Michael Van Dyck/Alice Ostdiek
FAS Museum Bond Refinancing 2014 ORD
February 13, 2014
Version #2

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 118034

AN ORDINANCE relating to public art museum facilities; authorizing a restatement of a guarantee and reimbursement agreement with the Museum Development Authority and other parties that amends the first amended and restated guarantee and reimbursement agreement, as originally authorized by Ordinance 121950, as amended by Ordinance 122458.

WHEREAS, Ordinance 121950 authorized a City guarantee for the debt service reserve established in connection with the Museum Development Authority of Seattle's 2005 Special Obligation Bonds (the "2005 Bonds") (issued to pay the cost of acquiring and equipping an addition to its downtown museum facilities), pursuant to the Guarantee and Reimbursement Agreement among the City, the Museum Development Authority, and other parties, which was executed and dated as of November 1, 2005; and

WHEREAS, Ordinance 121950, as amended, prohibited various actions by City officers in connection with the guarantee and reimbursement agreement without future authorization by ordinance; and

WHEREAS, Ordinance 122458 authorized certain amendments to that guarantee and reimbursement agreement, memorialized in the first Amended and Restated Guarantee and Reimbursement Agreement, which was executed and dated as of October 1, 2007; and

WHEREAS, Ordinance 123893 further authorized certain specific actions that require the approval of the City Council under the terms of Ordinances 121950 and 122458, including consent to certain lease terms and certain other clarifications, waivers and consents; and

WHEREAS, the Museum Development Authority now desires to refund its outstanding 2005 Bonds by the issuance of its Special Obligation Refunding Bonds, 2014 (the "2014 Refunding Bonds") for the purpose of achieving a debt service savings over the life of the bonds; and

WHEREAS, in connection with the refunding of the 2005 Bonds and the issuance of the 2014 Refunding Bonds, it is in the interest of the City to authorize, by this ordinance, certain specific revisions to the first Amended and Restated Guarantee and Reimbursement Agreement and to allow the Director of Finance and Administrative Services to approve these certain specific revisions in the form of a Second Amended and Restated Guarantee and Reimbursement Agreement; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Amendments Authorized. The Director of Finance and Administrative Services is hereby authorized to approve and sign the amendments to the First Amended Guarantee and Reimbursement Agreement, as set forth in the form of a Second Amended and Restated Guarantee and Reimbursement Agreement by and among the City, the Authority, the Museum, U.S. Bank National Association as Bond Trustee, and U.S. Bank, National Association, as Lockbox Agent, that includes all of, and only, the amendments to the Amended and Restated Guarantee and Reimbursement Agreement, dated as of October 1, 2007 (as clarified by Ordinance 12893), as specifically shown on Exhibit A. The Director of Finance and Administrative Services is also authorized to execute a continuing disclosure undertaking, in substantially the form attached as Exhibit B, and such other certificates or documents and may be necessary in order to carry out the refunding of the Authority's 2005 Bonds as described in this Ordinance and in the Second Amended and Restated Guarantee and Reimbursement Agreement.

Section 2. Authorizations. The authorizations, directions and limitations set forth in Ordinance 121950, as amended by Ordinance 122458, and as further clarified by Ordinance 123893, shall apply to actions to be taken in connection with the Second Amended and Restated Guarantee and Reimbursement Agreement authorized herein, as if it were the Guarantee Agreement or the First Amended and Restated Guarantee and Reimbursement Agreement, as applicable, referred to in each of those ordinances.

Section 3. Effective Date. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ____ day of _____, 2014, and signed by me in open session in authentication of its passage this _____ day of _____, 2014.

_____
President of the City Council

Approved by me this ____ day of _____, 2014.

_____
Edward B. Murray, Mayor

Filed by me this ____ day of _____, 2014.

_____
Monica Martinez Simmons, City Clerk

(Seal)

Attachments

Exhibit A – Form of Second Amended and Restated Guarantee and Reimbursement Agreement, showing amendments to [first] Amended and Restated Guarantee and Reimbursement Agreement, dated as of October 1, 2007, in strikethrough/underline format

Exhibit B – Form of Continuing Disclosure Undertaking

Form revised: December 12, 2012

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
FAS	Michael Van Dyck 4-8347	Ben Noble 4-8160

Legislation Title:

AN ORDINANCE relating to public art museum facilities; authorizing a restatement of a guarantee and reimbursement agreement with the Museum Development Authority and other parties that amends the first amended and restated guarantee and reimbursement agreement, as originally authorized by Ordinance 121950, as amended by Ordinance 122458.

Summary and Background of the Legislation:

In 2005, SAM undertook the simultaneous expansion of its downtown facilities and the Olympic Sculpture Park project. As part of this capital program, the City guaranteed $61 million in bonds issued by the Museum Development Authority (MDA) for the redevelopment of the Seattle Art Museum. The annual $4.5 million of debt service on these bonds was to be paid by rents from its original tenant, Washington Mutual. In the event that SAM is unable to pay, the City must pay the debt service. Although Washington Mutual failed, SAM continued paying debt service and eventually found Nordstrom as a replacement tenant. As a consequence, the City's guaranty was never called upon.

Currently, $46.7 million of the bonds are still outstanding, and SAM would like to advance refund (refinance) them now for debt service savings. The refunding is very sensitive to market rates. Overall, it could generate as much as 7 percent savings in present value terms ($3.5 million), but SAM plans to proceed even if it can only get 4 percent (which is below the City's 5 percent policy target for refinancing City debt). At 7 percent, the annual debt service savings is just under $300,000 for the remaining 17 year term. SAM has agreed that the terms of the City's guaranty and security will remain the same under the refunding bonds as they were under the old bonds. The reduced debt service should not only benefit the SAM, but also slightly lower the City's exposure to this guaranty.

Please check one of the following:

_X_ This legislation does not have any financial implications.

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**

This legislation could save SAM a $3.5 million (present value). It has no direct financial implications for the City, but it does slightly reduce the City's risk of having to pay debt service on the MDA bonds.

b) **What is the financial cost of not implementing the legislation?**

For SAM, it could be up to $3.5 million.

c) **Does this legislation affect any departments besides the originating department?**
No.

d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None.

e) **Is a public hearing required for this legislation?**
Not for the City.

f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
Not for the City.

g) **Does this legislation affect a piece of property?**
No.

h) **Other Issues:**

List attachments to the fiscal note below:

Exhibit A
to Ordinance _____

FORM OF AGREEMENT
in blackline format showing changes from
First Amended and Restated Guarantee and Reimbursement Agreement

SECOND
AMENDED AND RESTATED
GUARANTEE AND REIMBURSEMENT AGREEMENT

by and among

THE CITY OF SEATTLE

and

THE MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE

and

THE SEATTLE ART MUSEUM

and

U.S. BANK NATIONAL ASSOCIATION
as Bond Trustee

and

U.S. BANK NATIONAL ASSOCIATION
as Lockbox Agent

Museum Development Authority of Seattle
$((60,720,000))_____,000 Special Obligation Refunding Bonds, 2014
(refunding its Special Obligation Bonds, 2005)

Dated as of November 1, 2005
and amended and restated as of October 1, 2007
and amended and restated as of _____, 2014 [Closing Date]

This document prepared by:

Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101
(206) 447-4400

Exhibit A
to Ordinance _____

TABLE OF CONTENTS

ARTICLE 1. RECITALS **3**

ARTICLE 2. INCORPORATION OF DOCUMENTS; RULES OF CONSTRUCTION; DEFINITIONS **5**
Section 2.1 Incorporation of Documents; No Amendments. 5
Section 2.2 Rules of Construction 5
Section 2.3 Definitions 5

ARTICLE 3. GUARANTEE OF AUTHORITY BONDS **17**
Section 3.1 City Guarantee Provided 17
Section 3.2 Reimbursement Agreement 18
Section 3.3 Authority Obligation 20
Section 3.4 Museum Obligation 21
Section 3.5 Procedures under Guarantee 21
Section 3.6 Bond Proceeds Held by Bond Trustee; Release of Bond Proceeds 23

ARTICLE 4. COVENANTS AND AGREEMENTS RELATING TO THE BONDS AND LEASES **28**
Section 4.1 Funds and Accounts 28
Section 4.2 Reports and Records; Notices by Authority and Museum 30
Section 4.3 Tax Exempt Status of Bonds; Arbitrage 31
Section 4.4 Provisions Relating to Office Space Lease 32
Section 4.5 Insurance and Condemnation Proceeds 34
Section 4.6 Bond Prepayment Plans 35
Section 4.7 No Transfer of Property 36
Section 4.8 City's Continuing Disclosure Agreement 36

ARTICLE 5. REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS **38**
Section 5.1 Project Description 38
Section 5.2 Representations, Warranties and Covenants 38
Section 5.3 Debt Service Coverage Requirement Covenant 39
Section 5.4 Insurance 39
Section 5.5 Maintenance and Repair 39
Section 5.6 Additional Indebtedness 40
Section 5.7 Payment of Taxes and Assessments 41
Section 5.8 Additional Instruments 41
Section 5.9 Authority Board 41
Section 5.10 Museum Covenants and the Standby Security Documents 42
Section 5.11 Authority Covenant With Regard to Maintenance of Powers and Bankruptcy 44
Section 5.12 Termination of MDA Lease or Condemnation of MDA Unit 44

ARTICLE 6. EVENTS OF DEFAULT AND REMEDIES **45**
Section 6.1 Authority and Museum Defaults; Notice and Opportunity to Cure 45
Section 6.2 Rights and Remedies of City on Authority or Museum Default 47
Section 6.3 City Default; Bond Trustee Default 49
Section 6.4 No Remedy Exclusive 50
Section 6.5 No Implied Waiver 50

ARTICLE 7. MISCELLANEOUS **50**
Section 7.1 Governing Law; Venue 50
Section 7.2 Notices 51
Section 7.3 Binding Effect 52
Section 7.4 Indemnification 52
Section 7.5 Payment of City's Costs and Attorneys Fees 52
Section 7.6 Compliance with Usury Laws 53
Section 7.7 Severability 53
Section 7.8 Amendments 53
Section 7.9 Termination of Agreement 53
Section 7.10 Waivers and Consents 54
Section 7.11 Rights Created in Third Parties 54
Section 7.12 Time of Essence 54
Section 7.13 Oral Agreements Not Enforceable 54
Section 7.14 Counterparts 55

EXHIBITS

Exhibit A–1 ..... Bond Debt Service Schedule
A–2 ..... MDA Lease Payment Schedule
A–3 ..... Office Space Lease Payment Schedule
Exhibit B ..... Legal Descriptions of Real Property
Exhibit C ..... Selected MDA Security Documents
Exhibit D ..... Selected Museum Security Documents
Exhibit E ..... Selected Standby Security Documents
Exhibit F ..... Project Description
Exhibit G ..... Forms of Notice
Exhibit H–1 ..... Authority Certificate
H–2 ..... Museum Certificate
Exhibit I ..... Insurance Requirements
Exhibit J ..... Lockbox Addendum
Exhibit K ..... Insurance Dispute Resolution Procedures

Exhibit A
to Ordinance _____

SECOND AMENDED AND RESTATED

GUARANTEE AND REIMBURSEMENT AGREEMENT

relating to the

Museum Development Authority of Seattle
$((~~60,720,000~~))_____,000 Special Obligation Refunding Bonds, 2014
(refunding its Special Obligation Bonds, 2005)

THIS GUARANTEE AND REIMBURSEMENT AGREEMENT is dated as of November 1, 2005, and amended and restated as of October 1, 2007, and subsequently amended and restated, effective as of _____, 2014 [closing date], by and among THE CITY OF SEATTLE (the "City"), a first class city organized under the laws of the State of Washington; the MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE (the "Authority"), a public corporation chartered by the City to provide for the management and operation of a public art museum facility; the SEATTLE ART MUSEUM (the "Museum"), a Washington nonprofit corporation and an entity described under Section 501(c)(3) of the Code; U.S. Bank National Association, in its capacity as Trustee ((~~for the Bonds~~))(the "Bond Trustee") for the benefit of the owners of the Authority's Special Obligation Refunding Bonds, ((~~2005~~))2014 (the "Bonds")((~~,~~)) issued to refund its Special Obligation Bonds, 2005, and U.S. Bank National Association, in its capacity as Lockbox Agent, as defined below.

The City, the Authority, the Museum, the Bond Trustee and the Lockbox Agent agree as follows:

ARTICLE 1.
Recitals

The following facts and circumstances form the background of this Agreement:

1. The City, by Ordinance 112923, passed July 7, 1986, determined that a public art museum in downtown Seattle would make the considerable collections of the Seattle Art Museum, a Washington nonprofit corporation (the "Museum"), more accessible to the public; would provide a facility capable of hosting major touring exhibitions; would include space needed for the Museum's educational, administrative and curatorial activities; and would contribute to the economic viability and attractiveness of downtown Seattle.

2. The City chartered the Authority pursuant to RCW 35.21.730, et seq. and Seattle Municipal Code (SMC) Chapter 3.110 (Ordinance 103387, as amended) to undertake, assist with and otherwise facilitate the development and operation of a public art museum in downtown Seattle.

3. On September 16, 1986, the voters approved a measure authorizing annual taxes to fund construction of a downtown museum facility.

4. In order to facilitate the financing of construction of a new downtown museum facility, the City and the Authority entered into a Museum Cooperation Agreement dated as of December 8, 1986, pertaining to the financing, construction and operation of the downtown museum facility. That agreement enabled $24,795,000 of the Authority's bonds to be secured by the proceeds of the 1986 voter-approved levy.

5. The construction of the downtown museum facility, defined in this Agreement as the Existing Museum Facility, was completed in late 1991. The Existing Museum Facility has been owned by the Authority and operated by the Museum, pursuant to the "Operating Agreement (Part II) for the Design, Development, Construction and Operation of a Public Art Museum" dated September 25, 1985, between the Authority and the Museum.

6. The Authority ((~~now has an opportunity to expand~~))expanded the Existing Museum Facility in 2005 by the addition of the MDA Unit, as defined below. The MDA Unit ((~~will be~~))is owned by the Authority and leased to the Museum, together with the Existing Museum Facility, for a term of approximately 99 years under the MDA Lease, as defined below, which is applicable to the MDA Real Estate Parcels, as defined below. The Authority, by resolution adopted by the Authority Council on September 7, 2005, and the Museum by resolution of its Board, adopted on August 24, 2005, have each authorized the MDA Lease, which was entered into and became effective as of October 1, ((~~2005.~~))2005, and was amended by the Amendment to Lease, dated as of [closing date].

7. The Museum simultaneously ha((s))d the opportunity to provide for future expansion by owning the Museum Expansion Unit, as defined below. The Museum Expansion Unit ((~~will be~~))was originally leased by the Museum to ((~~WAMU~~))Washington Mutual Bank under ((~~the WAMU~~))an Office Space Lease,((~~each~~)) as defined below. Following rejection of that Office Space Lease, the Museum by a resolution of its Board, adopted on _____, 20__, authorized the Museum to enter into the Nordstrom Office Space Lease, which became effective _____, 20__. The Museum intends to apply some or all of the Office Space Lease Revenue to pay rent to the Authority under the MDA Lease. ((~~The Museum by a resolution of its Board, adopted on August 24, 2005, authorized the Museum to enter into the Office Space Lease upon declaration of the condominium.~~))

8. The Authority, by resolution adopted by the Authority Council on November 2, 2005, ((~~has~~))authorized the issuance of $60,720,000 principal amount of the Authority's Special Obligation Bonds, 2005 (the "2005 Bonds") for the purpose of carrying out the Project, as defined below. There are currently outstanding in the aggregate principal amount of $_____, which are callable _____. It now appears to the Authority that it may issue refunding bonds (the "Bonds") to carry out a defeasance of, and on April 1, 2015 to call, pay and redeem, its outstanding 2005 Bonds in order to achieve a debt service savings.

9. In addition to its other covenants, the Authority has covenanted in the Bond Resolution, as defined below, and in this Agreement: (a) to ((~~place~~))use the proceeds of the Bonds ((~~in trust for Bond holders until the Acquisition Date~~))to carry out the defeasance and refunding of the outstanding 2005 Bonds and to pay the costs of issuance of the Bonds and the administrative

costs of carrying out the refunding; and (b) to make payments at times and in the amounts necessary to pay debt service on the Bonds.

10. The Authority has agreed to maintain and fund a Reserve Account to provide additional assurances that principal of and interest on the Bonds will be paid when due. In addition, the Authority and the Museum have asked the City to facilitate the financing by providing certain additional assurances that the Reserve Requirement (as defined below) will be maintained in the Reserve Account.

11. The City, by Ordinance 121950, passed by the City Council on September 29, 2005, ((~~has authorized a guarantee and reimbursement agreement with~~))authorized the City to enter into the Guarantee and Reimbursement Agreement by among the Authority, the Museum, the Bond Trustee and the Lockbox Agent ((~~to evidence the City's commitment to replenish the Reserve Account to the Reserve Requirement, when and to the extent necessary, all as defined below.~~))for the 2005 Bonds (the "Guarantee Agreement"). The Guarantee Agreement was entered into among the parties thereto as of November 1, 2005, and provides a City guarantee for the debt service reserve established in connection with the 2005 Bonds, which were issued pursuant to an Indenture of Trust, dated as of October 1, 2005, (the "2005 Indenture") to pay the cost of acquiring and equipping an addition to the Authority's downtown museum facilities. The ((~~City Council has approved the form of this Agreement and has authorized its execution by the City Finance Director on behalf of the City.~~))Guarantee Agreement was amended and restated as of October 1, 2007, pursuant to authorization set forth in Ordinance 122458, passed by the City Council on August 13, 2007, and was further subject to clarification, waivers and revision as set forth in Ordinance 123893, passed by the City Council on May 21, 2012.

12. The Authority now desires to defease and refund all or a portion of its outstanding 2005 Bonds in order to achieve a debt service savings, and has requested that the City amend and restate its guarantee to apply to the Bonds to be issued under an Indenture of Trust, dated as of _____ 1, 2014 (the "2014 Indenture") to carry out such refunding.

13. Ordinance _____, passed by the City Council on _____, 2014, has approved the form of this Second Amended and Restated Guarantee and has authorized its execution by the Director of Finance and Administrative Services on behalf of the City.

ARTICLE 2.
Incorporation of Documents; Rules of Construction; Definitions

Section 2.1 Incorporation of Documents; No Amendments.

(a) The Bond Debt Service Schedule and the Lease Payment Schedules (all as defined below) are attached as Exhibit A-1, A-2 and A-3, and by this reference are incorporated into this Agreement. The legal descriptions of the MDA Real Estate Parcels and other real property listed in Exhibit B are by this reference incorporated into this Agreement.

(b) So long as this Agreement is in effect, neither the Authority nor the Museum shall amend or agree to the amendment of any of the Security Documents or the Indenture, without first

obtaining the written consent of the City Finance Director. Nor shall the Authority or the Museum permit any amendment to((~~the forms of~~)) the MDA Lease, the Office Space Lease, or the Condominium Documents presented as of Bond Closing((~~(except to reflect the actual square footage and the final "as-built" engineering, operational and maintenance requirements)~~)), without first obtaining the written consent of the City Finance Director, which written consent shall not be unreasonably withheld or delayed, but in no event shall the City be required to permit any amendment that would have the effect of diminishing the City's security for reimbursement of advances it may make under this Agreement.

Section 2.2 Rules of Construction. The following rules shall apply to the construction of this Agreement unless the context otherwise requires:

(a) Words describing the singular number shall include the plural number and vice versa, except where otherwise indicated.

(b) All references herein to particular articles, sections or exhibits are references to articles, sections or exhibits of this Agreement, unless otherwise expressly stated.

(c) The headings and table of contents herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

Section 2.3 Definitions. The following terms shall have the respective meanings set forth below for all purposes of this Agreement.

"**2005 Bonds**" means the Special Obligation Bonds, 2005 of the Authority, authorized by resolution of the Authority Council adopted on November 2, 2005, and issued in the original principal amount of $60,720,000 for the purpose of carrying out the Project.

"**2005 City Ordinance**" means Ordinance 121950, passed by the City Council on September 29, 2005, as subsequently amended, authorizing the City to enter into a guarantee and reimbursement agreement with the Authority, the Museum, the Bond Trustee and the Lockbox Agent for the 2005 Bonds to evidence the City's guarantee with respect to the 2005 Bonds and approving the final forms of certain related documents.

"**2005 Indenture**" means the Indenture of Trust, dated as of October 1, 2005, with respect to the 2005 Bonds, between the Bond Trustee for the 2005 Bonds and the Authority.

"**2005 Reserve Account**" means the debt service Reserve Account established in the custody of the 2005 Bond Trustee pursuant to the 2005 Indenture.

"**((~~Acquisition Date~~" means the date on which the City Finance Director is satisfied that the Acquisition Date Conditions have been met and has provided notice, substantially in the form attached as Exhibit G-3, of such satisfaction.~~))**

((~~"Acquisition Date Conditions" means those conditions stated in Section 3.6(c).~~))

"**Agreement**" means the Guarantee and Reimbursement Agreement by and among the City, the Museum, the Authority, the Bond Trustee and the Lockbox Agent, dated as of November 1, 2005((~~as~~)); as amended and restated by the Amended and Restated Guarantee and Reimbursement Agreement, dated as of October 1, 2007; subject to the further clarifications, waivers and consents as set forth in Ordinance 123893, adopted May 21, 2012; and as further amended and restated by this Second Amended and Restated Guarantee and Reimbursement Agreement.

"**Annual Debt Service**" means the amount required, as shown on the Bond Debt Service Schedule, to make the payments of principal of (including scheduled mandatory redemption payments with respect to term bonds) and interest on the Bonds during the 12-month period immediately following the date of computation. Annual Debt Service does not include any amounts to be paid in connection with the optional redemption, or other special or extraordinary redemption of Bonds.

"**Authority**" or "**MDA**" means the Museum Development Authority of Seattle or its successors, established by the City pursuant to RCW 35.21.730 et seq. and SMC Chapter 3.110, and chartered to undertake, assist with or otherwise facilitate the development and operation of a public art museum in downtown Seattle.

"**Authority Council**" means the Council of the Authority established pursuant to its Charter and Bylaws.

"**Authority Representative**" means the person or persons at the time designated by the Authority to act on behalf of the Authority by written certificate furnished to the City containing the specimen signatures of such person or persons and signed on behalf of the Authority by one of the Authority's officers. That certificate may designate an alternate or alternates.

"**Authorizing Resolutions**" means, collectively: (1) that resolution of the Museum Board, adopted on September 14, 2005 which authorizes the execution of the Development Agreement and acquisition of the Museum Expansion Unit, the execution of the Office Space Lease, the MDA Lease, the Museum Security Documents, the Standby Security Documents and this Agreement, and the carrying out by the Museum of all actions necessary to complete the transactions described herein and therein (the "**Museum Authorizing Resolution**");((~~and~~)) (2) the resolutions of the Authority Council, adopted on September 7, 2005 and November 2, 2005, authorizing the execution of the Development Agreement and acquisition of the MDA Unit, the execution of the MDA Lease, the MDA Security Documents, the Museum Security Documents, and this Agreement and the carrying out by the Authority of all actions necessary to complete the transactions described herein and therein (the "**MDA Authorizing Resolutions**"); and (3) the **Refunding Resolutions**.

"**Available MDA Funds**" means all money, securities, revenues and receivables of the Authority from any source whatsoever, including but not limited to: (1) all rent, delinquency payments, penalties, fees and other payments received or to be received by the Authority, including but not limited to all MDA Lease Revenue and all other revenue from any lessee of any

portion of the MDA Unit or the Existing Museum Facility; (2) all amounts received by the Authority under the Museum Security Documents; (3) all payments on contractors' bonds and all insurance proceeds relating to the MDA Unit or the Existing Museum Facility; and (4) all amounts, if any, held in any Prepayment Reserve established and maintained by the Authority in accordance with a Bond Prepayment Plan.

"**Available Museum Funds**" means all funds, securities, receivables and other resources of the Museum from any source whatsoever, including but not limited to: all interest earned on the((~~approximately $53 million~~)) unrestricted portion of the Museum's endowment, all income from operations, and all donations available for general Museum operating expenses. Available Museum Funds excludes donor pledges that are subject to a security interest given in connection with the Museum Bonds, and excludes amounts in the Collateral Account, as defined in the Bank Reimbursement Agreement.

"**Bank Reimbursement Agreement**" means((~~, together: (1)~~)) the Letter of Credit Reimbursement Agreement((~~ between the Museum and Allied Irish Banks, P.L.C., New York Branch, dated as of October 6, 2005,~~)) with respect to the Commission Bonds((~~, and (2) the Letter of Credit Reimbursement Agreement between the Museum and Allied Irish Banks, P.L.C., New York Branch, dated as of October 6, 2005, with respect to the Taxable Bonds~~)).

"**Bankruptcy Recovery**" means any payment of principal of or interest on the Bonds, which has become Due for Payment and has been paid to the Bondowner by or on behalf of the Authority, but which payment has been deemed an avoidable transfer and recovered from the Bondowner pursuant to the United States Bankruptcy Code or other applicable statutory or common law, in accordance with a final, nonappealable order of a court of competent jurisdiction.

"**Bond Closing**" means the date on which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the initial purchasers thereof.

"**Bond Counsel**" means a firm of nationally recognized bond counsel selected by the Authority.

"**Bond Debt Service Schedule**" means the schedule for repayment of the Bonds attached as Exhibit A-1 to this Agreement.

"**Bond Prepayment Account**" means an account of that name to be maintained by the Bond Trustee (or other escrow agent acceptable to the City Finance Director) in connection with a Bond Prepayment Plan.

"**Bond Prepayment Plan**" means a plan to provide for the purchase, redemption, or defeasance of a principal amount of Bonds: (a) ((~~pursuant to~~))in connection with a Museum termination of all or a portion of the Office Space Lease as required under Section 4.4 of this Agreement, or (b) in relation to the damage, destruction or condemnation of the MDA Unit or the Museum Expansion Unit (or any portion of either unit) pursuant to Section 4.5.

"**Bond Resolution**" means the resolution of the Authority Council, adopted on ((~~November 2, 2005,~~))_____, 2014, authorizing the issuance and sale of the Bonds, and authorizing the Authority to enter into this Second Amended and Restated Guarantee and Reimbursement Agreement and to take such actions as are necessary to carry out the transactions contemplated by the Bonds and this Agreement.

"**Bond Trustee**" means U.S. Bank National Association of Seattle, Washington, or its successor under the Indenture.

"**Bondowner**" means any person, other than (1) the Authority, or (2) any person whose obligations constitute the underlying security or source of payment for the Bonds, who, as of the applicable record date (as defined in the Indenture), is the registered owner of a Bond((~~ or of a coupon relating to a Bond~~)).

"**Bonds**" means the $((~~60,720,000~~))_____,000 Special Obligation Refunding Bonds, ((~~2005~~))2014 of the Authority issued for the purpose of carrying out the ((~~Project~~))defeasance and refunding of the 2005 Bonds, and any Additional Bonds issued for the purposes of refunding (or defeasing and refunding) all or a portion of the then-Outstanding Special Obligation Refunding Bonds, 2014 pursuant to the Indenture.

"**Business Day**" means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in Seattle or any of the cities in which is located the Principal Office of the Bond Trustee or the Lockbox Agent are authorized or required by law or executive order to close, or (c) a day on which the offices of the City are closed.

"**City**" means The City of Seattle, Washington, a city of the first class of the State of Washington.

"**City Default**" means the failure of the City to make an advance to the Bond Trustee at such time, following((~~ proper~~)) notice given in accordance with this Agreement, and in such amount as is required under this Agreement.

"**City Finance Director**" means the Director of the((~~ City's~~)) Department of Finance and Administrative Services of the City, or any other officer who succeeds to substantially all of the responsibilities of that office.

"**City Ordinance**" means Ordinance ((~~121950,~~))_____, passed by the City Council on ((~~September 29, 2005, as subsequently~~))March 3, 2014, as it may be amended, authorizing the City to enter into ((~~a~~))this second amended and restated guarantee and reimbursement agreement with the Authority, the Museum, the Bond Trustee and the Lockbox Agent to evidence the City's commitment to replenish the Reserve Account to the Reserve Requirement, when and to the extent necessary, and approving the final forms of certain related documents.

((~~"**City's Acquisition Date Notice**" means notice given by the City Finance Director pursuant to Section 3.6(c) in the form attached as Exhibit G-3.~~))

"**Code**" means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

"**Commission Bonds**" means the Washington State Housing Finance Commission's Variable Rate Demand Nonprofit Revenue Bonds (Seattle Art Museum Project), Series 2005, dated October 6, 2005, issued to make loans to the Museum for Museum purposes.

"**Condominium Association**" means the condominium association created pursuant to the Condominium Documents.

"**Condominium Declaration**" means ((~~an executed~~))that certain Condominium Declaration for the Washington Mutual – Seattle Art Museum Project, a Condominium, ((~~in the form (except for such changes as may be necessary to reflect the actual square footage and the "as-built" engineering, operational and maintenance requirements) presented to and approved by the City Finance Director at or prior to Bond Closing, with such changes thereafter as may be approved~~))recorded under King County Recording No. _____, as it may be amended from time to time in accordance with its terms and upon approval by the City Finance Director.

"**Condominium Documents**" means, collectively: (a) the Condominium Declaration and all related covenants, conditions and restrictions; (b) the condominium survey maps and plans; and (c) the articles of incorporation, bylaws, rules and regulations of the Condominium Association.

"**Cost Reimbursement Agreement**" means the Cost Reimbursement Letter Agreement, dated as of ((~~May 3, 2005~~))____, 2014 and accepted on ((~~May 5, 2005,~~))____, 20__, among the City, the Authority and the Museum.

"**Coverage Requirement**" means, in each Bond year commencing with the first full Bond year((~~(October 1, 2006 through September 30, 2007) after the Acquisition Date~~)), (a) an amount of MDA Lease Revenue equal to at least 1.0 times Annual Debt Service, and (b) for so long as ((~~WAMU~~))Nordstrom is the sole Office Space Tenant, Office Space Lease Revenue at least equal to (i) for all bond years through and including the bond year ending September 30, 2015, not less than 1.0 times Annual Debt Service; (ii) for the bond years ending September 30, 2016, 2017 and 2018, not less than 1.09 times Annual Debt Service((~~, or, in the event that any party other than WAMU enters into an~~)); and (iii) thereafter (and for all bond years with respect to any Office Space Lease((~~,~~)) with a tenant other than Nordstrom) an amount of Office Space Lease Revenue equal to at least 1.2 times Annual Debt Service. For the purposes of calculating the Coverage Requirement, MDA Lease Revenue and Office Space Lease Revenue shall exclude landlord expense pass-throughs, if any.

"**Declaration of Default**" has the meaning given in Section 6.1 of this Agreement.

"**Defeasance Opinion**" means an opinion of Bond Counsel to the Authority to the effect that all of the outstanding 2005 Bonds have been legally defeased, using Seasoned Funds or the proceeds of the Bonds or amounts released from the Reserve Account (or the reserve account for

the 2005 Bonds), and are no longer to be considered Outstanding under the 2005 Indenture and are no longer entitled to the benefits of the guarantee of the City under the first Amended and Restated Guarantee and Reimbursement Agreement, dated as of October 1, 2007.

"**Development Agreement**" means the "Development Agreement" originally entered into by and among Washington Mutual Bank, ((~~FA,~~))the Museum and the Authority, as of October 1, 2002, as amended, restated and supplemented by: (1) the "Amended and Restated Development Agreement," dated as of May 23, 2003; (2) the "First Amendment and Supplement to Amended and Restated Development Agreement" dated as of January 26, 2004; (3) the "Second Amendment to Amended and Restated Development Agreement" dated as of June 3, 2004; (4) the "Third Amendment and Supplement to Amended and Restated Development Agreement" dated as of December 20, 2004; and (5) the "Fourth Amendment and Supplement to Amended and Restated Development Agreement" dated as of September 28, 2005.

"**Due for Payment**" means: (1) as to principal of the Bonds, the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment, in accordance with the Bond Debt Service Schedule; and (b) as to interest on the Bonds, the scheduled date for payment of interest in accordance with the Bond Debt Service Schedule. Due for Payment does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), other advancement of maturity.

"**Event of Default**" has the meaning given in Section 6.1 of this Agreement.

"**Existing Museum Facility**" means the art museum facility located at 100 University Street in Seattle, the legal description of which is in Exhibit B.

"**Finance Director Determined Liability**" means the aggregate amount of potential liability that, in the City Finance Director's good faith judgment, presents a substantial enough risk of loss by the Museum that it should be treated as a Finance Director Determined Liability. The determination of risk and amount of potential liability as to each event, claim, demand or lawsuit shall be made by the City Finance Director, acting in good faith, in accordance with the following process:

(1) The Museum shall provide written notice to the City Finance Director within 10 Business Days of each of the following:

(i) receipt of a complaint, demand letter, claim or other notice that a lawsuit has been or will be commenced involving the Museum (regardless of the propriety of any service of process on the Museum) where the amount in controversy (either as stated by the claimant or, for so long as no amount is stated by the claimant, an amount reasonably estimated by the Museum to be at risk), when added to the amounts in controversy (as described above) in all matters pending or threatened as described in this paragraph, against

the Museum, exceeds the limits of the Museum's primary insurance coverage (regardless of whether the Museum tenders or intends to tender the matter to its primary insurer);

(ii) receipt of a letter or other notice from the Museum's primary insurer reserving rights or denying coverage with respect to the defense or indemnity of the Museum for any matter or matters where the individual or aggregate amount in controversy (as described above) exceeds 10% of the difference between (A) Museum Net Assets less the amount of previously determined Finance Director Determined Liability (if any, and only to the extent not otherwise treated by the Museum as a liability), and (B) $90,000,000; or

(iii) receipt of audited financial statements that disclose any event as to which unasserted claims may exist.

The notice shall describe the matter and shall include a copy of the complaint, demand letter, claim or notice (if any). The City Attorney's Office shall consult with the Museum and its counsel in order to assist the City Finance Director in reviewing the matter. The Museum and its counsel shall cooperate with and provide assistance to the City Attorney's Office in the preliminary review of the matter.

(2) The City Finance Director, in consultation with the City Attorney's Office, shall make a preliminary assessment of the matter. If the City Finance Director makes a preliminary assessment that:

(i) the Museum's risk of liability for the matter is other than remote; and

(ii) the amount at risk exceeds 10% of the difference between (A) Museum Net Assets less the amount of previously determined Finance Director Determined Liability (if any, and only to the extent not otherwise treated by the Museum as a liability), and (B) $90,000,000; and

(iii) either: (A) the Museum's primary insurance carrier has denied coverage, (B) there is a material possibility that the Museum's primary insurance carrier would deny coverage after an acceptance under reservation of rights, or (C) the Museum has not sought coverage of the matter from its primary insurer;

then the City Finance Director shall communicate with the Museum regarding the preliminary assessment. If the Museum agrees that the City Finance Director should add the full amount determined to be at risk in the City Finance Director's preliminary assessment to the amount of previously determined Finance Director

Determined Liability for a new aggregate total, then there shall be no further inquiry or investigation by the City. However, if the Museum does not agree that the City Finance Director should add the preliminary assessment amount to the previously determined amount of Finance Director Determined Liability, the City Finance Director shall select outside counsel to assist the City Finance Director in further analyzing the risk of loss and in making a judgment as to the amount of such potential liability. The City Finance Director shall consult with the Museum in the selection of such outside counsel, but the City Finance Director shall retain discretion in such selection. The City Finance Director's outside counsel shall provide legal advice to the City Finance Director at the sole expense of the Museum. The Museum and its counsel shall cooperate fully with the City Finance Director's outside counsel. The records reviewed by the City Finance Director's outside counsel shall be limited to: (i) the inspection of non-privileged Museum files or documentation; and (ii) the pleadings (if any), court file (if any), and discovery that is not subject to protective order (if any). The City Finance Director's counsel may also make inquiries of Museum officers and staff.

(3) Following this review, the City Finance Director shall determine, in his sole discretion, acting in good faith and in consultation with the City Finance Director's outside counsel, the amount of potential liability as to which the risk of loss is substantial enough that it should be treated as a Finance Director Determined Liability and added to the previously determined Finance Director Determined Liability for a new aggregate total.

"**Hazardous Substances Certifications**" means, collectively, the "Certificate and Indemnity Agreements Regarding Hazardous Substances" executed by (a) the Authority, in the form attached as Exhibit C–2 (the "MDA Hazardous Substances Certification"); and (b) the Museum, in the form attached as Exhibit E–2 (the "Standby Hazardous Substances Certification").

"**Indenture**" means the Indenture of Trust, dated as of ((~~October 1, 2005,~~))_____, 2014, with respect to the Bonds, between the Bond Trustee and the Authority.

"**Interest Payment Date**" means each April 1 and October 1, commencing ((~~April~~))_____ 1, ((~~2006.~~))20__.

"**Lease Default**" means the occurrence (and, in each case, expiration of any applicable cure period) of an Event of Default under the Office Space Lease or under the MDA Lease.

"**Lease Payment Schedules**" means, collectively, the schedules for the payment of rent under: (a) the MDA Lease (the "MDA Lease Payment Schedule"), attached as Exhibit A-2; and (b) the Office Space Lease to ((~~WAMU~~))Nordstrom (the "Office Space Lease Payment Schedule"), attached as Exhibit A-3, and any such schedule established in relation to any other Office Space Lease.

"**Leases**" means, collectively, the MDA Lease and every Office Space Lease.

"**Lockbox Account**" means the account of that name created in the custody of the Lockbox Agent pursuant to Section 4.1(b), into which shall be deposited all Office Space Lease Revenue, including all amounts paid under a Tenant Payment Agreement.

"**Lockbox Addendum**" means the "Lockbox Account and Control Addendum" attached as Exhibit J and by reference incorporated into this Agreement.

"**Lockbox Agent**" means U.S. Bank National Association of Seattle, Washington.

"**MDA**" means the Authority.

"**MDA Deed of Trust**" means that certain "Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing," relating to the MDA Real Estate Parcels and the Museum Assignment, in the form attached as Exhibit C–1.

"**MDA Lease**" means the ((")))Lease for the Downtown Seattle Art Museum Property and Expansion Project((")), between the MDA and the Museum dated as of October 6, 2005 relating to the MDA Real Estate Parcels((.)), as amended by the Amendment to Lease, dated as of _____, 2014.

"**MDA Lease Payment**" means a monthly payment made from the Lockbox Account to the Bond Trustee, pursuant to Section 4.1(b), in accordance with an MDA Lease Payment Schedule, in satisfaction of the Museum's obligation to pay rent under the MDA Lease.

"**MDA Lease Revenue**" means all revenue (including but not limited to all rent, delinquency payments, penalties, fees and other payments) received or to be received by the Authority under the MDA Lease.

"**MDA Real Estate Parcels**" means the MDA Unit, and the Existing Museum Facility, the legal descriptions of which are attached as Exhibit B.

"**MDA Security Documents**" means, collectively, the MDA Deed of Trust; the MDA Subordination, Nondisturbance and Attornment Agreement; the MDA Hazardous Substances Certification; and any and all UCC filings relating to the foregoing.

"**MDA Subordination, Nondisturbance and Attornment Agreement**" means the "Subordination, Nondisturbance and Attornment Agreement (MDA Lease)" relating to the MDA Lease.

"**MDA Unit**" means the condominium((~~unit or~~)) units (collectively)((~~to be~~)) owned by the Authority, as described in Exhibit B.

"**Museum**" means the Seattle Art Museum, a Washington nonprofit corporation and an entity described under Section 501(c)(3) of the Code.

"**Museum Assignment**" means that certain ((")) Assignment of Proceeds of Rents Proceeds and Negative Pledge Agreement,(("")) relating to the proceeds of rents from the Museum Expansion Unit, in the form attached as Exhibit D–1.

"**Museum Bonds**" means((~~, together,~~)) the Commission Bonds((~~ and the Taxable Bonds~~)).

((~~"**Museum Deposit**" means the amount paid to the Authority by the Museum at Bond Closing as prepaid rent pursuant to the MDA Lease, as shown on the Exhibit A-2.~~))

"**Museum Expansion Unit**" means the condominium units (collectively)((~~ to be~~)) owned by the Museum, as described in Exhibit B.

"**Museum Net Assets**" means:

(1) the total assets of the Museum, as determined by generally accepted accounting principles applicable to nonprofit entities such as the Museum, but excluding specifically: (i) the Museum's art collection and proceeds from the sale of art; (ii) the Capital Campaign Pledges and all amounts in the Collateral Account, as those capitalized terms are defined in the Bank Reimbursement Agreement; (iii) the amount of the OSP Endowment Pledge, as defined in the Bank Reimbursement Agreement, during the time that the amount is set aside in a separate account as required under the Bank Reimbursement Agreement; and (iv) receivables; less

(2) the total liabilities of the Museum, as determined by generally accepted accounting principles applicable to nonprofit entities such as the Museum. Environmental claims arising out of the property at 10 Broad Street or the Olympic Sculpture Park shall not be included among the Museum's liabilities. The Museum's assets and liabilities shall not include assets and liabilities of any other entity (e.g., the Seattle Art Museum Foundation).

"**Museum Security Documents**" means, collectively, the Museum Assignment; the Museum Subordination, Nondisturbance and Attornment Agreement; the Tenant Payment Agreement; and any and all UCC filings relating to the foregoing.

"**Museum Subordination, Nondisturbance and Attornment Agreement**" means ((~~the~~))each "Subordination, Nondisturbance and Attornment Agreement((~~ (WMB Lease)~~))" relating to ((~~the WAMU~~))an Office Space Lease.

"**Nonpayment**" means the failure of the Authority to have provided sufficient funds to the Bond Trustee for payment in full of all principal of and interest on the Bonds that are Due for Payment.

"**Nordstrom**" means Nordstrom, Inc.

"**Office Premises**" means all or a portion of the Museum Expansion Unit leased under an Office Space Lease.

"**Office Space Lease**" means: (1) that certain ((")Office Space Lease(")) between the Museum and ((WAMU))Nordstrom, under which the Museum agrees to lease the Office Premises to ((WAMU))Nordstrom (the "**((WAMU))Nordstrom Office Space Lease**"), in the form (((except for such changes as may be necessary to reflect the actual square footage and final engineering, operational and maintenance requirements of the "as-built" Museum Expansion Unit) presented to and approved by the City Finance Director at or prior to Bond Closing))in effect as of the date hereof, with such changes ((thereafter))hereafter as may be approved by the City Finance Director; and (2) any future agreement by the Museum, or its successor or assign, to lease out any portion of the Museum Expansion Unit.

"**Office Space Lease Revenue**" means all payments received and to be received by the Museum or its successors under an Office Space Lease.

"**Office Space Tenant**" means ((WAMU, or))any((-other)) tenant of any portion of the Museum Expansion Unit((,)) under an Office Space Lease.

"**Principal Office**" means: (a) with respect to the Bond Trustee, the corporate trust office of the Trustee, which at the date of this Indenture is located in Seattle, Washington, at the address shown in Section 7.2, and (b) with respect to the Lockbox Agent, the corporate trust office of the Lockbox Agent, which at the date of the Indenture is located in Seattle, Washington, at the address shown in Section 7.2.

"**Project**" means the acquisition, design, construction and equipping of the MDA Unit, including the Authority's improvements to the MDA Unit, and the Authority's improvements to the Existing Museum Facility in connection with the expansion of the existing downtown art museum to include the MDA Unit, as described in Exhibit F.

"**Project Costs**" means, to the extent permitted by the Code and by State law, any and all costs, including financing costs, incurred by the Authority with respect to the acquisition, construction, and equipping of the Project including, without limitation, costs for site preparation, the acquisition of real property and of tangible personal property, the removal or demolition of existing structures, and all of the Authority's costs relating to the issuance of the Bonds, including, without limitation, the cost of consulting, accounting and legal services, other expenses directly allocable to the Project, insurance premiums, costs of surveys and appraisals, administrative and other expenses necessary or incident to the development and the financing thereof and all other costs approved by Bond Counsel.

"**Rating Agency**" means Moody's Investors Service, Inc. ("Moody's") or Standard and Poor's, a division of The McGraw-Hill Corporation, Inc. ("S&P").

"**RCW**" means Revised Code of Washington.

"**Rebate Amount**" means the amount, if any, determined to be payable with respect to the Bonds in accordance with Section 148(f) of the Code.

"**Refunding Plan**" means the deposit of Bond proceeds, together with amounts, if any, released from the reserve account for the 2005 Bonds for this purpose, with the Refunding Trustee at Bond Closing in an amount sufficient, together with earnings thereon, to defease all outstanding 2005 Bonds, and to call, pay and redeem such bonds on April 1, 2015.

"**Refunding Resolutions**" means, collectively: (1) that resolution of the Museum Board, adopted on _____, 2014 which authorizes the execution and delivery of the Lease Amendment, the Letter of Representation and this Agreement and the carrying out by the Museum of all actions necessary to complete the transactions described herein and therein (the "**Museum Refunding Resolution**"); and (2) the Bond Resolution and each other resolution of the Authority Council, relating to the issuance of the Bonds, the execution and delivery of this Agreement, the Indenture, the Letter of Representation and the Refunding Escrow Agreement and the carrying out by the Authority of all actions necessary to complete the transactions described herein and therein (the "**MDA Refunding Resolutions**").

"**Refunding Escrow Agreement**" means an agreement among the Authority, the City and the Refunding Trustee providing for the carrying out of the Refunding Plan.

"**Refunding Trustee**" means [U.S. Bank National Association of Seattle, Washington], serving as trustee or escrow agent or any successor trustee or escrow agent under the Refunding Escrow Agreement.

"**Reimbursement Interest Rate**" means the interest rate established pursuant to Section 3.2(a) and stated in the Reimbursement Schedule.

"**Reimbursement Schedule**" means any schedule for reimbursing the City for advances made under this Agreement, stating the interest rate and other terms for reimbursement, subject to the approval of the City Finance Director, in accordance with Section 3.2.

((~~"**Reimbursement Interest Rate**" means the interest rate established pursuant to Section 3.2(a) and stated in the Reimbursement Schedule.~~))

"**Reserve Account**" means the Reserve Account established in the custody of the Bond Trustee pursuant to the Indenture.

"**Reserve Account Reconciliation Date**" means each March 1 and September 1, or if such date is not itself a Business Day, then in each case the preceding Business Day.

"**Reserve Assets**" means as of any calculation date, collectively, the total dollar amount of all money and investments in the Reserve Account.

"**Reserve Deficiency**" means the amount necessary, if any, to replenish the Reserve Account to the Reserve Requirement, calculated by subtracting: (1) the Reserve Assets, together with all other amounts available to the Bond Trustee under the Indenture for deposit into the Reserve Account as of the date of calculation, from (2) the Reserve Requirement.

"**Reserve Deficiency Notice**" means written notice provided by the Bond Trustee under Section 3.5, indicating the Reserve Deficiency, substantially in the form attached as Exhibit G–1.

"**Reserve Requirement**" means an amount determined as of the Bond Closing date and equal((~~,~~)) to the least of the following: (a) 10% of the original proceeds of the Bonds; (b) the Maximum Annual Debt Service on the Bonds; and (c) 1.25 times the Average Annual Debt Service on the Bonds. Maximum Annual Debt Service and Average Annual Debt Service shall be calculated with reference to the Bond Debt Service Schedule and shall otherwise be defined as provided in the Bond Resolution and the Indenture. Upon the optional redemption, open market purchase or defeasance of a portion of the outstanding principal amount of the Bonds, the Reserve Requirement shall be reduced on a pro rata basis.

"**Seasoned Funds**" means any funds((~~,~~)) (other than proceeds of the Bonds((~~,~~)) or money previously deposited in the Reserve Account or the reserve account for the 2005 Bonds) received by the Bond Trustee from the Authority or the Museum that, in the written opinion (delivered to the City and to the Bond Trustee) of nationally recognized bankruptcy counsel practicing regularly before Federal Bankruptcy Court, are not subject to treatment as an "avoidable transfer" under any applicable section of the Federal Bankruptcy Code in the event of a Bankruptcy by the Authority or the Museum.

"**Security Documents**" means, collectively, the MDA Security Documents; the Museum Security Documents; the Standby Security Documents; and the Lockbox Addendum.

"**SMC**" means Seattle Municipal Code.

"**Standby Deed of Trust**" means the standby "Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing," in the form attached at Exhibit E–1, to be held by an escrow agent with instructions in the form attached as Exhibit E–3, all in accordance with Section 5.10 of this Agreement.

"**Standby Security Documents**" means, collectively, the Standby Deed of Trust, the Standby Hazardous Substances Certification, the escrow instructions relating to the Standby Security Documents, and any and all UCC filings relating to the foregoing.

"**State**" means the State of Washington.

((~~"**Taxable Bonds**" means the Seattle Art Museum Taxable Variable Rate Demand Bonds, Series 2005, dated October 6, 2005, issued for Museum purposes.~~))

"**Tenant Payment Agreement**" means those provisions, whether in a separate agreement or incorporated in an Office Space Lease, substantially in the form attached as Exhibit D–2, under which an Office Space Tenant agrees to remit all amounts payable to the landlord under an Office Space Lease directly to Lockbox Agent for deposit into the Lockbox Account.

"**Valuation Date**" means each January 1 and July 1.

((~~"WAMU" means Washington Mutual Bank, a federally chartered bank.~~))

All other capitalized terms used but not defined in this Agreement shall have the meanings assigned to them in the Bond Resolution and the Indenture.

ARTICLE 3.
Guarantee of Authority Bonds

Section 3.1 City Guarantee Provided.

(a) *City Guarantee.* The City agrees to provide, for the benefit of the owners of the Bonds, deposits into the Reserve Account in an amount or amounts sufficient, together with all other money deposited with the Bond Trustee and available for this purpose, to replenish the Reserve Account to the Reserve Requirement, at such time or times as may be required in accordance with the procedures and terms described in this Article 3. The City further agrees to provide, for the benefit of the owners of the Bonds, advances to the Bond Trustee for payment to Bondowners in the event of a Bankruptcy Recovery. Each instance of providing amounts to the Bond Trustee for deposit into the Reserve Account, or for payment in the event of a Bankruptcy Recovery, shall constitute an "advance." The City's obligation shall be enforced in accordance with Section 6.3, consistent with applicable notice and cure periods stated in Section ((~~6.1(a)(3).~~))6.3.

(b) *Time and Amount to be Advanced.* Funds shall be advanced at such time, if any, as the amount available to the Bond Trustee to replenish the Reserve Account is insufficient to meet the Reserve Requirement, as determined in accordance with Section 3.5 of this Agreement. In the event that the Bond Trustee has notice of any Bankruptcy Recovery and sufficient funds are not otherwise available to the Bond Trustee, the City shall, upon not less than 45 days' notice from the Bond Trustee, make an advance to the Bond Trustee for payment to such Bondowner(s) in the amount of such Bankruptcy Recovery. The total amount of funds to be advanced by the City pursuant to this Agreement (including all advances made into the Reserve Account and all advances made in the event of a Bankruptcy Recovery) shall not exceed the principal amount of the Bonds issued, plus an amount necessary to make the originally scheduled interest payments on those Bonds as shown in the Bond Debt Service Schedule.

(c) *Nature of City's Obligation.* The City is entering into this Agreement in reliance upon the representations, warranties and agreements of the Authority and of the Museum contained in this Agreement. The City's obligation to advance funds to the Bond Trustee in the amounts at the times and in the manner described in this Agreement shall commence as of the date of Bond Closing, and once commenced, shall be absolute and unconditional, and shall not be subject to diminution by setoff, counterclaim, abatement or otherwise, and shall not be relieved upon the breach of a representation or warranty, or upon a Declaration of Default or the occurrence of an Event of Default hereunder. The full faith, credit and resources of the City are pledged irrevocably for the payment to the Bond Trustee of the required advances, payable in the amounts, at the times and in the manner described herein. The City makes no express or implied warranty that any money advanced to the Authority under the provisions of this Agreement will be sufficient to pay all the amounts which may have been incurred for Project Costs or to carry out the Refunding Plan.

The City's obligation under this Agreement shall terminate upon the repayment, purchase and retirement, redemption or defeasance in full of all the Bonds. Notwithstanding the foregoing and except in the case of((~~an extraordinary mandatory redemption or~~)) a defeasance in accordance with the Indenture, the City shall remain obligated to make advances, payable within 45 days of demand, to the Bond Trustee in the event of a Bankruptcy Recovery.

Section 3.2 Reimbursement Agreement. The Authority and the Museum each jointly and severally agrees to reimburse the City for any amounts advanced by the City to the Bond Trustee pursuant to this Agreement, as follows:

(a) *Reimbursement Schedule*. Reimbursements, including all interest due on advances made by the City, shall be paid to the City on or before the 5th Business Day of each month, in installments according to a Reimbursement Schedule proposed by the Authority and/or the Museum and acceptable to the City Finance Director, a copy of which shall be provided to the Lockbox Agent. If no Reimbursement Schedule is in effect, the City shall be reimbursed for its advances, plus interest, from amounts deposited in the Lockbox Account consistent with Section 4.1(b)(2)(iii). The interest rate shall be determined in accordance with subsection (b) of this section, and the term for reimbursement in full (including interest) shall not exceed 36 months from the date of any advance, except that the City Finance Director may in his sole discretion permit a reimbursement term of up to 60 months from the date on which the advance is made. Each Reimbursement Schedule shall state how interest is to be calculated consistent with Subsection 3.2(b).

(b) *Interest Rate*. Each advance made under the terms of this Agreement will bear interest on the amount advanced and unreimbursed, from the date of the advance until the date such advance is reimbursed in full. Interest on the advances will be calculated on the basis of the actual number of days in the year, for the actual number of days elapsed. The rate of interest borne by each advance shall be a variable rate, determined monthly on the first Business Day of each month, based on the source of funds used by the City to fund the advance to the Bond Trustee, as follows:

(1) If the City borrows money in order to make the advance (other than any internal or inter-fund borrowing), the interest rate shall be equal to the City's true interest cost plus 200 basis points.

(2) If the City makes the advance from City funds (including general funds or funds from any internal or inter-fund borrowing), then interest shall be calculated in arrears each month, on the first Business Day of the month, and shall be equal to the greater of: (i) the Federal Funds rate plus 300 basis points, or (ii) the Bank Prime Loan rate, as those rates are identified in the Federal Reserve Statistical Release H.15 on the first Business Day of each month.

The City may employ either method or both for obtaining funds from which to make each advance, may change from one to the other from time to time after making an advance, and may refund its borrowing from time to time as it sees fit. Upon making an advance, the City shall promptly inform the Lockbox Agent, the Bond Trustee, the Authority and the Museum of the amount

advanced, whether the initial source of the funds advanced is the source described in clause (1) or (2) above, and the applicable initial interest rate. The City shall also provide the Authority, the Museum, the Lockbox Agent and the Bond Trustee with prompt notice of the interest rate and any change therein.

(c) *Source and Method of Reimbursement.*

(1) For so long as a Reimbursement Schedule is in effect or the City remains unreimbursed for amounts advanced (including interest), the Lockbox Agent shall apply the money deposited into the Lockbox Account to items 4.1(b)(2)(i) through (iv) only.

(2) Reimbursements shall be made from the following sources in the following order: (i) from the Lockbox Account in accordance with the flow of funds in Section 4.1(b)(2); (ii) from any Available MDA Funds; and (iii) from any Available Museum Funds. So long as no City Default has occurred and is continuing, the provisions of this paragraph shall not limit the City's right to recover following a Declaration of Default, against any source of payment or revenue available to it and in any order as the City may determine.

(3) Reimbursement amounts received by the City shall be applied first to any interest due on any advance, and then to the principal amount of each advance in the order made.

Section 3.3 Authority Obligation.

(a) *Security.* The Authority has granted to the City the security interests evidenced by the MDA Security Documents and agrees to enforce the Authority's rights under the MDA Lease and the Museum Security Documents in strict accordance with their terms.

(b) Nature of Authority's Obligation. The Authority agrees: (1) to take all actions reasonably necessary to realize the amount of MDA Lease Revenue required to pay the principal of and interest on the Bonds and to maintain the Reserve Requirement (including, without limitation, making deposits into the Reserve Account in the amount of any Reserve Deficiency following a draw on the Reserve Account in accordance with the procedures under Section 3.5(c)) without resort to the availability of any advance from the City made pursuant to this Agreement; (2) to make available sufficient MDA Lease Revenue or Available MDA Funds to fulfill its reimbursement obligation under this Agreement; and (3) to perform and observe all other covenants and obligations on its part contained in this Agreement. The Authority's obligations under this Agreement shall be absolute and unconditional, and shall not be subject to diminution by setoff, counterclaim, abatement or otherwise.

The Authority's obligations under this Agreement (including but not limited to its reimbursement obligation and its obligation under Section 7.4) shall continue in effect and shall survive the satisfaction of the Authority's obligations under the Bonds, the Bond Resolution, and the Indenture until such time as: (1) the City has been reimbursed in full for all amounts advanced

by it pursuant to this Agreement (including interest on those amounts, if applicable), together with any costs owed to the City pursuant to Section 7.5, and (2) the Authority's obligations with regard to the Bonds have been satisfied and (i) the bankruptcy law or other applicable statutory or common law transfer avoidance period(s) applicable to all payments to Bondowners and to the City have expired without voluntary or involuntary filing of a petition in bankruptcy, for receivership or under other similar statutes or procedures involving protection from creditors with respect to the Authority, the Museum, or any Office Space Tenant, and (ii) the City has been reimbursed in full for any amounts recovered in a Bankruptcy Recovery and paid by the City (including interest on those amounts, if applicable), and (iii) the City has received an opinion from nationally recognized bankruptcy counsel that no other possibility of a Bankruptcy Recovery exists.

The Authority is not acting as the agent of the City or the Museum and its obligations under this Agreement and the Bonds do not constitute obligations of the Museum, the City or any entity other than the Authority. The Museum Development Authority of Seattle is organized pursuant to Seattle Municipal Code (SMC) 3.110 and 35.21.730-.755. RCW 35.21.750 provides as follows: "[A]ll liabilities incurred by such public corporation, commission, or authority shall be satisfied exclusively from the assets and properties of such public corporation, commission or authority and no creditor or other person shall have any right of action against the city, town, or county creating such corporation, commission, or authority on account of any debts, obligations, or liabilities of such public corporation, commission, or authority."

Section 3.4 Museum Obligation.

(a) *Security*. The Museum has granted to the Authority the security interests evidenced by the Museum Security Documents and agrees to enforce its rights under any Office Space Lease in strict accordance with its terms, and has deposited the executed Standby Security Documents with an escrow agent for the benefit of the City. The Museum has further covenanted to maintain minimum Museum Net Assets and to deliver the Standby Security Documents, all as described in Section 5.10.

(b) *Nature of Museum's Obligation*. The Museum agrees: (1) to make available sufficient Office Space Lease Revenue or Available Museum Funds to make deposits into the Reserve Account in the amount of any Reserve Deficiency following a draw on the Reserve Account in accordance with the procedures under Section 3.5(c) and to fulfill its reimbursement obligation under this Agreement; and (2) to perform and observe all other covenants and obligations on its part contained in this Agreement. The Museum's obligations under this Agreement shall be absolute and unconditional, and shall not be subject to diminution by setoff, counterclaim, abatement or otherwise.

The Museum's obligations under this Agreement (including but not limited to its reimbursement obligation and its obligations under Section 7.4) shall continue in effect and shall survive the satisfaction of the Museum's obligations in connection with the MDA Lease until such time as: (1) the City has been reimbursed in full for all amounts advanced by it pursuant to this Agreement (including interest on those amounts, if applicable), together with any costs owed to

the City pursuant to Section 7.5, and (2) the Museum's and the Authority's obligations with regard to the Bonds have been satisfied and (i) the bankruptcy law or other applicable statutory or common law transfer avoidance period(s) applicable to all payments to Bondowners and to the City have expired without voluntary or involuntary filing of a petition in bankruptcy, for receivership or under other similar statutes or procedures involving protection from creditors with respect to the Authority, the Museum, or any Office Space Tenant, and (ii) the City has been reimbursed in full for any amounts recovered in a Bankruptcy Recovery and paid by the City (including interest on those amounts, if applicable), and (iii) the City has received an opinion from nationally recognized bankruptcy counsel that no other possibility of a Bankruptcy Recovery exists.

The Museum is not acting as the agent of the City or the Authority and its obligations under this Agreement and the MDA Lease do not constitute obligations of the Authority, the City or any entity other than the Museum.

Section 3.5 Procedures under Guarantee. The following procedures shall apply for so long as the City's guarantee is in effect. All notices and communications required under this Agreement shall be given in accordance with Section 7.2. Failure by any party to provide timely notice shall not excuse any other party from performance of its obligations under this Agreement upon actual receipt of such notice.

(a) *Notice by Lockbox Agent.* The Lockbox Agent shall provide to the City, the Museum, the Authority and the Bond Trustee, by the fifth Business Day of each month, a regular monthly report of the deposits to and disbursements from the Lockbox Account. If the Lockbox Agent fails to receive, in full and when due, any Office Space Lease Payment or other payment under a Tenant Payment Agreement, the Lockbox Agent shall provide notice within two Business Days following the due date. Such notice shall be provided to the Authority, the Museum the Bond Trustee and the City, in the form attached as Exhibit G–2.

(b) *Notices by Bond Trustee.* The Bond Trustee shall provide:

(1) ((~~notice~~Notice to the Authority, the Museum, the City and the Lockbox Agent within two Business Days (unless otherwise noted below) after each of the following events:

(i) (((~~1~~)–On each Interest Payment Date (or within two Business Days thereafter), notice of balance in the Reserve Account;

(ii) (((~~2~~)–Notice of the total Reserve Assets on each Valuation Date and immediately following any draw on the Reserve Account;

(iii) (((~~3~~)–Notice of its receipt of any notice relating to any Bankruptcy Recovery requiring an advance by the City; and

(2) (((~~4~~)–Such additional notices as are required under subsections (c) and (d) of this section.

(c) *Reserve Replenishment Procedures and Notices.* Within two Business Days following any draw on the Reserve Account, the Bond Trustee shall give notice, using substantially the form attached as Exhibit G–1, of any Reserve Deficiency to the Authority, the Museum, the City, and the Lockbox Agent demanding that the Authority deposit or cause to be deposited the amount of such Reserve Deficiency. If a Reserve Deficiency exists on the Valuation Date, the Bond Trustee shall, within two Business Days, give notice to the Museum, the Authority and the City demanding that the Museum deposit or cause to be deposited the amount of such Reserve Deficiency. If the Reserve Account is not replenished to the Reserve Requirement within five Business Days after the giving of this second notice, the Bond Trustee shall, within two Business Days, give a third notice to the Museum, the Authority, and the City demanding that the Authority take all action necessary under Section 4.4 to replenish the Reserve Account to the Reserve Requirement and to realize MDA Lease Revenue sufficient to fulfill the Authority's obligations under this Agreement and the Indenture. If at any time prior to the Reserve Account Reconciliation Date, the Bond Trustee receives funds for deposit into the Reserve Account, it shall immediately give notice to the Authority, the Museum, the City and the Lockbox Agent.

(d) *Reserve Deficiency Procedures*. If on any Reserve Account Reconciliation Date, the Bond Trustee determines, pursuant to Section 4.1(a)(2), that a Reserve Deficiency exists, the following actions shall be required:

(1) *Reserve Deficiency Notice by Bond Trustee*. The Bond Trustee shall provide a Reserve Deficiency Notice to the Authority, the Museum and the City within two Business Days after any Reserve Account Reconciliation Date on which a Reserve Deficiency is found to exist.

(2) *Actions by City*. After receipt of a Reserve Deficiency Notice, the City shall, no later than 10:00 a.m., Seattle time, on the Business Day prior to the next Interest Payment Date, deliver to the Bond Trustee the Reserve Deficiency for deposit into the Reserve Account.

(3) *Actions by Authority and the Museum.* Within 20 Business Days after receipt of a Reserve Deficiency Notice, the Authority and the Museum shall provide or cause to be provided to the City: (i) an accounting of the operation of the Existing Art Museum Facility, the MDA Unit and the Museum Expansion Unit, including cash flow information and projections; and (ii) a Reimbursement Schedule that conforms to the terms for reimbursement described in Section 3.2.

Section 3.6 ~~((Bond Proceeds Held by Bond Trustee; Release of Bond Proceeds.))~~ Refunding of the 2005 Bonds.

(a) *Generally*. The proceeds of the Bonds shall be deposited with the ((~~Bond~~))Refunding Trustee for the benefit of the ((~~Bondholders, and (except in the case of an earlier extraordinary redemption under Section 3.6(d)) shall be released only for Project purposes and only upon satisfaction of certain conditions as described in this section. In addition, the Authority shall deposit the Museum Deposit with the Bond Trustee in the Debt Service Fund~~))holders of the 2005

Bonds, and shall be used solely to carry out the Refunding Plan in accordance with the Refunding Escrow Agreement.

(b) *Bond Closing Conditions.* The City's obligation under this Agreement shall be conditioned upon the performance at or prior to the Bond Closing, by the Authority and by the Museum, of the evidence, covenants, agreements and conditions in this subsection.

(1) Representations and Warranties. The representations and warranties of the Authority in Exhibit H–1, and of the Museum in Exhibit H–2, shall be true, complete and correct in all material respects on the date of this Agreement, and on and as of the date of Bond Closing.

(2) Resolutions in Effect. On the date of Bond Closing, the ((~~Bond Resolution and the Authorizing~~))Refunding Resolutions shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented since the date of this Agreement except as shall have been agreed to in writing by the City Finance Director. ((~~The Indenture shall provide for the extraordinary mandatory redemption of the Bonds under the circumstances described in and in accordance with Section 3.6(d) of this Agreement.~~))

(3) Reserve Fully Funded. As of the date of Bond Closing, the Reserve Account shall be funded to the Reserve Requirement((~~with Bond proceeds~~)).

(4) Execution of a Tax Exemption and Nonarbitrage Certificate. On or prior to the date of Bond Closing, the Authority shall execute a certificate acceptable to the Authority's Bond Counsel and to the City Finance Director, pertaining to certain tax exemption and arbitrage matters relating to the Bonds, including the calculation and payment of any Rebate Amount with respect to the Bonds.

(5) [Reserved]. ((~~Tenant Improvements Funded. The City shall be provided with evidence satisfactory to the City Finance Director that the Museum will provide, from proceeds of the Museum Bonds or from sources of funds other than the Bonds, at least $24,000,000 for the planned tenant improvements to the MDA Unit.~~))

(6) City Examination of Documents. On or prior to the date of Bond Closing, the following documents shall have been executed, acknowledged, delivered, recorded and filed, as applicable, and conformed copies of each document, with recording and filing information, if applicable, shall have been delivered to the City Finance Director:

(i) From the Authority: (A) evidence of the Authority's incorporation and continued corporate existence; (B) the MDA Authorizing Resolutions; (C) the ((~~Bond~~))Refunding Resolution; and (D) the Indenture.

(ii) From the Museum: (A) the Museum's Articles of Incorporation, Bylaws, and certificate of existence from the Washington Secretary of State; (B) a signed exemption letter from the Internal Revenue Service evidencing the Museum's status as a 501(c)(3) organization pursuant to the Code; and (C) the Museum Authorizing Resolution.

(iii) [Reserved] ((~~the Development Agreement.~~))

(iv) the MDA Lease and Memorandum of Lease.

(v) Certificates of insurance or other evidence in forms acceptable to the City Finance Director, demonstrating that the insurance described in Exhibit I has been obtained and is in effect with respect to the Existing Museum Facility.

(vi) a copy of the Museum's audited financial statements and all necessary supplemental documentation in a form that demonstrates that the Museum is in compliance with the covenants set forth in Section 5.10.

(vii) ((~~The forms~~))Certified copies of the following documents, which shall be final and shall not be modified after the date of Bond Closing, except for such changes as may be approved in writing by the City Finance Director: (A) the Office Space Lease((~~, which shall include a final lease payment schedule established as of the date of Bond Closing (except to reflect the actual "as built" square footage and final engineering, operational and maintenance requirements of the Museum Expansion Unit, which items shall not require the consent of the City Finance Director~~)) or, in lieu of a copy of such lease, written confirmation that the Office Space Lease is substantially in the form previously represented to the City and a representation to the effect that the Office Space Lease is in compliance with the terms of this Agreement and that no default or event of default under the Office Space Lease has occurred; (B) the Condominium Documents((~~ (except to reflect the actual "as built" square footage and final engineering, operational and maintenance requirements, which items shall not require the consent of the City Finance Director~~))); and (C) the Security Documents.

(viii) Legal Opinions. On or prior to the date of Bond Closing, the City Finance Director shall be provided legal opinions of counsel to the Authority and counsel to the Museum addressed to the City dated the date of Bond Closing, in form and substance acceptable to the City Finance Director, including without limitation, a Defeasance Opinion.

(ix) The Refunding Escrow Agreement.

(x) (((~~ix)~~ Such additional certificates, instruments and other documents as the City Finance Director may reasonably request to evidence the truth and accuracy, as of the date of Bond Closing, of any or all of the following: (A) the representations and warranties of the Authority and the Museum and of the Authority in Exhibits H–1 and H–2 to this Agreement, (B) the due performance by the Authority and the Museum on or prior to the date of Bond Closing of all the respective agreements then to be performed by them and the satisfaction on or prior to the date of Bond Closing of all the conditions prescribed in this section, and (C) the recording and filing of all recordable documents required to be recorded under the terms of this Agreement on or prior to the date of Bond Closing and necessary to carry out the transactions contemplated under this Agreement, the Indenture and the Security Documents.

(7) All In Form and Substance Acceptable to City Finance Director. All of the evidence, opinions, letters, certificates, instruments and other documents referred to in this Section 3.6(b) are in form and substance acceptable to the City Finance Director.

(c) [Reserved] *((~~Acquisition Date Conditions~~. ~~The Acquisition Date shall occur on the date that the City Finance Director (i) has been satisfied that the Acquisition Date Conditions have been met and (ii) provides the City's Acquisition Date Notice to the Bond Trustee, with copies to the Authority, the Museum and the Lockbox Agent. The City Finance Director shall give the City's Acquisition Date Notice only when he, in his sole discretion, is satisfied that the Acquisition Date Conditions are met. Upon receipt of such notice from the City Finance Director, the Bond Trustee shall release all Bond proceeds remaining in the Project Fund for Project purposes, and shall release the portion of the Museum Deposit held in the Principal Account as set forth in the Indenture. If the Bond Trustee has not received notice from the City Finance Director on or prior to July 14, 2006, the Bond Trustee shall proceed to call all of the Bonds for extraordinary redemption in accordance with Section 3.6(d). The Acquisition Date Conditions are as follows:~~))*

(((1) ~~No Material Adverse Change. The City shall be provided with evidence that, as of the Acquisition Date, WAMU (and, if WAMU is not the sole Office Space Tenant, each Office Space Tenant) has a senior long-term debt rating of not less than "BBB-" from S&P or "Baa3" from Moody's. In addition, no event shall have occurred requiring notice to be given under Section 4.2(c)(3) with regard to the voluntary or involuntary filing of a petition of bankruptcy, receivership or other similar status involving protection from creditors with respect to the Authority, the Museum, or any Office Space Tenant since the date of this Agreement.~~))

(((2) ~~Condominium Documents. The Authority and the Museum shall provide to the City:~~))

(((i) ~~A certified copy of the final recorded (as applicable) Condominium Documents;~~))

~~(((ii) The legal descriptions of the MDA Unit and the Museum Expansion Unit, which shall be substituted into Exhibit B to this Agreement and incorporated into this Agreement upon substitution; and))~~

~~(((iii) Copies of all environmental site assessments, if any, prepared prior to the Acquisition Date by or for the MDA, the Museum, WAMU or 1301 Second Avenue, LLC of the real property located at 1301 Second Avenue or of the Existing Museum Facility. If no such environmental site assessments have been prepared, this condition shall not be a reason for the City Finance Director to withhold notice of satisfaction of the conditions in this section.))~~

~~(((3) Insurance. The Authority or the Museum shall provide to the City Finance Director:))~~

~~(((i) One or more lender's extended ALTA policies of title insurance, obtained at the Authority's expense, for the benefit of the City with respect to the MDA Deed of Trust on forms, in substance and in amounts acceptable to the City Finance Director, with such endorsements as the City Finance Director shall request, in accordance with pro forma policies approved by the City Finance Director;))~~

~~(((ii) One or more pro forma lender's extended ALTA policies of title insurance, obtained at the Museum's expense, for the benefit of the City with respect to the Standby Deed of Trust on forms, in substance and in amounts acceptable to the City Finance Director, with such endorsements as the City Finance Director shall request; and))~~

~~(((iii) Certificates of insurance or other evidence in forms acceptable to the City Finance Director, demonstrating that the insurance described in Exhibit I has been obtained and is in effect.))~~

~~(((4) City Examination of Documents. The following documents shall have been executed, acknowledged, delivered to escrow for recording and filing on the Acquisition Date, and conformed copies of each document, with recording and filing information, if applicable, shall be provided to the City Finance Director:))~~

~~(((i) the Office Space Lease (including the Tenant Payment Agreement) and Memorandum of Lease;))~~

~~(((ii) the supplement(s) or amendment(s) to the MDA Lease and Memorandum of Lease, if any, including but not limited to any such supplements or amendments reflecting the acquisition of the MDA Unit and the applicability of the MDA Lease to that unit;))~~

~~(((iii) the MDA Security Documents;))~~

~~(((iv) the Museum Security Documents;))~~

(((v) the Standby Security Documents;))

(((vi) all UCC-1 financing statements relating to any of the Security Documents;))

(((vii) copies of the deeds to the MDA Unit and the Museum Expansion Unit, granted to the Authority and the Museum respectively, showing delivery to an escrow agent with instructions to be recorded on the Acquisition Date;))

(((viii) a copy of the Museum's audited financial statements in a form that demonstrates that the Museum is in compliance with the covenants set forth in Section 5.10; and))

(((ix) a copy of an opinion of counsel to WAMU in form and substance acceptable to the City Finance Director.))

(((5) All of the evidence, opinions, letters, certificates, instruments and other documents referred to in this Section 3.6(c) must be in form and substance acceptable to the City Finance Director.))

(((d) *Release of Bond Proceeds Held by Trustee; Events Requiring Extraordinary Redemption.* Upon receipt of the City's Acquisition Date Notice, the Bond Trustee shall release the remaining Bond proceeds and the portion of the Museum Deposit held in the Principal Account to the Authority. However, if the Bond Trustee has not received the City's Acquisition Date Notice on or prior to July 14, 2006, the Bond Trustee shall, no later than July 25, 2006, send notice to call all and not less than all of the Bonds for extraordinary redemption in accordance with Section 602(a) of the Indenture, and send a copy of such notice to the City and the Authority. In addition, if at any time prior to receiving the City's Acquisition Date Notice, the Trustee has notice of an event or circumstance requiring notice to be given under Section 4.2(c)(3) with regard to the voluntary or involuntary filing of a petition of bankruptcy, receivership or other similar status involving protection from creditors with respect to the Authority, the Museum, or any Office Space Tenant, the Bond Trustee shall immediately, and in no event later than July 25, 2006, give notice to call all and not less than all of the Bonds and to carry out an extraordinary redemption. Any extraordinary redemption required under this subsection shall be carried out no later than September 1, 2006. Such extraordinary redemption shall be funded exclusively with: (i) the Bond proceeds deposited with the Bond Trustee and not released for Project purposes; (ii) other amounts held by the Bond Trustee under the Indenture; and (iii) other funds of the Authority or the Museum, if necessary. The City shall not in any way be obligated with respect to the carrying out of an extraordinary redemption or with regard to any amounts recovered in a Bankruptcy Recovery following an extraordinary redemption. In the event of an extraordinary redemption, this Agreement shall terminate and neither the City, nor the Authority, nor the Museum shall be under any further obligation under this Agreement, except that the obligations under Sections 7.4 and 7.5 shall survive the termination of this Agreement pursuant to this section.))

ARTICLE 4.
Covenants and Agreements Relating to the Bonds and Leases

Section 4.1 Funds and Accounts.

(a) *Debt Service Reserve Account.* The Authority shall establish and maintain, or cause to be established and maintained, a Reserve Account to be managed and disbursed by the Bond Trustee pursuant to the Indenture. The Authority shall maintain a balance in the Reserve Account equal to the Reserve Requirement.

(1) Draw on Reserve Account; Procedures. In accordance with the Indenture amounts in the Reserve Account shall be drawn upon and applied solely by the Bond Trustee in the event that sufficient money is not available to it to make the scheduled debt service payments on the Bonds as shown on the Bond Debt Service Schedule. Notice of any draw shall be provided as required under Section 3.5(((~~b~~))c). Following any draw, the Reserve Account shall be replenished in accordance with Section 3.5(c) and (d).

(2) Reserve Account Reconciliation. The Authority shall cause the Bond Trustee to determine, on each Reserve Account Reconciliation Date, whether a Reserve Deficiency exists. If a Reserve Deficiency is found to exist on the Reserve Account Reconciliation Date, the actions described under Section 3.5(((~~b~~))d) shall be required.

(b) *Lockbox Account.* The Lockbox Account shall be established, to be held by the Lockbox Agent under the Lockbox Addendum, separate and apart from all other funds and accounts of the Museum. By acknowledging and accepting this Agreement, the Lockbox Agent accepts the terms of this Section 4.1(b) and the Lockbox Addendum, attached as Exhibit J and by this reference incorporated herein, and its responsibilities under this Agreement.

(1) Deposits into Account. For so long as the Bonds are outstanding, any and all Office Space Lease Revenue ((~~is required to~~))shall be deposited in the Lockbox Account. As security for the MDA Lease, the Museum shall include a Tenant Payment Agreement in every Office Space Lease, or shall otherwise enter into an agreement requiring the tenant to remit all payments due under an Office Space Lease directly to the Lockbox Account in satisfaction of the tenant's obligation to make those payments to the Museum.

(2) Flow of Funds in Lockbox Account. Except as provided in paragraph (3) of this subsection, for so long as the Bonds are outstanding, all amounts deposited into the Lockbox Account and all interest earned thereon shall, on the 5th Business Day of each month, be applied by the Lockbox Agent only for the following purposes in the following order of priority:

(i) To pay any outstanding unpaid regular Lockbox Agent fees, if any;

(ii) To pay to the Bond Trustee amounts equal to those shown on the MDA Lease Payment Schedule attached as Exhibit A-2, which amount shall be

credited against the Museum's obligation (if any) to pay rent under the MDA Lease.

(iii) If no Reimbursement Schedule under Section 3.2(a) is in effect, to the extent necessary to pay all amounts due to the City to reimburse the City for City advances to the Reserve Account, and if a Reimbursement Schedule is in effect, to pay to the City amounts due under a Reimbursement Schedule approved in accordance with Section 3.2(a) of this Agreement (which payments shall in either event be applied as set forth in Section 3.2(c)(3));

(iv) To pay to the Bond Trustee any monthly payment required under a Bond Prepayment Plan approved in accordance with Article IV of this Agreement; and

(v) Any amounts remaining after satisfaction of items (i) through (iv), including any interest earned thereon, shall be released to the Museum for any Museum purpose.

(3) Exceptions for Particular Events and Circumstances. In each of the following circumstances and until notified by the City that the circumstance has been cured or no longer applies, the Lockbox Agent shall cease applying amounts in the Lockbox Account to items (iv) and (v), above. The Lockbox Agent shall instead apply all amounts received to items (i) through (iii), above and then, on a monthly basis, pay any amounts remaining to the Bond Trustee for deposit first, into the Reserve Account in an amount not to exceed the Reserve Deficiency (if any), and second, to the extent necessary to pay to the City for any and all amounts due in connection with an insurance reimbursement due under Section 6.2(c), and third, all remaining amounts shall be equally divided for deposit into the Principal and Interest Accounts, as defined in the Indenture. Upon receipt of a notice of failure to replenish the Reserve Account as described in the third sentence of Section 3.5(c), the Lockbox Agent shall within two Business Days, pay to the Bond Trustee any amounts remaining in the Lockbox Account and shall provide notice to the City, the Museum, and the Authority of the amount so paid. The circumstances include:

(i) Receipt of notice given under Section 3.5(((~~b~~))c) of a draw on the Reserve;

(ii) Receipt of a copy of a Reimbursement Schedule provided under Section 3.2 (unless the Reimbursement Schedule provides for payments under a Bond Prepayment Plan, in which case the Lockbox Agent shall apply to (iv) amounts available after applying funds to items (i)–(iii), above, in accordance with the Reimbursement Schedule);

(iii) Failure to receive a monthly Office Space Lease Payment in full when due in accordance with the schedule attached as Exhibit A-3;

(iv) Receipt of any notice given under Section 4.2(c);

(v) Receipt of a notice of Declaration of Default declaring a Museum or Authority default under any of subsections (1) through (5) of Section 6.1(a);

(vi) Receipt of any insurance proceeds (whether from property or casualty insurance, rental and business interruption insurance, or any other source of insurance proceeds) or any condemnation award); and

(vii) Receipt of a notice given under Section 6.2(c)(2) of failure to reimburse the City for amounts due relating to insurance payments.

Section 4.2 Reports and Records; Notices by Authority and Museum.

(a) *Records*. The Authority and the Museum each hereby covenants: (1) to permit the City or its duly authorized representatives, access (wherever regularly located) during normal business hours to the books, records, and any and all accounts and data of the Authority and of the Museum, respectively, pertaining to the Bonds, the Project, the MDA Unit, the Museum Expansion Unit, and every Office Space Lease, and (2) to make such books and records available for audit, copying, and inspection, at reasonable times and under reasonable conditions to the City and its duly authorized representatives.

(b) *Reports*. The Authority and the Museum each further agrees to provide to the City copies of the following:

(1) Within ten Business Days ((~~of~~))after receipt, the Authority's audited and unaudited financial statements;

(2) Within ten Business Days ((~~of~~))after receipt, the Museum's audited and unaudited financial statements, prepared according to generally accepted accounting practices applicable to nonprofit corporations;

(3) Within three Business Days ((~~of~~))after receipt, each report provided to the Authority under Section 4.3(b) by an arbitrage rebate compliance consultant;

(4) Within three Business Days ((~~of~~))after receipt, each report received from the Bond Trustee under the Indenture (but only in the event that the transmittal for such report does not show that the Bond Trustee has already provided the City with a copy of such report); and

(5) At the time provided to the Bond Trustee, any and all certificates required to be given by the Museum or the Authority (as applicable) to the Bond Trustee under the Indenture.

(c) *Additional Notice of Certain Events*. In addition, the Authority and the Museum shall each provide notice to the City, the Bond Trustee and the Lockbox Agent, within two Business Days of its knowledge ((~~of~~))after the occurrence of:

(1) Any default under any of the Security Documents, the MDA Lease, any Office Space Lease, the Lockbox Addendum or the Indenture;

(2) Any event which, with the passage of time or service of notice, or both, would constitute an default under any of the above. Such notice shall specify the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto; or

(3) The voluntary or involuntary filing of a petition of bankruptcy, receivership or other similar status involving protection from creditors with respect to the Authority, the Museum, or any Office Space Tenant.

Section 4.3 Tax Exempt Status of Bonds; Arbitrage. It is the intention of the Authority and the City that interest on the Bonds shall be and remain excluded from gross income of the owners of the Bonds under federal tax law.

(a) The Authority therefore covenants and agrees that it has not taken or permitted to be taken and will not take or permit to be taken any action that will cause the interest on the Bonds to become included in gross income for federal tax purposes pursuant to the Code or to become "arbitrage bonds" within the meaning of Section 148 of the Code. The Authority covenants that it will not take any action, fail to take any action or make or allow any use of the Project, or the proceeds of the Bonds, which would cause the interest on any of the Bonds to be or become includable in the gross income of such bond owners for federal income tax purposes. Specifically, and without limitation, the Authority shall actively enforce the provisions of Section 18.1 of the MDA Lease regarding the use of the MDA Unit for purposes that could cause the interest on the Bonds to be or become taxable. Moreover, without limiting the generality of the foregoing, the Authority covenants and agrees that it will take such action or actions as are legally permissible and necessary in the opinion of Bond Counsel (including, without limitation, making or consenting to amendments to the Bond Resolution, the Indenture, the Security Documents or this Agreement), so that the Authority, the Project, and all subsequent owners and tenants of the MDA Unit comply fully and continuously with Sections 145 and 148 of the Code and with all applicable legislative enactments or applicable final decisions of courts of competent jurisdiction so as to maintain the exclusion from gross income of interest on the bonds.

(b) The Authority agrees to obtain, within 45 days after the first, second, fifth and tenth anniversaries of the Bond Closing and at the Authority's expense, a report by an arbitrage rebate compliance consultant and in a form acceptable to the City Finance Director, calculating the Rebate Amount, if any, owing to the United States of America with regard to the Bonds, and further agrees to pay such Rebate Amount, if any.

(c) By virtue of the preceding agreement to comply with future laws or regulations, the Authority and the City do not intend nor shall they be deemed to waive any rights or defenses they may have, individually or collectively, to contest the application of such laws or regulations to the Project on the grounds that such application would constitute a prohibited impairment of contract or on any other applicable grounds. Nevertheless, while contesting the application of any such

laws or regulations, the Authority and the City shall take such actions deemed necessary in the opinion of Bond Counsel to maintain the exclusion from gross income of interest on the Bonds.

(d) The Authority's and the City's responsibilities under this section shall be limited to actions within each entity's respective control. None of the covenants and agreements herein contained shall require the City to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Bonds.

Section 4.4 Provisions Relating to Office Space Lease.

(a) *Required Provisions.* The Museum shall not enter into, and the Authority shall not permit the execution of, an Office Space Lease that does not meet the Coverage Requirement under Section 5.3. Furthermore, the Museum and the Authority agree that each Office Space Lease shall include provisions regarding the termination of such Office Space Lease substantially similar to those in Section 2.4 of the((~~WAMU~~)) Office Space Lease in effect as of October 1, 2007 and a Tenant Payment Agreement substantially similar to that attached at Exhibit D–2.

(b) *Lease Defaults.* The Museum agrees that, promptly upon notice of an Event of Default under any Office Space Lease, as defined in that Office Space Lease (and the expiration of any applicable cure period), it shall use all commercially reasonable efforts to evict a nonpaying tenant and relet the Office Premises, consistent with subsection (d) of this section.

(c) *Failure to Replenish Reserve Account.* Upon the receipt of a notice under the third sentence of Section 3.5(c), the Museum, as required by the MDA Lease, agrees to grant and the Authority agrees to accept appointment as the Museum's leasing agent and property manager with respect to the Office Premises. Upon such appointment and acceptance, the Authority shall use its best efforts to collect amounts due under the Office Space Lease and, if necessary, shall use commercially reasonable efforts to evict any non-paying tenant and to relet the Office Premises on the Museum's behalf. As leasing agent and property manager, the Authority shall have the right, in its sole discretion consistent with the remaining obligations of the Museum to the Authority under the MDA Lease, to relet the Office Premises on the Museum's behalf. The Authority agrees that upon the Authority's undertaking to act as leasing agent and property manager for the Museum, the Authority shall use all commercially reasonable efforts to relet the Office Premises. The Museum agrees to cooperate with the Authority it its re-leasing efforts and in connection with the collection of delinquent rent payments and evicting nonpaying tenants. The Museum further agrees to execute any documents requested by the Authority or the City consistent with this Agreement and in furtherance of such re-leasing efforts and to join in any litigation in connection therewith. All net proceeds of such re-leasing shall be deposited to the Lockbox Account and used as set forth in Section 4.1, above. Performance of the obligation to use commercially reasonable efforts to relet the Office Premises shall not relieve any party of any obligation under this Agreement, any Security Document or the Indenture.

(d) *Museum Takedown of Office Space Lease.* The Museum agrees that it will not take action to terminate all or any portion of any Office Space Lease except with the prior written consent of the City Finance Director, or otherwise in accordance with this subsection.

(1) *Covenant to Redeem or Defease Bonds.* The Museum agrees not to terminate any or all of any Office Space Lease (other than for the purpose of ejecting a non-paying tenant and re-letting the Office Premises, as to which termination prior City consent is not required) unless it has prepaid MDA Lease Payments in an amount sufficient to purchase, redeem or defease that portion of the Bonds described in Section 4.6(b).

(2) *Notice to City Required Prior to Lease Termination.* The Museum shall provide to the Authority and to the City written notice of the Museum's intent to terminate all or any portion of an Office Space Lease simultaneously with any notice of termination to an Office Space Tenant given under section 2.4 of the((~~WAMU~~)) Office Space Lease in effect as of October 1, 2007 or under provisions of any other Office Space Lease permitting termination by the Museum. The Museum covenants to include in every Office Space Lease the requirement that notice of termination by the Museum is revocable by the Museum, at its sole option and for any reason without penalty and without right of the Tenant to terminate, for at least 12 months following the giving of the termination notice.

(3) *Bond Prepayment Plan Required; City Approval Required.* Simultaneously with the notice under subsection (b)(2), the Museum shall also submit a Bond Prepayment Plan, as described in Section 4.6, to the City Finance Director for approval, with a copy to the Authority. Included in the submission shall be information regarding cash flow expectations for the Museum, the Authority and the Lockbox Account and any request to alter the flow of funds into the Lockbox Account, which shall be subject to approval by the City Council. The submission must demonstrate to the satisfaction of the City Finance Director that no later than the date of the proposed lease termination, the Museum and/or the Authority will have set aside or caused to be set aside in a Bond Prepayment Account, amounts of Seasoned Funds sufficient for the Authority to redeem, purchase or defease a principal amount of the Bonds in the proportion described in Section 4.6(a)(2).

(4) *Timeline for City Approval; Revocation of Termination Notice.* If the City Finance Director's approval has not been obtained within 60 days after the Museum's submission of a proposed Bond Prepayment Plan, such plan shall be deemed rejected, unless the City Finance Director extends such deadline in writing, for 30 days. In the case of such an extension, the plan shall be deemed rejected upon expiration of the extension unless the City Finance Director has approved the plan in writing, or has further extended the deadline. Further extensions shall be in 30–day increments to a maximum of 120 days after the date of the original notice and plan submission. On the 120th day after the Museum's first submission of a Bond Prepayment Plan, all plans submitted shall be deemed rejected unless the City

Finance Director has approved a plan in writing. After the 120th day, no further extensions shall be permitted, and the Museum shall within five Business Days revoke its termination notice to the Office Space Tenant, with copies of such revocation to the Authority and the City. The Authority agrees to take such action as may be necessary under the MDA Lease and the Museum Security Documents to enforce this section. No Bond Prepayment Plan or plan of lease termination shall be approved under this subsection so long as any advance made by the City under this Agreement remains unreimbursed. The Authority shall not permit the Museum to terminate all or any portion of an Office Space Lease unless and until the City Finance Director's approval has been obtained under this section and Section 4.6.

Section 4.5 Insurance and Condemnation Proceeds.

(a) *Repair and Replacement.* The Museum and the Authority each covenants to take all action within its control to cause any insurance proceeds (other than rental or business interruption insurance) and any condemnation award to be applied as set forth in Section 4.5(b) or to the repair or replacement of the Existing Museum Facility, the MDA Unit and the Museum Expansion Unit, as applicable, or the portion of either or both units that is damaged or subject to condemnation, in accordance with the Condominium Documents, the Leases and the provisions of this section and Section 4.6 of this Agreement.

(b) *No Repair or Replacement.* To the extent that property insurance proceeds or condemnation awards are not applied to repair or replacement of the facilities, the Authority shall develop a Bond Prepayment Plan to purchase, redeem or defease a principal amount of Bonds in proportion to the portion of the MDA Real Estate Parcels or the Museum Expansion Unit that will not be repaired or replaced. In addition, the Museum and the Authority shall irrevocably direct that:

(1) All insurance proceeds (other than from rental or business interruption insurance) and condemnation awards to be paid to or on behalf of the Museum or the Authority and which are not applied to repair or replacement with respect to any of the MDA Real Estate Parcels shall be used: (i) to pay to the Bond Trustee amounts necessary to carry out a Bond Prepayment Plan (including the payment or prepayment of principal of and interest on the Bonds and any transaction costs and redemption premium, if any, associated with the purchase, redemption or defeasance of the Bonds), and (ii) for the repayment of any amounts owed to the City under this Agreement; and

(2) All insurance proceeds (other than from rental or business interruption insurance) and condemnation awards to be paid to or on behalf of the Museum or the Authority and which are not applied to repair or replacement with respect to the Museum Expansion Unit shall be paid to the Lockbox Agent for deposit into the Lockbox Account and used in accordance with the flow of funds in Section 4.1(b).

(c) *Rental & Business Interruption Insurance Proceeds.* All rental or business interruption insurance proceeds with respect to the Museum Expansion Unit shall be paid to the Lockbox Agent for deposit into the Lockbox Account and used in accordance with the flow of funds in Section 4.1(b). All rental or business interruption insurance proceeds with respect to the MDA Real Estate Parcels shall be paid to the Bond Trustee for deposit into the Interest Account and then the Principal Account.

Section 4.6 Bond Prepayment Plans. No Bond Prepayment Plan shall become effective until approval of the City Finance Director has been obtained in writing. The Authority shall not proceed with any plan to redeem, purchase or defease any or all of the Bonds unless and until the City Finance Director's approval has been obtained. The Museum shall provide a copy of any approved Bond Prepayment Plan to the Authority, the Bond Trustee and the Lockbox Agent, within five Business Days of written approval by the City Finance Director.

(a) *Contents; Requirements.* Every Bond Prepayment Plan that includes defeasance shall provide for compliance with the defeasance requirements under Article XII of the Indenture and shall provide that:

(1) The City will receive (in addition to such other certificates, reports, opinions or other documentation as the City Finance Director may require): (i) in the case of a proposed advance refunding, a verification by a nationally recognized independent certified public accounting firm acceptable to the City confirming that the maturing principal of and interest on the securities held by the Bond Trustee (or other escrow agent appointed with respect to such refunding or defeasance), in the Bond Prepayment Account (or other trust account established in connections with the refunding or defeasance), if paid when due and assuming no reinvestment thereof, together with any other cash then held by that escrow agent, will be sufficient to carry out the Bond Prepayment Plan; and (ii) an opinion of Bond Counsel that the bonds so prepaid have been legally defeased, using Seasoned Funds, funds previously deposited in the Reserve Account (but only if no amounts are due and owing to the City in respect of advances made under this Agreement), or funds available from another source (e.g., insurance proceeds, a condemnation award, grants contributions, borrowing, or a letter of credit) that are, that, in the written opinion (delivered to the City, the Bond Trustee and the refunding escrow agent, if any) of nationally recognized bankruptcy counsel practicing regularly before Federal Bankruptcy Court, are not subject to treatment as an "avoidable transfer" under any applicable section of the Federal Bankruptcy Code in the event of a Bankruptcy by the Authority or the Museum, and are no longer outstanding. The City shall be entitled to rely upon the verification and opinion described in this paragraph, and all of the City's obligations under this Agreement with respect to the Bonds so defeased shall terminate.

(2) The proportion of Bonds to be purchased, redeemed or defeased shall be in the same proportion to the amount of Bonds then outstanding as (i) the amount payable during the preceding calendar year under the Office Space Lease(s) and attributable

on a per square foot basis to that portion of the Office Premises subject to lease termination, damaged or destroyed, bears to (ii) the total amount payable under the Office Space Lease(s) for that period.

(b) *Seasoned Funds*. The amounts set aside or to be set aside in any Bond Prepayment Account must be deposited in Seasoned Funds, funds previously deposited in the Reserve Account (but only if no amounts are due and owing to the City in respect of advances made under this Agreement), or funds available from another source (e.g., insurance proceeds((~~—or~~)), a condemnation award, grants contributions, borrowing, or a letter of credit) that are, that, in the written opinion (delivered to the City, the Bond Trustee and the refunding escrow agent, if any) of nationally recognized bankruptcy counsel practicing regularly before Federal Bankruptcy Court, are not subject to treatment as an "avoidable transfer" under any applicable section of the Federal Bankruptcy Code in the event of a Bankruptcy by the Authority or the Museum.

Section 4.7 No Transfer of Property. Neither the Authority nor the Museum shall voluntarily transfer or permit the voluntary transfer of all or any portion of the property or security interests described the Security Documents. Any transfer that is in violation of this Section shall not relieve the Authority or the Museum of any obligations under this Agreement and shall be an Event of Default hereunder.

Section 4.8 City's Continuing Disclosure Agreement. ((~~This section constitutes the~~))The City agrees to execute, in connection with the issuance of the Bonds, a written undertaking (the "Undertaking") for the benefit of the holders of ((~~the Bonds~~))those bonds, as required by United States Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule"), in a form acceptable to the City, its Counsel and the purchaser of the Bonds. For purposes of th((~~is~~))e undertaking, the term "holders of the ((~~B~~))bonds" shall have the meaning intended for such term under the Rule. ((~~The City as an "obligated person" within the meaning of the Rule undertakes to provide or cause to be provided, either directly or through a designated agent:~~))

(((~~(1) To each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule (each "NRMSIR"), and to a state information depository, if one is established in the State of Washington and recognized by the SEC (the "SID"), annual financial information and operating data of the type included in the Official Statement for the Bonds as generally described below: (i) annual financial statements of the City, prepared in accordance with generally accepted accounting principles applicable to governmental units (except as otherwise noted herein), as such principles may be changed from time to time and as permitted by State law, which financial statements need not be audited, except that if and when audited financial statements are otherwise prepared and available to the City they will be provided; (ii) a statement of authorized, issued and outstanding general obligation debt of the City; (iii) the assessed value of the property within the City subject to ad valorem taxation; and (iv) ad valorem tax levy rates and amounts and percentage of taxes collected.~~))

((~~Annual financial information, as described above, will be provided to each NRMSIR and the SID, not later than the last day of the ninth month after the end of~~

~~each fiscal year of the City, as such fiscal year may be changed as permitted or required by State law, commencing with the City's fiscal year ending December 31, 2005. The annual financial information may be provided in a single or in multiple documents, and may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an obligated person as defined by the Rule, which documents have been filed with each NRMSIR and the SID. If the document incorporated by reference is a "final official statement" it must be available from the Municipal Securities Rulemaking Board ("MSRB").~~))

(((2) ~~To each NRMSIR or to the MSRB, and to the SID, timely notice of the occurrence of any of the following events with respect to the Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to the rights of the holders of the Bonds; (viii) Bond calls (other than scheduled mandatory redemptions of Term Bonds); (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes.~~))

(((3) ~~To each NRMSIR or to the MSRB and to the SID timely notice of a failure by the City to provide required annual financial information on or before the date specified in paragraph (1) above.~~))

((~~If the City fails to comply with this Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the City learns of that failure. No failure by the City or other obligated person to comply with this Undertaking shall constitute a default with respect to the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary and appropriate to compel the City or other obligated person to comply with this Undertaking.~~))

((~~At its option and to the extent authorized by the SEC, the City may make any filing under this Undertaking by transmitting the required filing using http://www.disclosureusa.org (or such other centralized agent as may be approved by the SEC).~~))

((~~This Undertaking may be amended without the consent of any holder of any Bond, any broker, dealer, municipal securities dealer, participating underwriter, Rating Agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule. The City will give notice to each NRMSIR or the MSRB, and to the SID, of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information being provided.~~))

((~~The City's obligation under the Undertaking shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the then outstanding Bonds. In addition, the Undertaking, or any provision thereof, will be null and void if the City (i) obtains an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws to the effect that those portions of the Rule which require the City to comply with the Undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (ii) notifies the SID and either the MSRB or each then existing NRMSIR of such termination.~~))

ARTICLE 5.
Representations, Warranties, Covenants and Agreements

Section 5.1 Project Description. A description of the Project ((~~and the estimated Project Costs are~~))is shown in Exhibit F.

(a) *Project ((~~Completion~~))Operation*. The Authority and the Museum will furnish any money necessary((~~, in addition to Bond proceeds, to complete~~)) to operate and maintain the Project and neither the Authority nor the Museum expects or intends to request any such money from the City. The Authority and the Museum each acknowledges that the obligation of the City under this Agreement to provide a guarantee as to the Bonds does not in any way constitute a representation, warranty, guaranty, advice or suggestion by the City as to the feasibility or viability of the Project, and may not be relied on as such by any investor, tenant, lender, or other person, for any reason.

(b) *Public Access to the Project*. ((~~Upon completion of the Project, the~~))The Authority and the Museum shall admit, or cause to be admitted, individuals to the Project without regard to race, sex, marital status, national origin, religious belief, creed, sexual orientation, gender identity, political ideology or the presence of any sensory, mental or physical handicap, and shall respect, permit and not interfere with the religious beliefs of persons using the Project. Except to the extent permitted by the constitution, statutes and laws of the United States and the State, the Authority and the Museum each further agrees that it will not use or permit the use of the Project as a place of religious worship or sectarian instruction. ((~~Upon completion of the Project, the~~))The Authority and the Museum shall provide access to the public spaces of the Project consistent with the Public Benefits set forth in Section 3.4 of the MDA Lease.

Section 5.2 Representations, Warranties and Covenants. It is specifically understood by the Authority and the Museum that all representations and warranties are being relied upon by the City as an inducement to provide the guarantee under this Agreement, and that if any such statements, representations and warranties were materially incorrect at the time they were made or as of the ((~~Acquisition~~))Closing Date, the City may consider any such misrepresentation or breach an Event of Default.

(a) *Representations, Warranties and Covenants of the Authority*. As of the date of this Agreement and as of the ((~~Acquisition~~))Closing Date, the Authority represents and agrees that: (i) each of the representations and warranties of the Authority set forth in Exhibit H–1 is (as of the date of this Agreement) and shall be (as of the ((~~Acquisition~~))Closing Date) true, accurate and

complete and by this reference is incorporated herein; (ii) as of the ((~~Acquisition~~))Closing Date, the MDA Security Documents shall have been duly authorized, executed and delivered by the Authority, shall not have been modified, amended, superseded or rescinded, and shall be in full force and effect; (iii) as of the ((~~Acquisition~~))Closing Date, the Authority shall have complied with all agreements and covenants and satisfied all conditions contemplated by the MDA Security Documents on its part to be performed or satisfied at or prior to the ((~~Acquisition~~))Closing Date; and (iv) the insurance required to be obtained under Section 5.4 of this Agreement shall be in full force and effect as of the ((~~Acquisition~~))Closing Date.

(b) *Representations, Warranties and Covenants of the Museum.* As of the date of this Agreement and as of the Acquisition Date, the Museum represents and agrees that: (i) each of the representations and warranties of the Museum set forth in Exhibit H–2 is (as of the date of this Agreement) and shall be (as of the ((~~Acquisition~~))Closing Date) true, accurate and complete and by this reference is incorporated herein; (ii) as of the ((~~Acquisition~~))Closing Date, the Museum Security Documents: (A) shall have been duly authorized, executed and delivered by the Authority; (B) shall not have been modified, amended, superseded or rescinded; and (C) shall be in full force and effect; (iii) as of the ((~~Acquisition~~))Closing Date, the Museum shall have complied with all agreements and covenants and satisfied all conditions contemplated by this Agreement, the Museum Security Documents, the Office Space Lease and the MDA Lease on its part to be performed or satisfied at or prior to the ((~~Acquisition~~))Closing Date; and (iv) the insurance required to be obtained under Section 5.4 of this Agreement, shall be in full force and effect as of the ((~~Acquisition~~))Closing Date.

Section 5.3 Debt Service Coverage Requirement Covenant. The Authority agrees to establish such terms under the MDA Lease and to take all actions necessary to realize amounts of MDA Lease Revenue at least equal to the Coverage Requirement. The Museum agrees to establish such terms under any Office Space Lease and to take all actions necessary to realize payments into the Lockbox Account of amounts of Office Space Lease Revenue at least equal to the Coverage Requirement.

Section 5.4 Insurance. The Authority and the Museum each agrees to obtain and continuously maintain, or to cause to be obtained and continuously maintained, at the expense of the Authority and the Museum, all policies of insurance with regard to the MDA Real Estate Parcels and the Museum Expansion Unit, respectively, as described in Exhibit I. In addition to the above covenant to obtain and maintain the insurance policies described in Exhibit I, the Authority and the Museum each agrees to be bound by each of the covenants contained in Exhibit I, which exhibit is incorporated herein by reference, and to enforce all provisions of the Condominium Documents relating to such insurance.

Section 5.5 Maintenance and Repair. The Authority and the Museum each agrees to maintain, or cause to be maintained, the MDA Real Estate Parcels and the Museum Expansion Unit, during the term of this Agreement (i) in a reasonably safe condition and (ii) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Section 5.6 Additional Indebtedness.

(a) Except for the Museum Bonds, neither the Authority nor the Museum shall issue any additional bonds, notes or other evidences of indebtedness in excess of $1,000,000 aggregate outstanding at any given time, in the course of ordinary business, without the prior written consent of the City Finance Director, except as follows:

(1) The Museum may incur indebtedness not to exceed an aggregate maximum of $28,000,000 outstanding at any given time, and is not required to seek additional City consent for indebtedness issued or incurred under this ceiling. Any borrowing from or secured by endowment funds shall be included in the calculation of indebtedness under this ceiling.

(2) If at any time, the Museum desires to incur debt in excess of this ceiling, it may do so only upon consent given in writing by the Director of Finance, acting in his sole discretion and without requiring additional authorization from the City Council, but only insofar as the aggregate amount of debt outstanding (including the proposed debt and all outstanding debt) will not exceed $40,000,000. The consent of the Director of Finance is specific to the particular debt with respect to which the consent is given and does not act to raise the ceiling described in subsection 5.6(a)(1), above, for purposes of any other borrowing. If the aggregate amount of debt outstanding plus the debt proposed to be incurred would exceed $40,000,000, the Director of Finance may consent only upon additional authorization by a resolution or ordinance of the City Council.

(3) If the Authority desires to incur any additional debt at any time during which the Museum has any debt outstanding as described in subsection 5.6(a)(1) or (2), the Authority may incur such additional debt only upon consent of the Director of Finance given upon additional authorization by a resolution or ordinance of the City Council.

Nothing in this Agreement obligates the City in any way with regard to any additional bonds or refunding bonds or with respect to any waiver of the redemption schedule for the Museum Bonds. Capitalized terms not defined but used in this section shall have the meanings set forth in the Bank Reimbursement Agreement.

(b) The Museum Bonds ((~~are~~))were originally authorized to be issued in one or more issues and/or series in an aggregate principal amount not to exceed $85 million, for the purpose of financing the Museum's transformation plan (including the downtown expansion, the Olympic Sculpture Park and the Asian Art Museum), capitalizing interest, funding reserves, and paying costs of issuance of the Museum Bonds and the Bonds. The terms of the Museum Bonds are as follows: variable rate bonds with a maximum term of 30 years, subject to prepayment in accordance with the Bank Reimbursement Agreement; a tax-exempt issue and a taxable issue; optional redemption; extraordinary redemption; mandatory tender; optional tender; open market purchase; no acceleration (except term-out provisions provided for in the Bank Reimbursement

Agreement) except in accordance with the applicable trust indenture for that issue of Museum Bonds, notice of which shall be provided to the City at the same time as notice is provided to the parties to those Museum Bonds; and covenants to set aside the OSP Endowment Pledge to maintain liquidity during construction of the Olympic Sculpture Park and downtown expansion. Each issue of Museum Bonds is enhanced by a direct pay irrevocable letter of credit for the full outstanding principal amount of that issue and a specified number of days of interest. Pursuant to the Bank Reimbursement Agreement, the Museum is required to prepay the Museum Bonds pursuant to a redemption schedule.

(c) The security to be offered in relation to the Museum Bonds may include: a security interest in the Capital Campaign Pledges and in the Collateral Account (as those terms are defined in the Bank Reimbursement Agreement), a security interest in collateral provided by certain third party donors to secure their Capital Campaign Pledges, a springing deed of trust on the Olympic Sculpture Park property, and a general contractual obligation of the Museum to pay the Museum Bonds. The Authority covenants to create or permit no leasehold or subleasehold interest in the MDA Unit or the Existing Museum Facility other than the Museum's leasehold interest created by the MDA Lease and subleases permitted by the Security Documents. The Museum covenants to create no leasehold or subleasehold interest in the Museum Expansion Unit other than the leasehold interest of an Office Space Tenant created by an Office Space Lease that includes the Tenant Payment Provisions, and subleases permitted by the Museum Expansion Unit Assignment of Rents unless approved by the City Finance Director in connection with a Bond Prepayment Plan. The Museum and the Authority each covenant: (1) to grant no deed of trust (springing or otherwise) or other consensual lien or negative pledge, and to permit no nonconsensual lien (other than nonconsensual liens being contested by the Authority or the Museum in good faith so long as adequate provision is made for payment of the same, such that the City's security interests are not jeopardized) with regard to the Museum Expansion Unit or the MDA Unit or the Existing Museum Facility (in each case, other than the deeds of trust and pledges granted to the City or placed in escrow for the City as security for this Agreement); and (2) to create no lien and grant no negative pledge on any other asset of the Museum or the Authority other than: (i) the Olympic Sculpture Park and related assets (e.g., fixtures, improvements, leasehold interests, etc.) for so long as the Olympic Sculpture Park and those related assets are pledged as security under the Bank Reimbursement Agreement, (ii) the Capital Campaign Pledges, and (iii) the Collateral Account.

Section 5.7 Payment of Taxes and Assessments. The Authority represents that it has filed or caused to be filed all federal, state and local tax returns or information returns which are required to be filed with respect to the MDA Real Estate Parcels, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due and payable other than those payable without penalty or interest. In addition, the Authority agrees to pay, or cause to be paid, when due, all taxes and assessments, general or special, including, without limitation, all ad valorem taxes, concerning or in any way related to the MDA Real Estate Parcels, or any part thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments. The Authority has reserved the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the MDA Real Estate Parcels.

The Museum represents that it has filed or caused to be filed all federal, state and local tax returns or information returns which are required to be filed with respect to the Museum Expansion Unit, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due and payable other than those payable without penalty or interest. In addition, the Museum agrees to pay, or cause to be paid, when due, all taxes and assessments, general or special, including, without limitation, all ad valorem taxes, concerning or in any way related to the Museum Expansion Unit, or any part thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments. The Museum has reserved the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the Museum Expansion Unit.

Section 5.8 Additional Instruments. The Authority and the Museum each hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be necessary, in the reasonable opinion of the City Finance Director, to carry out the transactions contemplated in the ((~~Bond~~))Refunding Resolution, the Authorizing Resolutions and the Indenture, or to perfect or give further assurances of any of the rights granted or provided for in this Agreement or the Security Documents.

Section 5.9 Authority Board. The Authority and the Museum each hereby covenants that for so long as this Agreement remains in effect, no more than one-third of the members of the Authority Council shall also hold positions as board members, officers or employees of the Museum or be family members or employees of Museum board members, officers or employees.

Section 5.10 Museum Covenants and the Standby Security Documents.

(a) ((~~The~~))On or prior to the Closing Date, the Museum shall((~~, as an Acquisition Date Condition, execute and place~~)) have executed and placed in escrow (with an escrow agent agreed upon by the Museum and the City Finance Director) the fully executed Standby Deed of Trust for the Museum's fee interest in the Museum Expansion Unit (subject only to the Office Space Lease and the Museum Security Documents) for the benefit of the City and to secure the Museum's obligations hereunder, together with the other fully executed Standby Security Documents, substantially in the forms attached as Exhibit E. If at any time the City notifies such escrow agent holding the Standby Security Documents that the Museum is not in compliance with or has failed to meet the requirements of any one or more of the covenants set forth in this Section 5.10, then the escrow agent shall record, file or deliver, as applicable, the Standby Security Documents consistent with the escrow instructions. In the event of the Museum's failure to comply with Section 5.10(b) that results solely from an increase in Finance Director Determined Liability, the City shall not give notice to the escrow agent until at least 30 days after the City has provided notice to the Museum according to the last paragraph of Section 5.10(b), below. In all other circumstances, the City need not wait nor must the City provide any notice to the Museum prior to giving notice to the escrow agent that the Museum is not in compliance with or has failed to meet the requirements of any one or more of the covenants set forth in this Section 5.10 (including Section 5.10(b)), or that an event described in Section 5.12 has occurred. The Standby Security Documents shall be deemed to have been granted by the Museum at the time of recordation, filing

or delivery, as applicable. Simultaneously with the recording of the Standby Deed of Trust, the Museum shall cause to be delivered one or more lender's extended ALTA policies of title insurance, with respect to the Standby Deed of Trust, for the benefit of the City on forms, in substance and in amounts acceptable to the City Finance Director, with such endorsements as the City Finance Director shall request, in accordance with pro forma policies approved by the City Finance Director in accordance with Section 3.6(b).

(b) *Museum Covenants With Regard to Net Assets.* The Museum covenants that, so long as any obligation under this Agreement remains in effect:

(1) The Museum shall maintain Museum Net Assets sufficient so that when the amount of Finance Director Determined Liability (if any, and only to the extent that the Museum has not treated such amount as a liability in computing Museum Net Assets) is subtracted from Museum Net Assets, the remainder is not less than $90,000,000.

(2) The Museum shall cooperate with the City and shall perform all actions required of it, as described in the procedure for determining the amount of Finance Director Determined Liability (if any).

(3) At least annually and any time a certification under subsection (4) of this Section 5.10(b) is required, the Museum shall request the City Finance Director to confirm the amount of Finance Director Determined Liability (if any) and, based upon the amount provided by the City Finance Director, shall deliver to the City a certification signed by the Executive Director and Chair of the Board of the Museum certifying that the amount of the Museum Net Assets, less Finance Director Determined Liability (if any, and only to the extent that the Museum has not treated such amount as a liability in computing Museum Net Assets), is not less than $90,000,000.

(4) The Museum shall annually deliver to the City a copy of the Museum's audited financial statements (including all necessary supplemental documentation and the above certification signed by the Executive Director and the Chair of the Museum Board). The audited financial statements and necessary supplemental documentation and certification shall be delivered within ten Business Days after the Museum's receipt of its audited financial statements. In addition, if the City notifies the Museum that the City desires additional assurance that the Museum is in compliance with the covenants set forth in this Section 5.10(b), the Museum either shall immediately provide unaudited financial statements prepared during the previous 30 days or shall provide immediate access to the Museum's books for review by an independent auditor appointed by the City. Such independent auditor shall be provided access in order to provide the City with a report concerning compliance with the Museum covenants set forth in this subsection, and the cost of the auditor's review and preparation of such report shall be shared equally by the City and the Museum. In addition, the Museum shall also immediately request the

City Finance Director to confirm the amount of Finance Director Determined Liability (if any) and shall immediately provide a certification signed during the previous 30 days by the Executive Director and the Chair of the Museum Board as described in Section 5.10(b)(3), above.

If, at any time, the City Finance Director determines that Museum Net Assets (as determined based on the most recent audited financial statements) less the Finance Director Determined Liability that is not treated by the Museum as a liability in its most recent audited financial statements is less than $90,000,000, the City shall notify the Museum in writing that the City intends to cause the escrow agent to record, file and deliver, as applicable, the Standby Security Documents consistent with the escrow instructions. Upon expiration of 30 days following the giving of such notice, the City may proceed to cause the recording, filing and delivery (as applicable) of the Standby Security Documents. The recording, filing and delivery (as applicable) of the Standby Security Documents shall serve to remedy in full the Museum's breach of its covenants set forth in this Section 5.10(b). If the Standby Security Documents are recorded, filed and delivered (as applicable), the procedure for determining Finance Director Determined Liability shall be discontinued.

(c) *Prepayment of Museum Bonds*. The capitalized terms used in this Section 5.10(c) but not defined in this Agreement shall have the meanings assigned to them in the Bank Reimbursement Agreement. The Museum covenants that, so long as any obligation under this Agreement remains in effect, during each year from and after April 1, 2008, if and to the extent that funds are available in the Collateral Account after deducting the Budget Disbursement Amounts set forth below, the Museum shall withdraw from the Collateral Account and deposit with the trustee for the applicable issue of Museum Bonds (or with the Bank), all amounts required in order to redeem Museum Bonds so that the total aggregate amount of Outstanding Museum Bonds (as defined in the Bank Reimbursement Agreement) will be no greater than the Maximum Outstanding Museum Bond Amount set forth in the table below:

Year ending April 1	Budget Disbursement Amount	Maximum Outstanding Museum Bond Amount[1]
2008	$2,000,000[2]	$65,000,000
2009	$2,900,000	$60,000,000
2010	$5,900,000	$50,000,000
2011	$5,000,000	$40,000,000
2012	$ 0	$30,000,000
2013	$ 0	$20,000,000
2014 (and all subsequent years)	$ 0	$10,000,000

The escrow agent with regard to the Standby Security Documents shall be instructed that upon receipt of notice from the City that the Museum has failed to comply with this covenant, the escrow agent shall take the actions described in Section 5.10(a) to record, file or deliver, as applicable, the Standby Security Documents. Such recording, filing and delivery (as applicable) of the Standby Security Documents shall serve to remedy in full the Museum's breach of its covenants set forth in this Section 5.10(c).

Section 5.11 Authority Covenant With Regard to Maintenance of Powers and Bankruptcy. As long as any obligation under this Agreement remains in effect, the MDA shall preserve its existence under the Act, and will not be dissolved or lose its right to exist as such or lose any rights necessary to enable it to function and to maintain the MDA Lease Revenues. The MDA shall at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, or assure the assumption of its obligations under the Lease, ((~~the Guarantee~~))this Agreement and this Indenture by any corporation or political subdivision succeeding to its powers, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or the observance of any of the covenants herein contained, specifically including, but not limited to, any voluntary filing in bankruptcy, insolvency or similar proceedings.

Section 5.12 Termination of MDA Lease or Condemnation of MDA Unit. If the MDA Lease terminates due to condemnation or if the Museum withholds rent or asserts for any reason that it is not obligated to pay any amount under the MDA Lease, the City shall have the remedy described in this section in addition to any other remedies available to it. The escrow agent with regard to the Standby Security Documents shall be instructed that upon receipt of notice from the

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[1] In determining the amount of Museum Bonds that the Museum is required to optionally redeem, the Museum shall be permitted to take into account all Museum Bonds previously redeemed, whether pursuant to this table, the redemption schedule set forth in Schedule II to the Bank Reimbursement Agreement, or from any funds received by the Museum from any donation, gift, contribution or bequest made subject to donor restrictions or instructions that require the use of such funds to redeem, cause the redemption of, or otherwise prepay Museum Bonds.

[2] All listed Budget Disbursement Amounts, including the $0 amounts listed in years 2012 through 2014 and all subsequent years, shall be automatically deemed increased by an amount equal to the cumulative amount of authorized, but unused, Capital Campaign Budget funds from prior years.

City that an event described in this section has occurred, the escrow agent shall take the actions described in Section 5.10(a) to record, file or deliver, as applicable, the Standby Security Documents. The Standby Security Documents shall be deemed to have been granted by the Museum at the time of recordation, filing or delivery, as applicable. Simultaneously with the recording of the Standby Deed of Trust, the Museum shall cause to be delivered one or more lender's extended ALTA policies of title insurance, with respect to the Standby Deed of Trust, for the benefit of the City on forms, in substance and in amounts acceptable to the City Finance Director, with such endorsements as the City Finance Director shall request, in accordance with pro forma policies approved by the City Finance Director in accordance with Section 3.6(b).

ARTICLE 6.
Events of Default and Remedies

Section 6.1 Authority and Museum Defaults; Notice and Opportunity to Cure.

(a) *Events of Default*. Each of the following shall be an Event of Default and, except as provided in subsections (b) and (c), notice of such event shall constitute a Declaration of Default:

(1) The City has made any advance to the Bond Trustee pursuant to its receipt of a Reserve Deficiency Notice and has not, within 20 days ((~~of~~))after the date that such advance was made, either: (1) been reimbursed in full, or (2) received a Reimbursement Schedule that is acceptable to the City; or

(2) The Authority and the Museum both fail to pay or cause to be paid amounts required to reimburse the City under a Reimbursement Schedule accepted by the City; or

(3) Either the Authority or the Museum fails to perform or observe any of its other obligations, covenants or agreements contained in this Agreement, including but not limited to: the failure to give any notice required under Section 4.2(c)(3) of this Agreement, and the failure to repay any amounts that have been previously paid to the City but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings; or

(4) The MDA or the Museum fails to perform one or more of its obligations under any Security Document, the MDA Lease, the Office Space Lease, the Lockbox Addendum, the Indenture or the Bond Resolution; or

(5) Any representation or warranty of the Authority or the Museum is determined by the City Finance Director to have been materially false when made or as of the Acquisition Date.

(6) Five business days prior to the expiration or termination date of any property or liability insurance policy, the City has not received Evidence of Insurance and/or Binders (as required by Exhibit I) and the broker opinion letter required by Exhibit

I all demonstrating to the City Finance Director's reasonable satisfaction that the renewal/replacement policy complies with all requirements of Exhibit I.

(7) Issuance of (i) notice of cancellation of any insurance required by Exhibit I, or (ii) notice of any change to an insurance policy submitted under the insurance covenant in Section 5.4, that: (A) reduces coverage limits below those required under Exhibit I; (B) reduces or eliminates the earthquake insurance or the terrorism insurance below what is required by Exhibit I; or (C) removes any of the following statuses with respect to any of the City, the Bond Trustee, or the Lockbox Agent: (1) additional insured, (2) loss payee, or (3) mortgagee, including provision(s) providing for waivers of subrogation benefiting the City, the Bond Trustee, and the Lockbox Agent.

(8) Any other breach of any insurance covenant in Section 5.4 or in Exhibit I.

(b) *Notice of Default; Opportunity to Cure; Declaration of Default.* Notice of an Event of Default under paragraphs (1) through (4) of subsection (a) shall not constitute a Declaration of Default until the City Finance Director has issued a notice stating that such notice is a "Declaration of Default." The City Finance Director shall issue a Declaration of Default under this subsection (b) only after:

(1) The City Finance Director shall give notice to the Authority, the Museum, the Lockbox Agent and the Bond Trustee of such default specifying the same and stating that such notice is a "Notice of Default"; and

(2) Thirty days have elapsed since the giving of such notice to correct the default and the event, condition or circumstance giving rise to the default has not been corrected. However, if the default stated in the notice is of such a nature that it cannot be completely remedied within the 30 days, the City Finance Director shall not issue a Declaration of Default hereunder so long as: (i) the applicable party institutes corrective action within 30 days and diligently pursues such action until the default is corrected (which shall extend to no more than 120 days after the date of the Notice of Default, unless an extension is obtained from the City Finance Director); and (ii) in the opinion of Bond Counsel, the failure to cure said default within 30 days will not adversely affect the exemption from federal income taxation of interest on the Bonds.

(c) *Insurance Defaults; Opportunity to Cure.* Each event described under paragraphs (6) through (8) of subsection (a) shall be an Event of Default from the time of its occurrence, and upon expiration of the applicable cure period as described in this section, shall constitute a Declaration of Default without the necessity of any notice of default or Declaration of Default being sent by the City. If any notice by the City is required under subsection (d), this requirement shall not affect the timing of an Event of Default or Declaration of Default under this section. The following cure periods shall apply from the occurrence of the default:

(1) An insurance default under Section 6.1(a)(6) shall have a cure period that expires on the last business day prior to the expiration or termination date of the applicable property or liability insurance policy, but if the default does not relate to coverage types and levels, and instead relates only to the form of the policy or the manner in which the parties' insured interests are identified, then the parties agree that the cure period will be extended (not to exceed 30 calendar days) to allow for completion of arbitration before an independent arbitrator as described in Exhibit K.

(2) An insurance default under Section 6.1(a)(7) shall have a cure period that expires at the effective date and time of the reduction, cancellation or change identified in the notice.

(3) An insurance default under Section 6.1(a)(8) shall have a 30 calendar day cure period.

All cure periods described in this subsection (c) shall run from the date of the occurrence of the Event of Default, and the cure periods (and extensions thereof) under Section 6.1(b) shall be inapplicable.

(d) If the City Finance Director determines that an insurance default under Section 6.1(a)(6), (7), or (8) has occurred, and the City Finance Director intends to pay an unpaid premium or obtain replacement insurance, the City Finance Director shall provide to the Authority, the Museum, the Lockbox Agent and the Bond Trustee notice of his intent at least one business day prior to taking such action. This notice shall not extend or otherwise affect the cure periods set forth in Section 6.1(c), which shall run from the occurrence of the Event of Default and not from the date of the notice. Failure or deficiency in the giving or receiving of notice under this paragraph shall not in any way affect the City's rights and available remedies under this Guarantee Agreement and the Security Documents, and shall not affect the City's right to exercise those remedies at the expiration of the cure periods described in Section 6.1(c).

Section 6.2 Rights and Remedies of City on Authority or Museum Default.

(a) *Remedies Available.* Upon a Declaration of Default (including at the expiration of a cure period described in Section 6.1(c)), the City at its sole option may take any one or more of the following steps:

(1) The City may take whatever action at law or in equity may appear necessary or desirable to collect the payments required to be made by the Authority and the Museum under this Agreement and the Security Documents, or to enforce performance and observance of any obligation or agreement of the Authority under the Security Documents.

(2) The City may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein (including without limitation the enforcement of the requirement that notice

of extraordinary redemption be sent), or for the enforcement of any other appropriate legal or equitable remedy, as the City may deem most effectual to protect and enforce any of its rights or interests under this Agreement and the Security Documents.

(3) If, and only if, the Bonds are no longer outstanding, then in the case of an Event of Default resulting from the failure of both the Authority and the Museum to fulfill their reimbursement obligations under this Agreement, the City may declare the entire principal balance of the advance (if not then due and payable) to be due and payable immediately, and upon any such declaration the principal of the advance shall become and be immediately due and payable, together with all interest accrued thereon to the date of such acceleration, anything in this Agreement to the contrary notwithstanding.

(b) *Additional Insurance Default Remedies.* In the event of a default described in Section 6.1(a)(6), (7), or (8), on the last business day of the applicable cure period under Section 6.1(c), the City, in the City Finance Director's sole discretion and without waiving any other remedies, may:

(1) (i) pay any unpaid premium; or (ii) procure or provide such insurance as the City Finance Director in his sole discretion deems necessary to protect the City's interest (including insurance protecting the interests of the Bond Trustee and Lockbox Agent under this Agreement), not to exceed the requirements of Exhibit I. In so doing, the City may act at the City Finance Director's absolute sole discretion as to the insurance carrier(s) selected, the cost paid, the terms of the policy(ies) chosen, and coverages (not to exceed the requirements of Exhibit I), and shall be under no obligation to act in a commercially reasonable manner.

(2) During the period beginning on the fifth business day prior to the end of the applicable cure period, if the City Finance Director has a reasonable basis to conclude, based on the information available to him, that the default will not be cured, the City may proceed to arrange for replacement insurance to be placed effective no earlier than the final day of the cure period, and the Authority and the Museum shall be jointly and severally obligated to reimburse the City for any costs incurred, including interest computed in accordance with Section 3.2(b).

(3) Any policy placed by the City under this Section 6.2(b) shall remain in effect until the City Finance Director has been satisfied that the Authority or the Museum has caused other insurance to be obtained that meets the requirements of Exhibit I, and shall be subject to cancellation (and refund of unearned premium) to permit the Authority or the Museum to place (or cause placement of) replacement insurance. To carry out the foregoing, within 5 business days after the City Finance Director's receipt of binders and/or evidence of insurance (as applicable) submitted by the Authority or the Museum in order to demonstrate that such replacement insurance is in compliance with Exhibit I: (i) if the City Finance Director is satisfied that the Exhibit I requirements have been met, the City shall give any required notice of

cancellation of the City-placed insurance; or (ii) if the City Finance Director is not satisfied that the Exhibit I requirements have been met, the City shall invoke the arbitration procedure described in Section 6.1(c)(1). If and to the extent that any reimbursement of premium to the City (from its insurance company) causes the City to have recovered in total more than the costs it incurred arising from an Event of Default under Section 6.1(a)(6), (7), or (8), the excess shall be returned to the Authority or the Museum (or credited against any amount due from the Authority or the Museum) after the City has been made whole.

(c) *Reimbursement of Insurance Payments.* The following provisions shall govern reimbursement of the City's costs incurred in connection with the placement or procurement of replacement insurance by the City pursuant to Section 6.1(d):

(1) The Authority and the Museum each jointly and severally agree to reimburse the City, within 5 business days after demand, for any insurance premium paid by the City hereunder (whether force-placed or otherwise) and all costs, including without limitation, any insurance premium(s), interest on such premium payment(s) and any other costs or fees the City may incur in obtaining the insurance. City costs incurred during the period described in Section 6.2(b)(2) are recoverable even if the Authority or the Museum cures the default. The obligations of the Authority and the Museum to reimburse the City under paragraph (1) of this subsection is secured by the Security Documents. This reimbursement obligation is not governed by the provisions under Section 3.2 for reimbursement of advances made to the Bond Trustee (except as reference may be made to Section 3.2(b) for calculation of appropriate interest rates on reimbursement obligations). Notice of the demand shall be sent by the City to the Authority, the Museum, the Lockbox Agent and the Bond Trustee.

(2) If the Museum and the Authority fail to reimburse the City in full within 5 business days after demand, the City Finance Director may deliver notice to the Lockbox Agent (with copies to the Bond Trustee, the Authority and the Museum) that the Authority and the Museum have failed to reimburse City for such insurance payments, and the Lockbox Agent shall act in accordance with Section 4.1(b).

In addition to receiving the excess funds from the Bond Trustee and Lockbox Agent, the City may also pursue any and all other remedies available to it to recover reimbursement for any and all costs, including without limitation, any insurance premium(s), interest on such premium payment(s) and any other costs or fees the City may incur in obtaining replacement insurance.

(d) *Effect of Waiver in Accordance with City Ordinance.* The City (through the City Finance Director or by Council ordinance, as applicable, in accordance with the City Ordinance) may waive any Authority or Museum default and may rescind a Declaration of Default and its consequences; but no such waiver, rescission or annulment shall extend to or affect any subsequent Authority or Museum default or impair any right incident thereto.

Section 6.3 City Default; Bond Trustee Default.

(a) *City Default*. Upon the occurrence of a City Default, the Authority or the Bond Trustee may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, as the Authority or the Bond Trustee, as applicable, may deem most effectual to protect and enforce any of its rights or interests hereunder.

(b) *Default by Trustee or Lockbox Agent*. It shall constitute a default of this Agreement by the Bond Trustee or the Lockbox Agent if either, as applicable, fails to perform one or more of its obligations required under this Agreement((~~including, without limitation, the obligation of the Bond Trustee to give notice of extraordinary redemption by July 25, 2006 after either: (1) the Bond Trustee has, by July 14, 2006, received no notice from the City that the Acquisition Date Conditions have been met, or (2) the Bond Trustee has notice of an event or circumstance requiring notice to be given under Section 4.2(c)(3) with regard to the voluntary or involuntary filing of a petition of bankruptcy, receivership or other similar status involving protection from creditors with respect to the Authority, the Museum, or any Office Space Tenant~~)). In the event of a default by the Bond Trustee or the Lockbox Agent, the Authority or the City may take such action to compel the Bond Trustee to perform its defaulted obligation, including but not limited to the commencement and prosecution of appropriate legal or equitable proceedings, as the Authority or the City, as applicable, may deem most effectual to protect and enforce any of its rights or interests hereunder. Nothing in this section shall limit the City's right to recover damages in an appropriate case.

Section 6.4 No Remedy Exclusive. No remedy conferred upon or reserved to any party by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or the Indenture or now or hereafter existing at law or in equity or by statute, and either party hereto shall be free to pursue, at the same time, each and every remedy, at law or in equity, which it may have under this Agreement, under the Indenture or otherwise.

Section 6.5 No Implied Waiver. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. For the exercise of any remedy, it shall not be necessary to give any notice, other than such notice as may be expressly required herein.

ARTICLE 7.
Miscellaneous

Section 7.1 Governing Law; Venue. This Agreement is governed by and shall be construed in accordance with the substantive laws of the State of Washington and shall be liberally construed so as to carry out the purposes hereof. Except as otherwise required by applicable law, any action under this Agreement shall be brought in the Superior Court of the State of Washington in and for King County.

Section 7.2 Notices. All notices, certificates or other communications shall be in writing and shall be sufficiently given and shall be deemed given (except for notices to the Bond Trustee or the Lockbox Agent, which shall be deemed given only when actually received) using the notice addresses in this section: (a) for all communications 10 or fewer pages in length (including any transmittal cover sheet), on the Business Day on which the same have been transmitted by facsimile or electronic mail with a telephone call by sender immediately to follow confirming receipt and verbal confirmation by recipient, with a hard copy to follow via a commercial messenger or courier service that guarantees next day delivery, or (b) for all other communications, on the Business Day following the day on which the same have been sent using same day or overnight delivery via a commercial messenger or courier service that guarantees next day delivery.

If to the City:	The City of Seattle Department of Finance 600 Fourth Avenue, Sixth Floor Seattle, WA 98124-4747 Attn: Director Telephone: (206) 684-8347 Fax: (206) 684-8534
If to the Authority:	Museum Development Authority of Seattle ((~~100 University Street~~))1300 First Avenue Seattle, WA 98101 Attn: Chair Telephone: (206) 344-((~~5272~~))5260 Fax: (206) 654-3135
If to the Museum:	Seattle Art Museum ((~~100 University Street~~))1300 First Avenue Seattle, WA 98101 Attn: Chief Financial Officer Telephone: (206) 654-3150 Fax: (206) 654-3135
If to the Lockbox Agent:	U.S. Bank National Association 1420 Fifth Avenue, 7th Floor Seattle, WA 98101 Attn: Corporate Trust Services Telephone: (206) 344-4681 Fax: (206) 344-4630
If to the Bond Trustee:	U.S. Bank National Association 1420 Fifth Avenue, 7th Floor Seattle, WA 98101 Attn: Corporate Trust Services Telephone: (206) 344-4681 Fax: (206) 344-4630

Any party may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 7.3 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the City, the Authority, the Museum, the Bond Trustee, the Lockbox Agent and their successors. This Agreement may not be assigned, except that the Authority, acting alone, shall have the right to assign to the Bond Trustee the right to obtain performance by the City of its obligation under this Agreement for the benefit of the owners of the Bonds.

Section 7.4 Indemnification. The Authority and the Museum, jointly and severally, shall indemnify, hold harmless and defend the City, and its officers, agents and employees from and against: (i) any and all claims by or on behalf of any person arising from any cause whatsoever in connection with this Agreement, any of the Security Documents, the financing of the Project or the making of any advance under this Agreement, other than claims established to be caused by the sole negligence or willful misconduct of the City or its officers, agents or employees; (ii) any and all claims arising from any act or omission of the Authority, the Museum, the Bond Trustee, the Lockbox Agent, the escrow agent for the Standby Security Documents, or any other agents, servants, employees or licensees of the Authority or the Museum, in connection with any advance under this Agreement, the Project or the Museum Expansion Unit; and (iii) all reasonable costs, counsel fees, or liabilities incurred in connection with any such claim or proceeding brought thereon. In the event that any action or proceeding is brought against the City, its officers, agents or employees, with respect to which indemnity may be sought hereunder, the Authority and the Museum, each upon written notice from the City, shall assume the investigation and defense thereof, including the employment of counsel selected by the City and the payment of all expenses related thereto, provided, that no settlement of a claim or proceeding against the City shall occur without the consent of the City. The rights of the City under this section shall survive final payment or defeasance of the Bonds. Notwithstanding any other provision to the contrary, the indemnification in this section does not apply to matters covered by the Hazardous Substances Certifications.

Section 7.5 Payment of City's Costs and Attorneys' Fees.

(a) *City Costs*. The Authority and the Museum jointly and severally agree to pay, or cause to be paid, as and when the same become due:

(1) All amounts due to the City under the Cost Reimbursement Agreement;

(2) Upon written notice from the City, all costs and expenses reasonably incurred by the City in connection with: (i) the making of any advance made by the City under this Agreement, and (ii) the enforcement of this Agreement or the security interests represented by the Security Documents; and

(3) All costs incurred in connection with any federal or state tax audit or any audit or investigation or enforcement action by the Securities and Exchange Commission or other agency with respect to the Bonds.

(b) *Agreement to Pay Attorneys' Fees and Expenses.* If a default arises under any of the provisions of this Agreement and any party hereto should employ attorneys or incur other expenses for the collection of amounts due under this Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the other party contained in this Agreement, on demand therefor, the nonprevailing party or parties shall pay or reimburse the prevailing party or parties for the reasonable fees of such attorneys and such other expenses so incurred.

Section 7.6 Compliance with Usury Laws. Notwithstanding any other provision of this Agreement, it is agreed and understood that in no event shall this Agreement or any Reimbursement Schedule relating to this Agreement be construed as requiring the Authority or any other person to pay interest and other costs or considerations that constitute interest under any applicable law which are contracted for, charged or received pursuant to this Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law.

In the event of any acceleration of the payment of any amount advanced under this Agreement, that portion of any interest payment in excess of the maximum legal rate of interest, if any, provided for in this Agreement or related documents shall be cancelled automatically as of the date of such acceleration, or if theretofore paid, credited against the Authority's and the Museum's obligations, as applicable, under the Cost Reimbursement Agreement.

The provisions of this Section shall prevail over any other provision of this Agreement.

Section 7.7 Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 7.8 Amendments. This Agreement may not be effectively amended, changed, modified or altered, except by an instrument in writing duly executed by the City, the Authority and the Museum (or their successors in title)((~~,~~)) and unless, in the opinion of Bond Counsel to the Authority, such amendment will not adversely affect the owners of the Bonds, the consent of the affected owners of the Bonds is obtained. For illustrative purposes, the parties agree that any amendment to Sections 3.1, 3.5, 4.1, 4.2, 4.6, 4.8 (except for amendments pursuant to the procedures set forth in such section), 5.11 and 6.3 shall be deemed to adversely affect the owners of the Bonds and any such amendment shall require that the consent of the affected owners of the Bonds is obtained.((~~If the Bonds are rated by a Rating Agency, then no such amendment shall be permitted unless the Authority has received written confirmation from the Rating Agency that such amendment will not result in a reduction or withdrawal of the rating on the Bonds. If the Bonds are not rated by a Rating Agency, then no such amendment will be permitted unless in the opinion of Bond Counsel to the Authority such amendment will not adversely affect the owners of the Bonds.~~))

Section 7.9 Termination of Agreement. This Agreement and all obligations hereunder, except for those obligations that expressly survive termination of the Agreement (including, without limitation: (i) the obligation of the City to make advances in the case of a Bankruptcy

Recovery, (ii) the obligations of the Authority and the Museum to reimburse the City for all amounts advanced under this Agreement, and (iii) all instruments and agreements securing the Authority's and Museum's reimbursement obligations), shall terminate upon the full payment, purchase and retirement, redemption or defeasance of all of the Bonds.

Section 7.10 Waivers and Consents. No waiver of any breach of any covenant or agreement contained herein shall operate as a waiver of any subsequent breach of the same covenant or agreement or as a waiver of any breach of any other covenant or agreement, and in case of a breach by either party of any covenant, agreement or undertaking, the nondefaulting party may nevertheless accept from the other any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults that were in existence at the time such payment or payments or performance were accepted by it.

~~((No party hereunder may waive the requirement that an extraordinary redemption occur if by July 14, 2006, the City has not given notice that the Acquisition Date Conditions have been met.))~~

City waivers and consents under this Agreement are effective only if given in the manner described in, and in all other respects consistent with, the City Ordinance.

Section 7.11 Rights Created in Third Parties. The terms of this Agreement are not intended to establish nor to create any rights in any persons or entities other than the City, the Authority, the Museum, the Bond Trustee, the Lockbox Agent and the respective successors and assigns of each.

Section 7.12 Time of Essence. Time and all terms and conditions shall be of the essence of this Agreement.

Section 7.13 Oral Agreements Not Enforceable. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, TO EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

Section 7.14 Counterparts. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, all as of the day and year first above mentioned.

THE CITY OF SEATTLE, a municipal corporation

By _____

THE MUSEUM DEVELOPMENT AUTHORITY, a public corporation

By _____

THE SEATTLE ART MUSEUM, a nonprofit corporation

By _____

Acknowledged and Accepted by:

U.S. BANK NATIONAL ASSOCIATION, as Bond Trustee

By _____

Acknowledged and Accepted by:

U.S. BANK NATIONAL ASSOCIATION, as Lockbox Agent

By _____

Exhibit A
Payment Schedules

A–1..... Bond Debt Service Schedule
A–2..... MDA Lease Payment Schedule
A–3.....Office Space Lease Payment Schedule

[This space intentionally left blank.]

Exhibit A-1:

Bond Debt Service Schedule

[To be inserted following pricing.]

Exhibit A-2:

MDA Lease Payment Schedule

[To be inserted following pricing.]

Exhibit A-3:

Office Space Lease Payment Schedule

[To be inserted following pricing.]

Exhibit B

Legal Descriptions of Real Property

It is the intent of the parties that the MDA Unit will comprise approximately all of the area commonly referred to as floors 1-4, and the Museum Expansion Unit will comprise approximately floors 5-12, of the structure referred to in the Development Agreement as the "Musuem Units."

1. **The Existing Museum Facility is described as:**

   Parcel A of the City of Seattle Lot Boundary Adjustment No. 2207977, as recorded under Recording No. 20030417900008, records of King County;

   Situate in the City of Seattle, County of King, State of Washington.

2. **The MDA Unit is described as:**

   Museum Unit One (1) of WASHINGTON MUTUAL – SEATTLE ART MUSEUM PROJECT, a Condominium, recorded in 215 of Condominiums, pages 5 through 31, according to the Declaration thereof recorded under King County Recording Number 20060329000201 and any amendments thereto;

   TOGETHER WITH: An undivided interest in the common elements and limited common elements as more particularly described in the Declaration.

   Situate in the City of Seattle, County of King, State of Washington.

3. **The Museum Expansion Unit is described as:**

   Museum Units Two (2), Three (3), Four (4), Five (5) and Six (6) of WASHINGTON MUTUAL – SEATTLE ART MUSEUM PROJECT, a Condominium, recorded in Volume 215 of Condominiums, pages 5 through 31, according to the Declaration thereof recorded under King County Recording Number 20060329000201 and any amendments thereto;

   TOGETHER WITH: An undivided interest in the common elements and limited common elements as more particularly described in the Declaration.

   Situate in the City of Seattle, County of King, State of Washington.

Exhibit C

Selected MDA Security Documents

C–1 ..... Form of MDA Deed of Trust

C–2 ..... Form of MDA Hazardous Substances Certification

[Documents in form previously approved in connection with First Amended and Restated Guarantee and Reimbursement Agreement.]

Exhibit D

Selected Museum Security Documents

D–1 ..... Form of Museum Assignment

D–2 ..... Form of Tenant Payment Agreement

[Documents in form previously approved in connection with First Amended and Restated Guarantee and Reimbursement Agreement.]

Exhibit E

Selected Standby Security Documents

E–1 ..... Form of Standby Deed of Trust

E–2 ..... Form of Hazardous Substances Agreement

E–3 ..... Form of Escrow Instructions

[Documents in form previously approved in connection with First Amended and Restated Guarantee and Reimbursement Agreement.]

Exhibit F

Project Description

The Project consist((s))ed of the acquisition, equipping and furnishing of a condominium (the "MDA Unit") and related improvements to the existing downtown art museum to accommodate the expansion of the existing downtown art museum. The condominium ((is being))was constructed as part of a joint development by a limited liability company of which the MDA, the Museum and WAMU ((are))were members. The development is on the east side of the block bounded by First and Second Avenues and University and Union Streets in downtown Seattle.

((Upon completion, the))The MDA ((will acquire))acquired the MDA Unit for lease to the Museum for museum expansion space. The MDA Unit ((will consist))consists of four floors of new construction, totaling approximately 118,000 square feet, roughly doubling the size of the downtown museum space when combined with the existing downtown art museum facility designed by Venturi, Scott, Brown & Associates. Other condominiums in the development ((will be))were acquired by the Museum for future museum expansion (to be leased ((to WAMU))in the interim period pursuant to a long-term lease)((, and by WAMU for its world headquarters)). The MDA Unit ((is scheduled to be))was completed for acquisition in February, 2006, and the expanded museum ((is expected to open))opened in 2007.

((Descriptions of the approximate costs the Project and of various related improvements are as follows:))

((The Project)) ((Floors 1- 4 (118,000 square feet) MDA owned, leased and occupied by SAM and related improvements to the Existing Museum Facility))	
((Uses))	((Sources))
((Project Costs:))	((The Project:))
((Shell & Core (MDA) $28 million))	((MDA Bonds – Tax Exempt $58 million))
((Tenant Improvements (MDA) 25 million))	
((Reserve Account Deposit and Costs of Issuance 5 million))	
((Total Project Costs $58 million))	
((Additional Improvements to MDA Unit and Existing Museum Facility:))	((Additional Improvements to the MDA Unit and Existing Museum Facility:))
((Tenant Improvements (SAM) $25 million))	((WSHFC/SAM Bonds $25 million))
((TOTAL COSTS $83 MILLION))	((TOTAL SOURCES $83 MILLION))

((The Museum Expansion Unit)) ((Floors 5-12 (236,000 square feet) SAM owned, leased and occupied by WAMU))	
((Uses))	((Sources))
((Shell & Core (SAM) $58 million))	((SAM Bonds $18 million))
((Tenant Improvements --))	((SAM Donations $40 million))
((TOTAL SAM UNIT COSTS $58 MILLION))	((TOTAL SAM UNIT SOURCES $58 MILLION))

Exhibit G

Forms of Notices

G–1 ..... Form of Bond Trustee's Notice

G–2 ..... Form of Lockbox Agent's Notice

((~~G–3 ..... Form of City's Acquisition Date Notice~~))

[This space intentionally left blank.]

Exhibit G-1

Form of Bond Trustee's Notice

Under Section 3.5 of the Guarantee and Reimbursement Agreement
relating to the
Museum Development Authority of Seattle
$((~~60,720,000~~))_____ Special Obligation Refunding Bonds, ((~~2005~~))2014

DATE OF NOTICE: _____

GIVEN TO:

The City of Seattle
Department of Finance
600 Fourth Avenue, Sixth Floor
P.O. Box 94747
Seattle, WA 98124-4747
Attn: Director

Telephone: (206) 684-8347
Fax: (206) 684-8534

U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
Seattle, WA 98101
Attn: Corporate Trust Services

Telephone: (206) 344-4681
Fax: (206) 344-4630

Museum Development Authority of Seattle
((~~100 University Street~~))1300 First Avenue
Seattle, WA 98101
Attn: Chair

Telephone: (206) 344-((~~5272~~))5260
Fax: (206) 654-3135

Seattle Art Museum
((~~100 University Street~~))1300 First Avenue
Seattle, WA 98101
Attn: Chief Financial Officer

Telephone: (206) 654-3150
Fax: (206) 654-3135

☐ **NOTICE OF RESERVE ACCOUNT BALANCE**

NOTICE is hereby given that as of the date set forth above, the Bond Trustee has determined the balance in the Reserve Account, as shown below, pursuant to the Indenture and the Guarantee and Reimbursement Agreement.

Reserve Account Balance as of __/__/20__: $

☐ **NOTICE OF DRAW ON RESERVE ACCOUNT & RESERVE REPLENISHMENT (to be given in event of Draw on Reserve)**

NOTICE is hereby given that on the Interest Payment Date set forth above, a draw was made on the Reserve Account in the amount of $_____ for the purpose of paying principal of and/or interest on the Bonds. The amount of the draw was determined pursuant to the Indenture.

A REQUEST is hereby made for payment by the Authority to the Bond Trustee of [Insert the amount necessary to replenish the Reserve Account to the Reserve Requirement] on or before 5:00 p.m., Seattle time, on [insert date of next succeeding Valuation Date], in accordance with the Guarantee and Reimbursement Agreement.

☐ **NOTICE RE: RESERVE REPLENISHMENT (to be given on Valuation Date)**

NOTICE is hereby given that on the Valuation Date (as defined in the Guarantee Agreement), the Bond Trustee has not received payment from the Authority in the amount necessary to replenish the Reserve Account to the Reserve Requirement.

A REQUEST is hereby made for payment by the Museum to the Bond Trustee of [Insert the amount necessary to replenish the Reserve Account to the Reserve Requirement] on or before 5:00 p.m., Seattle time, on the date that is 5 Business Days after the date of this Notice, in accordance with the Guarantee and Reimbursement Agreement.

☐ **NOTICE RE: RESERVE REPLENISHMENT**

NOTICE is hereby given that on the date that was 5 Business Days following the giving of a 2nd notice requesting Reserve Replenishment, the Bond Trustee has not received payment from the Museum in the amount necessary to replenish the Reserve Account to the Reserve Requirement.

A REQUEST is hereby made for the Authority take action under Section 4.4 of the Guarantee and Reimbursement Agreement and under Section 3.2 of the MDA Lease.

☐ **NOTICE OF RESERVE DEPOSIT**

NOTICE is hereby given that as of the date written below, the Bond Trustee has received the amount written below for deposit into the Reserve Account.

Date of Reserve Deposit: __/__/____

Reserve deposit amount: $

☐ **NOTICE OF RESERVE DEFICIENCY**

NOTICE is hereby given that on the Interest Payment Date set forth below, payment from the City in the amount equal to the Reserve Deficiency is due. The Reserve Deficiency has been determined pursuant to the above-referenced Guarantee and Reimbursement Agreement.

A REQUEST is hereby made for payment by the City of such Reserve Deficiency, at or before 10:00 a.m., Seattle time, on the Business Day prior to the Interest Payment Date set forth below, in accordance with the Guarantee and Reimbursement Agreement.

Reserve Account Reconciliation Date: __/__/____

Interest Payment Date: __/__/____

Reserve Requirement: $

Less: Total Reserve Assets: ($)

Reserve Deficiency: **$**

U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE

Authorized Signature: _____

Name: _____

Exhibit A
to Ordinance _____

Title: _____

Exhibit G-2

Form of Lockbox Agent's Notice

Under Section 3.5 of the Guarantee and Reimbursement Agreement
relating to the
Museum Development Authority of Seattle
$((60,720,000))_____ Special Obligation Refunding Bonds, ((2005))2014

DATE OF NOTICE: _____

GIVEN TO:

The City of Seattle
Department of Finance
600 Fourth Avenue, Sixth Floor
P.O. Box 94747
Seattle, WA 98124-4747
Attn: Director

Telephone: (206) 684-8347
Fax: (206) 684-8534

Seattle Art Museum
((100 University Street))1300 First Avenue
Seattle, WA 98101
Attn: Chief Financial Officer

Telephone: (206) 654-3150
Fax: (206) 654-3135

Museum Development Authority of Seattle
((100 University Street))1300 First Avenue
Seattle, WA 98101
Attn: Chair

Telephone: (206) 344-((5272))5260
Fax: (206) 654-3135

U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
Seattle, WA 98101
Attn: Corporate Trust Services

Telephone: (206) 344-4681
Fax: (206) 344-4630

[Office Space Tenant]
[Notice Address]

NOTICE OF FAILURE TO RECEIVE OFFICE SPACE LEASE PAYMENT

NOTICE is hereby given that the undersigned Lockbox Agent did not receive payment in full on ***[insert date]*** of amounts scheduled for payment and due on that date. The amount that remains due and owing as of the date of this Notice is $_____. This notice is sent in accordance with Section 3.5(a) of the Guarantee and Reimbursement Agreement.

A REQUEST is hereby made for immediate payment by the Office Space Tenant of the amount remaining due and unpaid, in accordance with the Office Space Lease and the Tenant Payment Agreement.

U.S. BANK NATIONAL ASSOCIATION, AS LOCKBOX AGENT

Authorized Signature: _____

Name: _____

Title: _____

((Exhibit G-3))
((Form of City's Acquisition Date Notice))

((Under Section 3.6(c) of the Guarantee and Reimbursement Agreement relating to the
Museum Development Authority of Seattle
$60,720,000 Special Obligation Bonds, 2005))

((DATE OF NOTICE: _____))

((GIVEN TO: _____))

((U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
Seattle, WA 98101
Attn: Corporate Trust Services))

((Telephone: (206) 344-4681
Fax: (206) 344-4630
[Trustee]
))

((Museum Development Authority of Seattle
100 University Street
Seattle, WA 98101
Attn: Chair))

((Telephone: (206) 344-5272
Fax: (206) 654-3135))

((U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
Seattle, WA 98101
Attn: Corporate Trust Services))

((Telephone: (206) 344-4681
Fax: (206) 344-4630))

((Seattle Art Museum
100 University Street
Seattle, WA 98101
Attn: Chief Financial Officer))

((Telephone: (206) 654-3150
Fax: (206) 654-3135))

((**[Lockbox Agent]**))

((NOTICE OF SATISFACTION OF ACQUISITION DATE CONDITIONS))

((NOTICE is hereby given that the City Finance Director has received all of the documents and certifications required under Section 3.6(c) of the Guarantee and Reimbursement Agreement and Acquisition Date Conditions have been satisfied. This notice is sent in accordance with Section 3.6(c) of the Guarantee and Reimbursement Agreement. **))**

((THE CITY OF SEATTLE))

((Authorized Signature: _____))

((Name: _____))

((Title: Director of Finance))

Exhibit H

Certificates regarding
Representations and Warranties

H–1 ..... Form of Authority Certificate
H–2 ..... Form of Museum Certificate

[This space intentionally left blank.]

Exhibit H-1

Form of

AUTHORITY CERTIFICATE

With respect to the Second Amended and Restated Guarantee and Reimbursement Agreement, dated as of ((~~November 16, 2005~~))_____, 2014 (the "Guarantee Agreement") by and among The City of Seattle (the "City"), the Museum Development Authority of Seattle (the "Authority"), the Seattle Art Museum (the "Museum"), U.S. Bank National Association, as Bond Trustee, and U.S. Bank National Association, as Lockbox Agent, regarding the Museum Development Authority of Seattle's $((~~60,720,000~~))_____,000 Special Obligation Refunding Bonds, ((~~2005~~))2014 (the "Bonds") and for the benefit of the City, the owners of the Bonds and U.S. Bank National Association, in its capacity as Trustee for the Bonds (the "Bond Trustee"), the Authority makes the following certifications, representations, and warranties. ((~~Preston Gates & Ellis LLP~~))Bond Counsel is specifically entitled to rely on the factual representations herein for the purposes of such firm's opinions given in connection with the Guarantee Agreement.

All terms not otherwise defined herein are given the meanings and definitions contained in the Guarantee Agreement. The term "Authority Documents" as used in this certificate means, collectively, the Indenture, the Guarantee Agreement, the MDA Lease, the forms of the MDA Security Documents and all other documents delivered and to be delivered by the Authority to which it is or will be a party in connection with the requirements of the Guarantee Agreement.

1. I am the duly appointed Chair of the Authority Council and as such am authorized to provide this certification in connection with the Guarantee Agreement.
2. The Authority is a public corporation duly chartered by the City pursuant to RCW 35.21.730 et seq. and Seattle Municipal Code Chapter 3.110, qualified to transact business in the State of Washington. The corporate purpose of the Authority permits acquiring, constructing, equipping, owning, financing, refinancing and operating the MDA Unit.
3. The Authority Council has authorized, in a resolution adopted on ((~~September 7, 2005 and in a resolution adopted on November 2, 2005 (together~~))_____, 2014 (the "MDA Authorizing Resolution((~~s~~))"), the issuance of the Bonds for the purpose of ((~~financing~~))refinancing the Project((~~.~~)) by carrying out a refunding of the Authority's outstanding Special Obligation Bonds, 2005. The MDA Authorizing Resolution((~~s~~))((~~are~~)) is in effect and constitutes a legal, valid, and binding obligation of the Authority, and ha((~~ve~~))s not been amended since adoption.
4. The Authority has full legal right, power and authority under its charter and the laws of the State to issue the Bonds, and to execute and deliver the Authority Documents, to be bound by the terms of those documents and to consummate the transactions described therein, and to take any and all such action as may be required of the Authority to carry out, give effect to and consummate the transactions contemplated thereby.
5. The Authority has duly authorized, executed and delivered the Authority Documents. The Authority has duly authorized the performance by the Authority of its obligations and the consummation of the transactions contemplated under the Authority Documents.

6. The Authority Documents constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

7. Neither the execution and delivery of the Authority Documents, nor the consummation of the transactions contemplated therein, or the compliance with the provisions thereof, conflicts with, or constitutes on the part of the Authority a violation of, or a breach of or default under the Authority's organizational documents, or any statute, indenture, mortgage, commitment, note or other agreement or instrument to which the Authority is a party or by which the Authority is bound, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Authority or any of the Authority's activities or properties.

8. As required by Section 3.6(b) of the Guarantee Agreement, copies of the documents described in that section have been provided to and have been approved by the City Finance Director.

9. The Authority has complied with all agreements and covenants to be undertaken by the Authority and satisfied all conditions required under the Authority Documents on its part to be performed or satisfied prior to the Closing Date.

10. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the best of the Authority's knowledge, threatened, against or affecting the Authority or the actions taken or contemplated to be taken by the Authority, nor, to the best of the Authority's knowledge, is there any basis therefor, wherein an unfavorable decision, ruling or finding would: (i) affect or seek to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, or the execution and delivery of the Authority Documents; (ii) affect or question the validity or enforceability of the Bonds, or the Authority Documents, (iii) question the tax-exempt status of the Bonds, (iv) question the power or authority of the Authority to carry out the transactions contemplated by, or to perform its obligations under the Authority Documents, or the powers of the Authority to own, acquire, construct, equip, operate or lease the MDA Unit and to take assignment of rights with respect to the Museum Expansion Unit; or (v) materially affect the business, financial condition or operations of the Authority or the validity or enforceability of, any Authority Document, or which would in any way jeopardize the tax-exempt status of the interest on the Bonds.

11. No event has occurred and no condition exists which, with the passage of time, would constitute (or with the giving of notice or lapse of time, or both, would constitute) an Event of Default under any Authority Document.

12. The Authority is not in material default under any document, instrument or commitment to which the Authority is a party or to which it or any of its property is subject which default would or could materially adversely affect the ability of the Authority to carry out its obligations under the Authority Documents.

13. The Authority will cause the proceeds of the Bonds received by it, if any, to be applied as provided in and subject to all of the terms and provisions of the Indenture and will observe all covenants in the Authority Documents.

14. The Authority will take such action as may be reasonably requested to facilitate the timely consummation of the transactions contemplated by the Authority Documents, and will notify the City of any material adverse change in the ((~~plan of financing for the Project~~))Refunding Plan occurring before the ((~~Acquisition~~))Closing Date.

15. The Authority will not take any action or permit any action to be taken on the Authority's behalf, or cause or permit any circumstance within the Authority's control to arise or continue, if such action would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

16. Except as identified in Section 5.6 of the Guarantee Agreement, the Authority has not and will not offer or issue any bonds, notes or other obligations for borrowed money. Additionally, the Authority has not incurred and will not incur any material liabilities, direct or contingent, or enter into any material transaction, which could reasonably be expected to affect payment of principal and interest on the Bonds.

17. There has been no material adverse change in the operations or condition, financial or physical, of the Authority or its properties since the date of the ((~~Guarantee Agreement~~))most recent audited financial statements.

18. The Authority will operate the facilities acquired or improved as part of the Project, or cause those facilities to be operated, either as governmental facilities or as facilities meeting all the requirements of Section 145 of the Code for so long as required by that section.

19. To the best of the Authority's knowledge, the Project and the operation of the facilities acquired or improved as part of the Project do not and will not conflict with any zoning, water, environmental or air pollution or other ordinance, order, law or regulation applicable thereto; the Authority has or will cause to be established an ongoing program to maintain the Project's compliance with all applicable federal, state and local laws or ordinances (including rules and regulations) relating to zoning, building, safety, and environmental quality; and the Authority has not failed to obtain (or will obtain when required) and maintain in effect any material licenses, permits, franchises or other governmental authorizations necessary for the carrying out of the Project and the operation of facilities acquired or improved as part of the Project.

20. The Authority agrees that for so long as any provision of the Guarantee Agreement remains in effect, it will (subject to the provisions of SMC 3.110 and the Authority's Charter) maintain its existence as a public corporation under RCW 35.21.730 et seq. and continue to be duly qualified to do business in the State, and that will neither dispose of all or substantially all of its assets nor consolidate with or merge into another entity, unless (i) the City shall have first received from Bond Counsel an opinion to the effect that such disposal of assets, consolidation or merger will not cause the interest on the Bonds to become subject to federal income taxation; (ii) the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge shall be a governmental entity or a nonprofit corporation organized and existing under the laws of the United States of America or one of the states of the United States of America and shall be qualified and admitted to do business in the State; and (iii) such acquiring or remaining entity shall assume in writing all of the obligations of the Authority under the

MDA Security Documents, subject to all of the limitations of liability applicable to the Authority.

21. Not more than one-third of the members of the Authority Council hold positions as board members, officers or employees of the Museum, or are family members or employees of persons who hold positions as board members, officers, or employees of the Museum.

22. The Authority has obtained or will timely obtain all consents, approvals, permits, authorizations and orders of any governmental or regulatory agency that are required to be obtained by the Authority that are required for the carrying out of the Project and the operation of the facilities acquired or improved as part of the Project.

23. Any certificate signed by any officer of the Authority and delivered to the City shall be deemed a representation and warranty by the Authority to the City as to the truth of the statements therein contained.

DATED as of ((~~November 16, 2005~~))_____, 2014

THE MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE

_____
Chair of the Authority Council

Exhibit H-2

Form of

MUSEUM CERTIFICATE

With respect to the Second Amended and Restated Guarantee and Reimbursement Agreement, dated as of ((~~November 16, 2005~~))_____, 2014 (the "Guarantee Agreement") by and among The City of Seattle (the "City"), the Museum Development Authority of Seattle (the "Authority"), the Seattle Art Museum (the "Museum"), U.S. Bank National Association, as Bond Trustee, and U.S. Bank National Association as Lockbox Agent, regarding the Museum Development Authority of Seattle's $((~~60,720,000~~))_____,000 Special Obligation Refunding Bonds, ((~~2005~~))2014 (the "Bonds") and for the benefit of the City, the owners of the Bonds and U.S. Bank National Association, in its capacity as Trustee for the Bonds (the "Bond Trustee"), the Museum makes the following certifications, representations, and warranties. ((~~Preston Gates & Ellis LLP~~))Bond Counsel is specifically entitled to rely on the factual representations herein for the purposes of such firm's opinions given in connection with the Guarantee Agreement.

All terms not otherwise defined herein are given the meanings and definitions contained in the Guarantee Agreement. The term "Museum Documents" as used in this certificate means, collectively, the Guarantee Agreement, the MDA Lease, the form of Office Space Lease, the forms of the Museum Security Documents, and all other documents delivered and to be delivered by the Museum to which it is or will be a party in connection with the requirements of the Guarantee Agreement.

1. I am the duly appointed Chair of the Board of Trustees of the Museum and as such am authorized to provide this certification in connection with the Guarantee Agreement.

2. The Museum is a nonprofit corporation duly and validly created and is validly existing under the laws of the State of Washington, described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code"), and has all necessary licenses, approvals and permits required to operate its facilities and to implement the transactions contemplated under the Museum Documents.

3. The Museum has full legal right, power and authority: to acquire, lease and manage the Museum Expansion Unit; to lease and operate the MDA Unit; to enter into and carry out the transactions contemplated under the Museum Documents.

4. The Museum has duly authorized, executed and delivered the Museum Documents that are required to be executed and delivered on or as of Bond Closing, and has duly authorized and delivered forms of the Museum Documents that are required to be executed and delivered on or as of the ((~~Acquisition~~))Closing Date. The Museum has duly authorized the performance by the Museum of its obligations and the consummation of the transactions contemplated under the Museum Documents.

5. Upon execution and delivery, the Museum Documents constitute or will constitute legal, valid and binding obligations of the Museum enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

6. The execution and delivery by the Museum of the Museum Documents and the compliance with the obligations on its part contained therein or herein does not conflict with or constitute a breach of or a default under the articles of incorporation or bylaws of the Museum, or under ch. 24.03 RCW (the "Washington Nonprofit Corporation Act"), or any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Museum is a party or to which the Museum or any of its properties or other assets is otherwise subject, nor does any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or other assets of the Museum or under the terms of any such law, regulation or instrument, except as provided or permitted by the Museum Documents.

7. Under its articles of incorporation, its bylaws and the Washington Nonprofit Corporation Act, no approval, consent or order of any governmental authority, legislative body, board, agency, or commission is required for the Museum to duly authorize the execution of the Museum Documents.

8. The Museum has complied with all agreements and covenants to be undertaken by the Museum and satisfied all conditions required under the Museum Documents on its part to be performed or satisfied at or prior to Bond Closing.

9. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the best of the Museum's knowledge, threatened, against or affecting the Museum or the actions taken or contemplated to be taken by the Museum, nor, to the best of the Museum's knowledge, is there any basis therefor, wherein an unfavorable decision, ruling or finding would: (i) affect or seek to prohibit, restrain or enjoin the execution and delivery of the Museum Security Documents; (ii) affect or question the validity or enforceability of the Museum Security Documents, (iii) question the power or Museum of the Museum to carry out the transactions contemplated by, or to perform its obligations under the Museum Security Documents, or the powers of the Museum to own, acquire, construct, equip, operate or lease the Museum Expansion Unit and to assign its rights with respect to the Museum Expansion Unit; or (iv) materially affect the business, financial condition or operations of the Museum or the validity or enforceability of, any Museum Security Document, or which would in any way jeopardize the tax-exempt status of the interest on the Bonds.

10. No event has occurred and no condition exists which, with the passage of time, would constitute (or with the giving of notice or lapse of time, or both, would constitute) an Event of Default under any Museum Document.

11. The Museum is not in material default under any document, instrument or commitment to which the Museum is a party or to which it or any of its property is subject which default would or could materially adversely affect the ability of the Museum to carry out its obligations under the Museum Documents.

12. The Museum will take such action as may be reasonably requested to facilitate the timely consummation of the transactions contemplated under the Museum Documents, and will notify the City of any material adverse change in the ((~~plan of financing for the Project~~))Refunding Plan occurring before the ((~~Acquisition~~))Closing Date.

13. The Museum will not take any action or permit any action to be taken on the Museum's behalf, or cause or permit any circumstance within the Museum's control to arise or continue, if such action would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

14. Except as ((~~identified in~~))permitted pursuant to Section 5.6 of the Guarantee Agreement, the Museum has not and will not offer or issue any bonds, notes or other obligations for borrowed money. Additionally, the Museum has not incurred and will not incur any material liabilities, direct or contingent, or enter into any material transaction, which could reasonably be expected to affect payment of principal and interest on the Bonds.

15. There has been no material adverse change in the operations or condition, financial or physical, of the Museum or its properties since the date of the ((~~Guarantee Agreement~~))most recent audited financial statements.

16. The Museum will operate the facilities acquired or improved as part of the Project, or cause those facilities to be operated, either as governmental facilities or as facilities meeting all the requirements of Section 145 of the Code for so long as required by that section.

17. As of the date of this certificate, the Museum is not insolvent and maintains Museum Net Assets sufficient so that when the amount of Finance Director Determined Liability (if any, and only to the extent that the Museum has not treated such amount as a liability in computing Museum Net Assets) is subtracted from Museum Net Assets the remainder is not less than $90,000,000 (as those amounts are determined and terms are defined in the Guarantee Agreement). The Museum has: (a) disclosed to the City Finance Director all potential liabilities that are unresolved as of the date hereof and that meet the criteria that would require their disclosure to the City under the definition of Finance Director Determined Liability in Section 2.3 of the Guarantee Agreement if such claim, event, demand or lawsuit had arisen at a time when the Guarantee Agreement was in effect, (b) reached an agreed determination with the City Finance Director as to the amount at risk, and (c) treated such amount as the Finance Director Determined Liability and considered such Finance Director Determined Liability in making the calculation described in this paragraph.

18. The Museum has obtained or will timely obtain all consents, approvals, permits, authorizations and orders of any governmental or regulatory agency that are required to be obtained by the Museum that are required for the carrying out of the Project and the operation of the facilities acquired or improved as part of the Project.

19. Any certificate signed by any officer of the Museum and delivered to the City shall be deemed a representation and warranty by the Museum to the City as to the truth of the statements therein contained.

DATED as of ((~~November 16, 2005~~))_____, 2014

THE SEATTLE ART MUSEUM

_____
Jon A. Shirley, Chairman
Board of Trustees, Seattle Art Museum

Exhibit I

Insurance Requirements

(a) *Property and Liability Insurance*. The Authority and the Museum shall establish and maintain, or cause to be established and maintained by the Washington Mutual–Seattle Art Museum Condominium Owners Association (the "Condominium Association"), or another entity, as appropriate, minimum insurance coverages and limits as specified below:

(1) Property Insurance. Property insurance shall cover all risks of direct physical loss and/or damage to the MDA Real Estate Parcels and the Museum Expansion Unit including tenant improvements and betterments but excluding the business or personal property or Objects d'Art of the Museum ("Insured Property"). Such property insurance shall incorporate the following provisions:

(i) The City of Seattle, the Bond Trustee and the Lockbox Agent shall be endorsed on the property insurance policy(ies) as additional insureds and loss payees subject to a mortgagee clause with a waiver of subrogation as their interests may appear on the direct physical loss coverages on the MDA Real Estate Parcels (and at such time if any as the Standby Deed of Trust on the Museum Expansion Unit is recorded, on the Museum Expansion Unit as well) and on the time element coverages on the Museum Expansion Unit, all in form acceptable to the City. The limit of liability on initial placement of the direct physical loss coverages shall not be less than the actual cost of the Insured Property and thereafter shall be based on a replacement cost basis as established by the evaluation made by((~~WAMU's,~~)) the Museum's and the Authority's professional insurance advisors, as applicable, prior to each annual anniversary of the property insurance coverage policies.

(ii) Coverage shall include the perils of earthquake and flood that shall not have sublimits of liability less than the Probable Maximum Loss of the Insured Property from said perils as established by an industry recognized natural hazards analysis (such as Risk Link) on not less than five year intervals.

(iii) Coverage with respect to the Museum Expansion Unit and the MDA Unit shall include the perils of loss and/or damage by terrorism, including certified and non-certified acts of terrorism (or such other terminology as may be employed by the insurance industry in the future to describe such acts) to a sublimit of liability of $100 million, or such lesser amount as is available in the marketplace and subject to such availability. Coverage with respect to the Existing Museum Facility shall include the perils of loss and/or damage by

terrorism, including certified and non-certified acts of terrorism (or such other terminology as may be employed by the insurance industry in the future to describe such acts) to a sublimit of liability of $65 million, or such lesser amount as is available in the marketplace and subject to such availability. Nevertheless, in no event shall the Museum and the Authority be required to spend on the terrorism coverage described in this subparagraph (iii), in the aggregate, more than (A) $25,000 per year as to the Museum Expansion Unit and the MDA Unit and (B) $12,000 as to the Existing Museum Facility (both such premium caps being increased by the greater of 1% per year or the percentage increase over the prior year in the cost of the property insurance exclusive of terrorism coverage).

(iv) Coverage shall be extended to include time element coverage, including extra expense and rental value, for the Museum Expansion Unit with a separate limit of liability equal to twenty four (24) months rent under the Office Space Lease. ((~~This insurance must be in effect from and after the Acquisition date and is not dependent upon recordation of the Standby Deed of Trust.~~))The City must be named as loss payee((~~ as of the Acquisition Date~~)).

(2) Liability Insurance. The Authority and the Museum shall maintain Commercial General Liability (CGL) insurance with a minimum limit of liability of not less than $15,000,000 combined single limit each occurrence bodily injury and property damage. Such liability insurance shall provide coverage for premises and operations risks within and about the Insured Property and shall incorporate the following provisions:

(i) Coverage shall include contractual liability.

(ii) The City of Seattle shall be an additional insured for primary and noncontributory limits of liability subject to a separation of insureds clause.

(b) *Terms and Conditions*. The property and CGL insurance specified in paragraph (a) shall incorporate the following terms and conditions:

(1) As respects the City of Seattle, the Bond Trustee and the Lockbox Agent, coverage may not be cancelled or coverage or limits of liability reduced below the minimum coverages and/or limits specified herein until sixty (60) days after notice is given as specified in Article 7, Section 7.2 of the Agreement, except as follows:

(i) A provision for 10 days' notice of cancellation for nonpayment of premium is acceptable if the premium for such policy or renewal is

paid on an annual basis (not on an installment basis) without the use of "premium financing" arrangements. In that event, the Museum and the Authority shall be obligated as follows:

(A) No later than the 31st day after any policy or renewal policy is bound, the Authority or the Museum provides evidence satisfactory to the City Finance Director that the premium has been paid for the full year of the policy term, and

(B) The Authority and the Museum shall provide to the City copies of each notice received with regard to insurance within three business days after receipt of such notice.

(ii) The 60 days' notice of reduction in coverage may be provided by the Authority, the Museum or the Association or other entity maintaining insurance on behalf of the Museum and the Authority or directly by the insurance carrier, so long as the restriction on reducing coverage as respects the City, the Bond Trustee and the Lockbox Agent is incorporated into the policy (in the body or in an endorsement to the policy). Neither the Authority nor the Museum shall consent to or permit a reduction in coverage below the levels specified in this Exhibit I and each shall take all action within its control to ensure that no request for a reduction in coverage below such levels is submitted to the insurance carrier.

(2) Insurance carriers shall have a minimum A.M. Best's rating of A- VII.

(c) *Certification of Coverage.*

(1) ((~~Prior to the Acquisition Date, true~~))True and certified copies of the current property and CGL insurance policies shall be provided to the City that document compliance in all respects with the provisions of this Exhibit I to the City's satisfaction, expressly including documentation that:

(i) the City, the Bond Trustee and the Lockbox Agent are additional insureds and loss payees as their interests may appear subject to a mortgagee clause with a waiver of subrogation, as stated in (a)(1)(i) above, and

(ii) the City is, as respects CGL insurance, an additional insured for primary and noncontributory limits of liability subject to a separation of insureds clause, as stated in (a)(2)(ii) above.

If((~~, prior to the Acquisition Date,~~)) true and certified copies of the current property and CGL insurance policies are not available, Acord Evidence of Commercial

Property Insurance forms and binders of liability insurance may be substituted so long as such Evidence of Commercial Property Insurance forms and binders of liability insurance are current and document compliance with the provisions of this Exhibit I. Certificates of insurance, whether on the Acord form or otherwise, may not be substituted for such Evidence of Commercial Property Insurance forms and binders of liability insurance.

(2) ((~~On the Acquisition Date, and annually thereafter~~))Annually, in addition to true and certified copies of the current property and CGL insurance policies, or temporarily in lieu thereof (but only for the temporary period during which each policy is unavailable), Acord Evidence of Commercial Property Insurance forms and binders of liability insurance as specified in (c)(1), the Authority's and the Museum's firms of professional insurance brokers shall submit broker's opinion letters to the City that certify that the insurance currently in force is compliant with the provisions of this Exhibit I. Such broker's opinion letter or letters shall be provided at the time of and with respect to each policy renewal or replacement.

(3) As used in this Exhibit I, a "true and certified copy" of an insurance policy means a copy of the policy (including any endorsements in effect) certified by the insurance carrier to be in effect and binding on it in accordance with its terms. Immediately upon binding of each policy or replacement policy, the Authority and the Museum shall submit (or cause to be submitted) a request to the insurance carrier for "true and certified copies" of such policy or policies to be sent directly to the City, the Authority, and the Museum (as well as other insureds). Further, the Authority and the Museum each shall provide the City with copies of all specimens, agreed-upon endorsements and other documents that purport to describe policy or policies procured to comply with Section 5.4 of the Guarantee Agreement and each shall certify that the same are to be true and correct copies of the documents reviewed by the Authority and the Museum in procuring such insurance or causing it to be procured.

The Authority and the Museum shall provide to the City annually((~~, on the anniversary of the Acquisition Date, and also~~)) within three business days after either the Authority or the Museum receives the same, a "true and certified copy" (as defined in this subsection) of each insurance policy for the MDA Real Estate Parcels and the Museum Expansion Unit. If a certified copy of a policy that is in effect has already been provided to the City, the Authority or the Museum may provide an index referring to the date(s) of such certified cop(ies), indicating that the policy remains in effect as of ((~~the anniversary~~))such date.

(d) *Notice*. Notice to the City required under this Exhibit I shall be given as specified in Article 7, Section 7.2 ("Notices").

(e) *Application of Proceeds.*

(1) All proceeds of time element insurance coverage (i.e., the business interruption insurance) required to be maintained and to be paid to the Museum or the Authority pursuant to this Exhibit I shall be paid to the Lockbox Account and held, used, applied and disposed in accordance with the provisions of Section 4.1(b) of the Guarantee and Reimbursement Agreement and the Lockbox Addendum (Exhibit J to the Guarantee and Reimbursement Agreement).

(2) With respect to the Museum Expansion Unit and the MDA Unit, the rebuilding shall take place, if at all, and the proceeds shall be held and disbursed, in accordance with the provisions of the Condominium Documents. To the extent that the Authority and the Museum have the right to vote in the condominium association whether or not to rebuild the Museum Expansion Unit or the MDA Unit, they shall not vote to not rebuild if there are insufficient net proceeds to repay the Bonds in such event. Any proceeds not used for the rebuilding under this subparagraph (i.e., any actual cash value payment) and paid to the Authority or the Museum shall be held, used, applied and disposed of in accordance with Section 4.5 of the Guarantee and Reimbursement Agreement.

(3) All direct physical loss and/or damage Property Insurance proceeds with respect to the Existing Museum Facility shall be used to rebuild such property, if feasible and if sufficient proceeds are available. With regard to the Existing Museum Facility, the proceeds in excess of $50,000 shall be held by a third party insurance trustee acceptable to the City (the "Insurance Trustee") and disbursed in accordance with the procedures customarily employed for large commercial construction loans, which procedures shall include monitoring of the construction by an independent consultant acceptable to the City and a requirement that any shortfall between the amount required to rebuild and the amount of available insurance proceeds be deposited with the Insurance Trustee and disbursed prior to any disbursements of insurance proceeds. Any proceeds under this subparagraph (i.e., any actual cash value payment) not used for rebuilding shall be held, used, applied and disposed of in accordance with Section 4.5 of the Guarantee and Reimbursement Agreement.

Exhibit J

LOCKBOX ACCOUNT AND CONTROL AGREEMENT ADDENDUM

The parties to this Lockbox Account and Control Agreement Addendum (the "Addendum") are: the City, the Authority, the Museum, and the Lockbox Agent, all of whom have agreed to be bound by the provisions of this Addendum by signing the Second Amended and Restated Guarantee and Reimbursement Agreement (the "Guarantee and Reimbursement Agreement") and by signing this Addendum.

This Addendum is attached to the Guarantee and Reimbursement Agreement as Exhibit J and constitutes a part of ((~~the~~))such Guarantee and Reimbursement Agreement. All capitalized terms that are not defined in this Addendum shall have the meanings given to them in the Guarantee and Reimbursement Agreement.

RECITALS

A. The Museum is the Landlord and ((~~Washington Mutual Bank, a federally chartered bank ("WAMU")~~))_____ is the Tenant under that certain lease (the "((~~WAMU~~))Nordstrom Office Space Lease") dated _____, which lease demises space (the "Office Premises") in Unit ___ of WM-SAM Project, a condominium, pursuant to Declaration recorded under Auditor's File No._____, Records of King County, Washington (the "Museum Expansion Unit").

B. The ((~~WAMU~~))Nordstrom Office Space Lease and any future leases demising space in the Museum Expansion Unit are sometimes hereinafter referred to collectively as the "Office Space Leases." The rent and other payments received and to be received by the Museum or its successors under any Office Space Lease are sometimes hereinafter referred to collectively as the "Office Space Lease Revenues"

C. The Museum, the Authority, and the City are parties to a Second Amended and Restated Guarantee and Reimbursement Agreement dated as of ((~~October 1, 2005~~))_____, 2014 (the "Guarantee and Reimbursement Agreement"), which has been executed in connection with the Authority's issuance of its Special Obligation Refunding Bonds((~~2005,~~)), 2014, in an aggregate principal amount ((~~not to exceed Sixty Five Million Dollars ($65,000,000)~~))of $_____,000 (the "Bonds").

D. Pursuant to the Guarantee and Reimbursement Agreement, and as security for certain obligations of the Museum to the Authority, as more particularly described in Section 1.4 below, the Museum has executed and delivered to the Authority an Assignment of Rents Proceeds and Negative Pledge Agreement (the "Museum Assignment") dated _____, a memorandum of which was recorded with Auditor's File No._____, Records of King County, Washington. The Museum Assignment operates to assign to the Authority all cash proceeds of the Office Space Lease Revenues (the "Office Space Lease Revenue Proceeds").

E. Also pursuant to the Guarantee and Reimbursement Agreement, and as security for certain obligations of the Authority to City, as more particularly described in Section 1.5 below, the Authority has granted a security interest in its rights under the Museum Assignment to the City pursuant to a deed of trust, security agreement, assignment of leases and rents and fixture filing (the "MDA Security Document") dated _____ and recorded under Auditor's File No. _____, Records of King County, Washington.

F. And also pursuant to the Guarantee and Reimbursement Agreement, a lockbox account (the "Lockbox Account") has been established with Lockbox Agent, in which all Office Space Lease Revenues are to be deposited directly by the tenants under the Office Space Leases and held, used, applied and disposed of in accordance with the provisions of the Guarantee and Reimbursement Agreement.

G. The Lockbox Account is Deposit Account No. _____ at the _____ Branch of Lockbox Agent. The Lockbox Account is in the name of the Museum and is subject to the security interests in favor of the Authority and the City created by this Addendum. Lockbox Agent has also agreed to establish and maintain for the Museum, Post Office Box Number _____ (the "Lockbox Address") and to perform the services listed on Schedule 1 hereto, which include receiving mail at the Lockbox Address, processing it and depositing checks and other payment instructions ("Checks") into the Lockbox Account, as well as making certain disbursements as contemplated by the Guarantee and Reimbursement Agreement (the "Lockbox Services").

H. Under certain circumstances, as more particularly described in the Guarantee and Reimbursement Agreement, the Museum is obligated to grant the City a "Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing" (the "Standby Deed of Trust") encumbering the Museum's fee interest in the Museum Expansion Unit and all right, title and interest of the Museum in the Office Space Leases and the Office Space Lease Revenues. If and when granted, the Standby Deed of Trust will secure the Museum's obligations to the City under the Guarantee and Reimbursement Agreement. The Standby Deed of Trust is((~~being~~)) deposited in escrow with a third party escrow agent((~~concurrently herewith~~)). The escrow agent has been instructed to record the Standby Deed of Trust upon the happening of certain events, as more particularly described in the Guarantee and Reimbursement Agreement. The Standby Deed of Trust shall be deemed to have been granted by the Museum at the time of recordation.

I. The parties wish to define certain of their rights and obligations in connection with the funds deposited into the Lockbox Account.

TERMS CONCERNING THE LOCKBOX

1. Grant of Security Interest; Control.

1.1 This Addendum evidences the Authority's control over the Lockbox Account and the transfer of that control from the Authority to the City. Lockbox Agent agrees not to commingle the amounts held, or designated to Lockbox Agent for deposit, in the Lockbox Account with any other amounts held on behalf of any party to this Addendum or any third party.

Notwithstanding anything to the contrary in the deposit agreement between Lockbox Agent and the Museum governing the Lockbox Account, Lockbox Agent will comply solely with the provisions of this Addendum and any instructions received from the City directing the disposition of funds in the Lockbox Account without further consent of the Museum or the Authority.

1.2 The Museum represents and warrants to the Authority, the City, and Lockbox Agent that it has not assigned or granted a security interest in the Lockbox Account or any Check deposited in the Lockbox Account, except to the Authority and the City pursuant to this Addendum and the Museum Assignment.

1.3 Except as set forth in Section 1.6 below, the Museum will not cause or permit the Lockbox Account to become subject to any other pledge, assignment, lien, charge or encumbrance of any kind, other than the security interests in favor of the Authority and the City referred to in Section 1.2 above.

1.4. As security for the MDA Lease Obligations (as hereinafter defined) the Museum hereby pledges, transfers, assigns and sets over to the Authority, and grants to the Authority a continuing security interest in and to, the Lockbox Account, all money deposited therein from time to time, and all profits and proceeds thereof. The Museum agrees to execute, acknowledge, deliver, file or do, at its sole expense, all other acts, assignments, notices, agreements or other instruments as the Authority or the City may reasonably require in order to perfect the foregoing security interest, pledge and assignment or otherwise to fully effectuate the rights granted to the Authority by this Section 1.4. This Addendum constitutes a "security agreement" with respect to the security interests created by this Section 1.4 and the Lockbox Account constitutes a "deposit account" within the meaning of Article 9 of the UCC. In addition to all other rights and remedies provided for herein or otherwise available at law or in equity, the Authority shall have all rights of a secured party under Article 9 of the UCC with respect to the Lockbox Account and the funds deposited therein. The term "MDA Lease Obligations" shall mean those obligations of the Museum to the Authority that are secured by the Museum Assignment.

1.5 As security for the MDA Guarantee and Reimbursement Obligations (as hereinafter defined) the Authority hereby pledges, transfers, assigns and sets over to the City, and grants to the City a continuing security interest in and to, all rights of the Authority as secured party under Section 1.4 and other applicable provisions of this Addendum. The Authority agrees to execute, acknowledge, deliver, file or do, at its sole expense, all other acts, assignments, notices, agreements or other instruments as the City may reasonably require in order to perfect the foregoing security interest, pledge and assignment or otherwise to fully effectuate the rights granted to the City by this Section 1.5. This Addendum constitutes a "security agreement" with respect to the security interests created by this Section 1.5 within the meaning of Article 9 of the UCC. In addition to all other rights and remedies provided for herein or otherwise available at law or in equity, the City shall have all rights of a secured party under Article 9 of the UCC with respect to the security interests created hereby. And in addition, the Authority hereby transfers its right to control the Lockbox Account to the City and appoints the City as its attorney in fact to

enforce any and all rights of the Authority under this Addendum and the Museum Assignment. This appointment shall be deemed to be coupled with an interest and may not be revoked until the MDA Guarantee and Reimbursement Obligations have been fully satisfied. The term "MDA Guarantee and Reimbursement Obligations" shall mean those obligations of the Authority to the City under the Guarantee and Reimbursement Agreement that are secured by the MDA Security Document.

1.6 As security for the Museum Guarantee and Reimbursement Obligations (as hereinafter defined), but effective only as of the date, if any, that the Standby Deed of Trust is recorded, the Museum, in addition to and not in lieu of the security interest grants in Section 1.4 above, hereby pledges, transfers, assigns and sets over to the City, and grants to the City a continuing security interest in and to, the Lockbox Account, all money deposited therein from time to time, and all profits and proceeds thereof. The Museum agrees to execute, acknowledge, deliver, file or do, at its sole expense, all other acts, assignments, notices, agreements or other instruments as the City may reasonably require in order to perfect the foregoing security interest, pledge and assignment or otherwise to fully effectuate the rights granted to the City by this Section 1.6. This Addendum constitutes a "security agreement" with respect to the security interests created by this Section 1.6 within the meaning of Article 9 of the UCC and confers upon the City "control" over the Lockbox Account and the funds therein. In addition to all other rights and remedies provided for herein or otherwise available at law or in equity, the City shall have all rights of a secured party under Article 9 of the UCC with respect to the security interests created hereby. The term "Museum Guarantee and Reimbursement Obligations" shall mean those obligations of the Museum to the City under the Guarantee and Reimbursement Agreement that are secured by the Standby Deed of Trust.

2. Disposition of Funds. Lockbox Agent shall prevent the Museum or the Authority from making any withdrawals from the Lockbox Account. Lockbox Agent shall disburse the funds in the Lockbox Account at the times and in the manner set forth in Section 4.1(b) of the Guarantee and Reimbursement Agreement.

3. Waiver of Offset Rights. The Lockbox Agent agrees it shall not offset, charge, deduct or otherwise withdraw funds from the Lockbox Account, except as permitted by Section 4.

4. Lockbox Agent Rights to Charge Lockbox Account. The Lockbox Agent may charge the Lockbox Account for only the following items:

(a) for its fees and charges relating to the Lockbox Account or associated with the Lockbox Services and this Addendum, as set forth in the fee schedule attached hereto as Schedule 2; and

(b) to reverse the entry for any Check deposited into the Lockbox Account that is returned unpaid for any reason.

If the balances in the Lockbox Account are not sufficient to compensate Lockbox Agent for any fees or charges due the Lockbox Agent in connection with the Lockbox Account, the

Lockbox Service or this Addendum, or for the face amount of any returned Check plus bank fees incurred on account of the returned check, the Museum agrees to pay the Lockbox Agent on demand the amount due the Lockbox Agent.

5. Reporting. Within five (5) business days of the close of each calendar month, the Lockbox Agent will send the other parties to this Addendum a report in the form attached hereto as Exhibit A showing all receipts and disbursements from the Lockbox Account for the applicable calendar month. The Lockbox Agent will also advise the parties immediately in the manner set forth in Section 9.6 below and using the form of notice attached to the Guarantee and Reimbursement Agreement as Exhibit G–2 in the event that a Check deposited into the Lockbox Account is returned unpaid for any reason, or if all Office Space Lease Revenues due to be deposited for a particular calendar month have not been received by the Lockbox Agent by the third (3rd) business day of the month. In addition to the original bank statement for the Lockbox Account provided to the Museum, the Lockbox Agent will provide both the Authority and the City with a duplicate of such statement.

6. Exculpation. Lockbox Agent will not be liable for any expense, claim, loss, damage or cost ("Damages") arising out of or relating to its performance under this Addendum other than those Damages which result directly from its acts or omissions constituting negligence or intentional misconduct. Lockbox Agent shall have no duty to inquire or determine whether the MDA Lease Obligations, the MDA Guarantee and Reimbursement Obligations, or the Museum Guarantee and Reimbursement Obligations are in default. Lockbox Agent may rely on notices and communications it believes in good faith to be genuine and given by the appropriate party, but Lockbox Agent shall follow only the City's instructions with respect to the Lockbox Account notwithstanding any conflicting instruction from any other party hereto.

7. Termination. This Lockbox Addendum shall terminate only at such time as the City has notified the other parties hereto in writing that all of the MDA and the Museum Guarantee and Reimbursement Obligations have been fully discharged and satisfied, and that as a consequence, the City authorizes termination of this Addendum. The City shall also have the right to terminate this Addendum upon a substitution of a new Lockbox Agent and establishment of a new Lockbox Account with the substitute Lockbox Agent, if such substitution is permitted by the Guarantee and Reimbursement Agreement and the documentation regarding the Bonds.

8. Warranties. Each party hereto represents and warrants to the other parties that (i) this Addendum constitutes its duly authorized, legal, valid, binding and enforceable obligation; (ii) the performance of its obligations under this Addendum and the consummation of the transactions contemplated hereunder will not (A) constitute or result in a breach of its organizational documents or charter, as applicable, or the provisions of any material contract to which it is a party or by which it is bound or (B) result in the violation of any law, regulation, judgment, decree or governmental order applicable to it; and (iii) all approvals and authorizations required to permit the execution, delivery, performance and consummation of this Addendum and the transactions contemplated hereunder have been obtained.

9. Miscellaneous.

9.1. This Addendum may be amended only by writing signed by all parties hereto, except that the Lockbox Agent's charges are subject to change by the Lockbox Agent upon thirty (30) days' prior written notice to all other parties hereto.

9.2. This Addendum may be executed in counterparts; all such counterparts shall constitute but one and the same agreement.

9.3 The prevailing party shall be entitled to its reasonable attorneys' fees and other costs and expenses in any action to enforce or interpret this Addendum.

9.4. This Addendum shall be governed by and construed in accordance with the internal laws of the State of Washington.

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

9.6 Any notice or other written communication to be given under this Addendum shall be given in the manner set forth in Section 7.2 of the Guarantee and Reimbursement Agreement.

[The Remainder of This Page Is Intentionally Left Blank]

In witness whereof, the parties hereto have executed this Addendum by their duly authorized officers as of the ____day of _____, ((~~2005.~~))20__.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

("Lockbox Agent")

SEATTLE ART MUSEUM

By: _____
Name: _____
Title: _____

("the Museum")

THE MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE

By: _____
Name: _____
Title: _____

("the Authority")

THE CITY OF SEATTLE

By: _____
Name: _____
Title: _____

("the City")

Schedule 1
to Lockbox Account and Control Addendum

Standard Terms and Conditions

The Lockbox Service involves processing Checks that are received at a Lockbox Address. The tenants under the Office Space Leases have each executed an Office Space Lease containing the Tenant Payment Provisions or a separate Tenant Payment Agreement (as those terms are defined in the Guarantee and Reimbursement Agreement) whereby they have agreed to pay all Office Space Lease Revenues to the Lockbox Account at the Lockbox Address. The Lockbox Agent picks up mail at the Lockbox Address according to its mail pick-up schedule. The Lockbox Agent will have unrestricted and exclusive access to the mail directed to the Lockbox Address. The Lockbox Agent will also provide tenants under the Office Space Leases with the ability to remit Office Space Lease Revenues to the Lockbox Account via wire transfer.

If the Lockbox Agent receives any mail containing the Museum's lockbox number at Lockbox Agent's lockbox operations location (instead of the Lockbox Address), Lockbox Agent may handle the mail as if it had been received at the Lockbox Address.

PROCESSING

The Lockbox Agent will handle Checks received at the Lockbox Address according to the applicable deposit account agreement, as if the Checks were delivered by the Museum to Lockbox Agent for deposit to the Lockbox Account, except as modified by these Terms and Conditions.

The Lockbox Agent will open the envelopes picked up from the Lockbox Address and remove the contents. Checks contained in the envelopes will be inspected and handled in the manner specified in this Addendum. Other documents contained in the envelopes will be copied and a copy provided to all parties to this Addendum. Lockbox Agent will endorse all Checks Lockbox Agent processes on the Museum's behalf.

If the Lockbox Agent processes an unsigned Check, and the check is paid, but the account owner does not authorize payment, the Museum agrees to indemnify the Lockbox Agent, the drawee bank (which may include the Lockbox Agent) and any intervening collecting bank for any liability or expense incurred by such indemnitee due to the payment and collection of the Check.

The Lockbox Agent shall not process any Check bearing a handwritten or typed notation "Payment in Full" or words of similar import on the face of the Check, without the permission of the City. The Lockbox Agent warrants and represents that it has adopted procedures designed to detect Checks bearing such notations.

RETURNED CHECKS

The Lockbox Agent will re-clear a Check once which has been returned and marked "Refer to Maker," "Not Sufficient Funds" or "Uncollected Funds." Notwithstanding that the Check has been re-submitted, the Lockbox Agent will notify the parties in accordance with Section 9.6 when the check is first returned. If the Check is returned for any other reason or if the Check is returned a second time, the Lockbox Agent will debit the Lockbox Account and return the Check to the Museum, with a copy to the other parties hereto, and notify the parties that it has done so in accordance with Section 9.6.

ACCEPTABLE PAYEES

For purposes of processing Checks, Lockbox Agent may treat as an Acceptable Payee any variation of the Museum's name that Lockbox Agent deems to be reasonable.

Schedule 2
to Lockbox Account and Control Agreement Addendum

Lockbox Agent Fee Schedule

[to be inserted]

Exhibit A
to Lockbox Account and Control Agreement Addendum

Form of Monthly Lockbox Agent Report

[to be inserted]

Exhibit K

Procedures for Insurance Arbitration under Section 6.1(c)(1)

The following arbitration procedure is available only as described in §6.1(c)(1) and only if the default does not relate to coverage types and levels, and instead relates only to the form of the policy or the manner in which the parties' insured interests are identified. Cure periods and remedies shall be governed by Sections 6.1 and 6.2 of the Agreement.

1. On or before the last business day prior to the expiration or termination date of the applicable property or liability insurance policy, the Museum or the Authority may call for arbitration by providing notice to the City Finance Director. A call for arbitration shall extend the cure period until 3 business days after the arbitrator issues a written determination, but in no event beyond 30 calendar days after the expiration or termination date of the policy. The arbitration shall be limited to the issue of whether the form of the policy and the manner in which the parties' insured interests are identified therein satisfies the requirements set forth in Exhibit I. Regardless of who prevails, the City shall pay half the cost of the compensation for the arbitrator and the Authority and the Museum shall together pay the other half.

2. Within two business days following the giving of notice calling for arbitration, the Authority or the Museum shall deliver to the City: (A) a package including all materials the Museum and the Authority deem necessary to demonstrate that it has cured the default (the "Museum Materials"); and (B) a list of 3 independent arbitrators acceptable to the Authority and the Museum, who shall have substantial experience in insurance claims handling and/or underwriting, and shall be a practicing or retired commercial insurance broker, attorney, judge or risk manager. The Museum or the Authority shall confirm prior to submission of its list that each proposed arbitrator is available to hear the dispute and make a determination in the timeframe set forth in this Exhibit K.

3. No later than 3 business days following the City Finance Director's receipt of the Museum Materials, the City shall provide to the Authority and the Museum a written response and any other materials the City Finance Director deems necessary to explain why it believes that the requirements of Exhibit I have not been met (the "City Materials"). At the same time, the City Finance Director shall either identify an acceptable arbitrator from the list provided or provide with its response a list of 3 independent arbitrators acceptable to the City Finance Director who possess the above-identified qualifications and are confirmed as available to hear the dispute and make a determination in the timeframe set forth in this Exhibit K. If the City does not choose an arbitrator from the list provided by the Authority and the Museum, then within one business day after the City provides its list to the Museum and the Authority, the City Finance Director and one representative acting on behalf of both the Authority and the Museum shall confer and, if no arbitrator can be agreed upon, the parties' representatives shall flip a coin, and the coin toss winner shall choose from the coin toss loser's list.

4. Immediately upon selection of an arbitrator, that arbitrator shall be contacted by the party that first identified that person as a potential arbitrator. The arbitrator shall hold a hearing within 5 business days of being chosen, at which hearing each side ((a) the City and (b) the Museum and

the Authority) shall present its position based on the previously-submitted City Materials and Museum Materials (together, the "Materials"). No additional written materials shall be submitted, no discovery shall be conducted and the formal rules of evidence shall not apply. The arbitrator shall determine such rules of procedure, if any, as are necessary for the conduct of the hearing. The arbitrator shall consider the Materials and the positions as presented at the hearing and shall provide a written determination within 3 business days after the hearing, but in no event more than 25 calendar days after the date of the original notice calling for arbitration. The arbitrator's determination shall state whether the Materials demonstrate that the form of the policy and the manner in which the parties' insured interests are named satisfies the requirements of Exhibit I.

5. If the arbitrator concludes that the that the form of the policy or the manner in which the parties' insured interests are named in the Museum Materials satisfies the requirements of Exhibit I, then the default shall be deemed cured.

6. If the arbitrator concludes that the form of the policy or the manner in which the parties' insured interests are named in the Museum Materials does not satisfy the requirements of Exhibit I, then the arbitrator shall provide a brief explanation as to his or her conclusion.

EXHIBIT B

FORM OF
UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

The City of Seattle, Washington
with regard to the
Museum Development Authority of Seattle
$_____ Special Obligation Refunding Bonds, 2014

The City of Seattle, Washington (the "City") as an "obligated person" under Rule 15c2-12 makes the following written Undertaking for the benefit of the owners of the Special Obligation Refunding Bonds, 2014 (the "Bonds") of the Museum Development Authority of Seattle (the "Authority"), for the sole purpose of assisting the underwriter in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used by not defined below shall have the meanings given in the Second Amended and Restated Guarantee and Reimbursement Agreement, dated as of ____, 2014, by and among the City, the Authority and other parties.

(a) Undertaking to Provide Annual Financial Information. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, annual financial information described in subsection (b) of this section ("annual financial information"), and timely notice of a failure by the City to provide such annual financial information on or before the date specified in subsection (b)(ii).

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in subsection (a) of this section:

(i) Shall consist of (1) annual financial statements of the City prepared in accordance with applicable generally accepted accounting principles applicable to governmental units (except as otherwise noted herein), as such principles may be changed from time to time and as permitted by State law, which financial statements will not be audited, except, that if and when audited financial statements are otherwise prepared and available to the City they will be provided; (2) a statement of authorized, issued and outstanding general obligation debt of the City; (3) the assessed value of the property within the City subject to ad valorem taxation; and (4) ad valorem tax levy rates and amounts and percentages of taxes collected;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City's fiscal year ending December 31, 20__; and

(iii) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this section shall inure to the benefit of the City and any owner of Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The City's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of Bond Counsel delivered to the City, and the City provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the City learns of any failure to comply with the Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply with the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take action to compel the City or other obligated person to comply with the Undertaking, including seeking an order of specific performance from an appropriate court.

(g) Designation of Official Responsible to Administer Undertaking. The Director of Finance of the City (or such other officer of the City who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

(i) Preparing and filing the annual financial information undertaken to be provided;

(ii) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the City in carrying out the Undertaking; and

(iii) Effecting any necessary amendment of the Undertaking.

Dated _____, 2014.

THE CITY OF SEATTLE, WASHINGTON

By _____
Glen M. Lee, Director of Finance

Michael Van Dyck
FAS Museum Bond Refinancing FISC
January 21, 2014
Version #1

Form revised: December 12, 2012

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
FAS	Michael Van Dyck 4-8347	Ben Noble 4-8160

Legislation Title:

AN ORDINANCE relating to public art museum facilities; authorizing a restatement of a guarantee and reimbursement agreement with the Museum Development Authority and other parties that amends the first amended and restated guarantee and reimbursement agreement the City entered into in 2008, as originally authorized by Ordinance 121950, as amended by Ordinance 122458.

Summary and Background of the Legislation:

In 2005, SAM undertook the simultaneous expansion of its downtown facilities and the Olympic Sculpture Park project. As part of this capital program, the City guaranteed $61 million in bonds issued by the Museum Development Authority (MDA) for the redevelopment of the Seattle Art Museum. The annual $4.5 million of debt service on these bonds was to be paid by rents from its original tenant, Washington Mutual. In the event that SAM is unable to pay, the City must pay the debt service. Although Washington Mutual failed, SAM continued paying debt service and eventually found Nordstrom as a replacement tenant. As a consequence, the City's guaranty was never called upon.

$46.7 million of bonds are still outstanding and SAM would like to advance refund (refinance) them now for debt service savings. The refunding is very sensitive to market rates. Overall, it could generate as much as PV 7% savings (PV$3.5 m), but SAM plans to proceed even if it can only get 4% (which is below the City's 5% policy target). At 7%, the annual debt service savings is just under $300,000 for the remaining 17 year term. SAM has agreed that the terms of the City's guaranty and security will remain the same under the refunding bonds as they were under the old bonds. The reduced debt service should not only benefit the SAM, but also slightly lower the city's exposure to this guaranty.

Please check one of the following:

_X_ This legislation does not have any financial implications.

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**
This legislation could save SAM a PV$ 3.5 million. It has no direct financial implications for the City, but it does slightly reduce the City's risk of having to pay debt service on the MDA bonds.

b) **What is the financial cost of not implementing the legislation?**
For SAM, it could be PV$3.5 million

c) **Does this legislation affect any departments besides the originating department?**
No.

d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None.

e) **Is a public hearing required for this legislation?**
Not for the City.

f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
Not for the City.

g) **Does this legislation affect a piece of property?**
Yes, the Museum.

h) **Other Issues:**

List attachments to the fiscal note below:

City of Seattle
Edward B. Murray
Mayor

February 4, 2014

Honorable Tim Burgess
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Burgess:

I am pleased to transmit the attached proposed Council Bill that extends the City's guaranty to the refunding (refinancing) of Museum Development Authority (MDA) bonds. In 2005, when the Seattle Art Museum (SAM) redeveloped and expanded its downtown facility, the City provided a guarantee for $61 million of special obligation bonds issued by the MDA through Ordinance 121950. Debt service on these bonds is paid from rent revenues on the SAM building. If the MDA and SAM are unable to pay debt service, the City is obligated to pay bondholders.

Due to low market interest rates, the remaining $46.7 million bonds can be now be refunded (refinanced) for debt service savings. The Seattle Art Museum has asked the City to extend its guaranty to the refinanced bonds with the same terms as the original bonds. The annual debt service savings will relieve fiscal pressure for SAM, which should also reduce the likelihood of the City's guaranty being called upon.

Thank you for your consideration of this legislation. Should you have questions, please contact Michael Van Dyck at 4-8347.

Sincerely,

Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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