



City of Stevenson, Washington
Term Sheet
USDA RD REVENUE BOND ANTICIPATION NOTE
January 15, 2021

Thank you for the opportunity to provide a Term Sheet in support of the City of Stevenson, Washington projects with the United States Department of Agriculture Rural Development (“RD”). Cashmere Valley Bank (the “Bank”) is pleased to propose the following terms of a note, subject to Bank credit approval:

- 1) **Borrower**: City of Stevenson, Washington (the “City”).
- 2) **Summary**: A Revenue Bond Anticipation Note, 2021 (“Note”) to finance the City’s Projects more fully described in the RD Letter of Conditions (“Letter of Conditions”). The credit facility would be available for three years. It is anticipated that the Note would be repaid from the proceeds of a revenue bond sold to RD.
- 3) **Amount**: Approximately \$873,000
- 4) **Form**: Fully registered, non-rated, bank qualified tax-exempt revenue bond anticipation note issued by the City and purchased by the Bank at private sale.
- 5) **Purpose**: To provide interim funding for the City to complete its wastewater infrastructure project.
- 6) **Note Terms**:
 - a) **Interest Rate**: The outstanding balance of the Note would bear interest at a fixed rate of interest equal to 1.40%. Interest would be calculated on a 30/360 basis.
 - b) **Term**: The maturity of the Note would not exceed three years. All principal would be due at maturity. Interest would be due semiannually on mutually agreeable dates. Interest due may be paid from proceeds of a Draw as approved by RD.
 - c) **Draws**: Draws could be made on any business day in an amount greater than or equal to \$25,000. A draw request must be accompanied by an approval of the draw amount from an authorized representative of RD. Draw proceeds would be wire transferred to the City. For same day funding, draw requests would need to be received and confirmed by 11 AM.
 - d) **Transferability**: The Bank would hold the Note with no intent to sell or transfer. The Note may be transferred only in whole to a qualified investor.
 - e) **Security**: The Note will be secured by a pledge to issue the Bond to RD and any other available funds of the City.
- 7) **Prepayment**: The Note could be prepaid at any time without penalty.

- 8) Fees: The Bank would charge a fee of \$750 for this credit facility payable as a discount to the first draw. We do not anticipate legal costs for the Bank. The City would be responsible for all other costs of issuance including bond counsel charges.
- 9) Additional Terms: The Note documents would be prepared by bond counsel to the City, would be in the standard forms customarily required by the Bank for municipal funding, and would include additional terms and conditions not discussed above. At the date of closing of the Note, the financial condition and credit of the City and all other features of this transaction would be as represented to the Bank without material adverse change including the terms and status of the RD loans and grants, if any, as supported by the documentation supplied by the City to the Bank as of the closing date. In the event of adverse material changes in the credit worthiness of the City, including litigation involving or claims filed against the City, any future offers or commitments would terminate upon notice by the Bank. RD must concur with this agreement for interim financing. The Bank will receive the Letter of Conditions prior to the City accepting the Bank's terms. The Bank will receive an "I" Letter (approval of the Bank offer to provide interim financing, which generally also indicates that RD has reviewed construction bids, and finds that the bids are within Project budget and from an acceptable contractor(s)) from RD. The Bank must receive a copy of the Operating Budget Form RD 442-7 or similar form as accepted by RD. Any future commitment would be non-assignable by the City. The City would designate the Note as a "qualified tax-exempt obligation" under section 265(b) (3) of the IRS Code for investment by financial institutions. The City would also be required to send the Bank an annual financial report for as long as the Note is outstanding.
- 10) Credit Approval: Upon notification to the Bank that the City wishes to accept the terms set forth herein, the Bank will complete its due diligence and credit approval which is estimated to take no more than two weeks. The Bank would need five years financial statements for the City. The Bank will need to satisfactorily review the letter of conditions, the final Letter of Conditions and Form RD 442-7 or similar form that supports the project.

We have successfully provided numerous USDA RD interim construction transactions in Washington and Oregon. We are very familiar with the USDA RD/RUS process, procedures, documents, and requirements.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAWS.