500. The Issuer shall be responsible for paying all other costs of issuance, including without limitation, bond counsel, escrow trustee, CPA verification, purchaser's counsel (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 Bond. 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. If Davidson's engagement is terminated by the Issuer, the Issuer agrees to reimburse Davidson for its out-of-pocket expenses incurred until the date of termination.

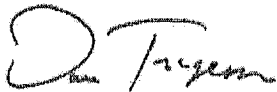
5. Miscellaneous. This letter shall be governed and construed in accordance with the laws of the State of Washington. This Agreement may not be amended or modified except by means of a written instrument executed by both parties hereto. This Agreement may not be assigned by either party without the prior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

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: Dave Trageser
Title: Managing Director

Accepted this 21st day of July, 2016

West Sound Utility District



By: Michael Wilson
Title: General Manager

EXHIBIT A

D.A. Davidson & Co. (hereinafter referred to as “Davidson” or “Placement Agent”) intends/ proposes to serve as placement agent, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

As part of our services as Placement Agent, 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 a Placement Agent to deal fairly at all times with both municipal issuers and investors.
- (ii) The Placement Agent’s primary role is to place the Bonds with a view to distribution in an arm’s-length transaction with the Issuer. The Placement Agent’s financial and other interests that may differ from those of the Issuer.
- (iii) Unlike a municipal advisor, the Placement Agent does 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 Placement Agent has a duty to assist with the purchase of the Bonds from the Issuer at a fair and reasonable price.

Disclosures Concerning the Underwriters Compensation:

As Placement Agent, Davidson will be compensated by a fee that will be set forth in the attached letter. Payment or receipt of the fee will be contingent on the closing of the transaction.

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 typically will range between 10 and 30 years 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.

Revenue Bond. Principal of and interest on the Bonds shall be payable solely from the Bond Fund. The Issuer has pledged to set aside from utility Gross Revenue and to pay into the Bond Fund and the accounts created therein the various amounts required by the Bond Resolution to be paid into and maintained in such fund and accounts, all within the times provided in the Bond Resolution.

The Bonds are not obligations of the State or any other municipal corporation other than the City.

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.

**West Sound Utility District
Water and Sewer Revenue Refunding Bond, 2016
Schedule of Events (As of July 18, 2016)**

Financing Team			
District:	West Sound Utility District	BC:	Bond Counsel (Stradling Yocca)
DAD:	D.A. Davidson & Co. (Underwriter)	BP:	Bond Purchaser (TBD)

JULY						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

AUGUST						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

SEPTEMBER						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

Due Date	Event	Participants
July 21	Distribute distribution list and tentative Schedule of Events	DAD
August 1	1 st draft of legal documents	BC
August 8	Comments due on 1st draft of legal documents	All
August 15	District update and consideration of delegation Bond Resolution	District, DAD
August 16-19	Contact prospective purchasers	DAD
August 24	Select purchaser	District, DAD
August 30	Finalize Bond Purchaser conditions/refunding savings	All
September 5	Circulate closing memorandum	DAD
September 20	Bond and Escrow closing	All

West Sound Utility District
Kitsap County, Washington
Water and Sewer Revenue Refunding Bond, 2016

Distribution List

Issuer:

West Sound Utility District
2924 SE Lund Avenue
Port Orchard, WA 98366

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Fax: (360) 876-2587
E-mail: mwilson@wsud.us

County:

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Kitsap County Courthouse
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Port Orchard, WA 98366

Ms. Meredith Green
Treasurer
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Fax: (360) 337-4635
E-mail: mgreen@co.kitsap.wa.us

Ms. Becky Stack
Treasurer's Office
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E-mail: bstack@co.kitsap.wa.us

Placement Agent:

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Ms. Cindy Nevins
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CPA Verification Agent:

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Minneapolis, MN 55402

Mr. Joe Smith
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Fax: (612) 332-8361
E-mail: joe.smith@gt.com

Escrow Agent:

U.S. Bank National Association
1420 5th Avenue, 7th Floor,
PD-WA-T7CT
Seattle, WA 98101

Ms. Carolyn Morrison, CCTS, VP
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Bond Purchaser:

TBD

Purchaser's Counsel:

TBD