ORDINANCE No. 118190

COUNCIL BILL No. 111296

COMPTROLLER FILE No.

Introduced: JUN 10 1996	By: CHOE
Referred: JUN 10 1996	To: Committee
Referred:	To:
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Passed over Veto:	Veto Sustained:

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INDEXED

Law Department

The City of Seattle--Legislativ

Passed 4-0

REPORT OF COMMITTEE

Honorable President:

Your Committee on

to which was referred the within Council Bill No.
report that we have considered the same and respectfully recommend

Full Council vote

Committee Chair

KRH: rlh
June 3, 1996
SCIDPDA.ORD
(Ver 1.)

ORDINANCE 118190

AN ORDINANCE relating to the Seattle Chinatown-International District Public Development Authority; authorizing the City to provide a guaranty in support of not to exceed Nine Million Dollars ($9,000,000) in tax exempt bonds to be issued by the Authority, establishing the terms and conditions under which the City will provide such guaranty; and authorizing an agreement and such related documents and agreements as are necessary between the City and the Authority with regard to the Authority's issuance of the bonds and the City's guaranty.

WHEREAS, the Seattle Chinatown International District Public Development Authority (the "Authority") was chartered by the City pursuant to RCW Ch. 35.21 and Chapter 3.110 of the Seattle Municipal Code to "conserve and renew the unique cultural and ethnic integrity characteristic of the International District" in Seattle; and

WHEREAS, the Authority has formulated plans to develop land in the International District formerly occupied by Metro and currently vacant into a mixed-use facility to be known as the "Village Square" project; and

WHEREAS, the Village Square project will include low-income assisted elderly housing, a small retail space component, parking facilities, and will provide offices for non-profit social and health service agencies; and

WHEREAS, the Village Square facility will benefit the International District, and the City of Seattle as a whole, by providing centralized Asian/Pacific resources for health care, mental health and social services, pre-school and childcare, employment and training,, senior advocacy and supportive care and housing; by creating a combined multi-ethnic staffing pool of approximately 225 staff speaking 43 languages; and by allowing the agencies to redirect their resources from administrative costs to service, and provide more services at reduced cost; and

WHEREAS, the cost to develop the Village Square is approximately Eighteen Million Dollars ($18,000,000), of which the Authority has raised or will raise approximtely Nine Million Dollars ($9,000,000) from sources other than the City-backed bonds, approximately Three Million Dollars ($3,000,000) of which is from private donations; and the Authority has requested that the City facilitate financing the remainder of the development cost by guaranteeing repayment of not to exceed Nine Million Dollars in bonds to be issued by the Authority (the " 1996 Bonds"); and

WHEREAS, the Authority, on its own, would be unable to obtain financing to develop the Village Square project on terms that would make it economically and financially feasible; and the City's guaranty would significantly reduce the Authority's borrowing costs and thereby enable the Authority to develop the Village Square project in a manner that is financially prudent and that would allow the Authority to provide the greatest benefits to the community in furtherance of its public purpose; and

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WHEREAS, the rental payments from the social and health service agencies and the retail tenant of the Village Square facility, together with other revenues of the Authority, will provide sufficient funds for the repayment of the 1996 Bonds;

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Findings. The City Council hereby makes the following findings:

It is in the best interests of the City and its citizens for the Authority to build the Village Square project.

The Authority, on its own, is unable to obtain financing to develop and construct the Village Square project on terms and conditions that make it economically and financially feasible. The pledge by the City of its full faith and credit to guarantee payment of the principal of and interest on the Authority's 1996 Bonds in an amount not to exceed Nine Million Dollars ($9,000,000) will significantly reduce the costs of the Authority's financing for the Village Square project and thereby enable the Authority to meet its debt service requirements. The Authority will derive funds for the repayment of the 1996 Bonds from payments under the leases of portions of the Village Square facility to retail and non-profit social and health service agencies and from other sources available to the Authority.

The City Council concludes that the most appropriate method of assisting the Authority in furtherance of its public purpose is to pledge its full faith and credit to guarantee payment of the principal of and interest on the 1996 Bonds issued by the Authority. Such guaranty shall be provided in the manner hereinafter set forth in an agreement substantially in the form contained in Exhibit A hereto with such modifications as the Mayor may deem necessary and appropriate and which are consistent with this Ordinance. The City Council hereby further finds and declares that the City's provision of credit support

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and any expenditure of public funds to assist in the development of the Village Square project are for a public and strictly municipal purpose.

Section 2. Authorization to execute agreements. If he finds it to be in the best interests of the City to do so, the Mayor is authorized to execute on behalf of the City an agreement with the Authority substantially in the form contained in Exhibit A hereto. The Mayor is further authorized to execute such related agreements and documents as he deems necessary and appropriate to carry out the agreement contemplated in Exhibit A and this Ordinance.

Section 3. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 24 day of June, 1996, and signed by me in open session in authentication of its passage this 24 day of June, 1996.

Jan Drago
President ______ of the City Council

Approved by me this 28 day of June, 1996.

Norman B. Rice
Mayor

Filed by me this 28 day of June, 1996.

Judith E. Pippin
City Clerk

(Seal)

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KRH: tlh
June 3, 1996
SCIDPDA.ORD
(Ver 1.)

Ordinance Attachments to Follow

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BOND PAYMENT GUARANTY AGREEMENT

between

THE CITY OF SEATTLE

and

THE SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY

EXHIBIT A

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TABLE OF CONTENTS

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
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BOND PAYMENT GUARANTY AGREEMENT
BETWEEN
THE CITY OF SEATTLE
AND
SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY

THIS BOND PAYMENT GUARANTY AGREEMENT is effective as of the _____ day of _________________, 1996, between THE CITY OF SEATTLE (the "City"), a Washington municipal corporation, and the SEATTLE CHINATOWN-INTERNATIONAL DISTRICT PRESERVATION AND DEVELOPMENT AUTHORITY (the "Authority"), a public corporation chartered by the City, to provide for the City's guaranty of payment on bonds issued by the Authority to finance a portion of the Authority's costs to develop and construct a facility to be known as "International District Village Square."

I. RECITALS

These facts and principles form the background of this Agreement:

1.1 The Authority was chartered by the City pursuant to the Revised Code of Washington (RCW), Chapter 35 (RCW 35.21.730, et seq.) and Seattle Municipal Code (SMC), Chapter 3.110 (Ordinance 103387, as amended) to "work for the conservation and renewal of the unique cultural and ethnic integrities characteristic of the area historically known as the Chinatown-International District," and "to expand and preserve the residential community, especially for low-income people."

1.2 The Authority has undertaken to develop and construct the International District Village Square, a mixed-use project containing low-income elderly housing, social and health service agency offices and other uses, as described in Exhibit A (the "International District Village Square Project" or the "Project"), located in the City of Seattle's Chinatown-International District at the site legally described in Exhibit B hereto (the "Site").

1.3 The International District Village Square Project will further the purposes of the Authority and serve the public interest by providing centralized Asian/Pacific resources for health care, mental health and social services, pre-school and childcare, employment, senior advocacy and supportive care and housing.

1.4 The City of Seattle, Metropolitan King County, the State of Washington and the United States Government have provided the Authority with crucial financial assistance for the

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development of this Project, which will provide significant public benefit to the community.

1.5 By Resolution No. _____, adopted __________________, 1996, (the "Bond Resolution"), the Authority has approved the issuance and sale of its Special Obligation Bonds, Series 1996, in an aggregate principal amount of not-to-exceed Nine Million Dollars ($9,000,000) (the "Bonds") to finance a portion of the costs for acquisition of the Site and development and construction of the Project.

1.6 The City and the Authority have negotiated this Agreement pursuant to which the City will provide credit enhancement to the Bonds by guaranteeing their payment.

1.7 The City Council by Ordinance ________ passed on ______________, 1996, has authorized the Mayor to execute this Agreement on behalf of the City.

1.8 By the Bond Resolution the Authority has authorized the execution of this Agreement on behalf of the Authority.

1.9 This Agreement is the culmination of negotiations and discussions between the City and the Authority regarding the terms and conditions under which the City will provide its unconditional payment obligation with respect to the Bonds as set forth herein and other duties and functions of each of the parties.

II. DEFINITIONS

The words hereinafter defined shall throughout this Agreement have the meanings set forth in this Section:

2.1 "Agreement" means this Bond Payment Guaranty Agreement between the City and the Authority.

2.2 "Arbitrage and Tax Certification" means the certificate executed by the Authority pertaining to, among other things, the calculation and payment of any Rebate Amount with respect to the Bonds.

2.3 "Authority" means Seattle Chinatown-International District Preservation and Development Authority or its successors, established by the City pursuant to RCW Ch. 35.21 and SMC Ch. 3.110, and chartered to transact business and exercise its powers.

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

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2.5 "Bond Counsel" means the counsel selected by the Authority to act as its bond counsel for issuance of the Bonds.

2.6 "Bond Resolution" means the resolution of the Authority authorizing the issuance and sale of the Bonds.

2.7 "Bonds" means the Authority's Special Obligation Bonds, Series 1996, to be issued by the Authority pursuant to the Bond Resolution, the Ordinance and this Agreement in an aggregate principal amount of not to exceed Nine Million Dollars ($9,000,000).

2.8 "Business Day" means any day other than: (a) a Saturday or Sunday, (b) a day on which commercial banks in Seattle are authorized or obligated to close, or (c) a day on which the offices of the City are closed.

2.9 "Capital Cost" means costs for the replacement of the Facility's building systems or components which have a projected useful life less than the remaining life of the Facility, and include, without limitation, the roof, the heating, ventilation and air conditioning system, the water heating system, floor coverings, appliances, exterior finishes, and landscaping features.

2.10 "Capital Reserve Account" means the special account of the Authority established pursuant to this Agreement and the Bond Resolution.

2.11 "City" means The City of Seattle, Washington.

2.12 "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.

2.13 "Committee" means the oversight committee established pursuant to Section IV of this Agreement.

2.14 "Debt Service Payment Date" means any date on which the principal of and/or interest on the Bonds is due and payable as provided in the Bond Resolution.

2.15 "Debt Service Reserve Account" means the special account of the Authority established pursuant to the Bond Resolution and this Agreement.

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2.16 "Debt Service Reserve Requirement" means the least of: (i) ten percent (10%) of the issue price of the Bonds; (ii) maximum annual debt service on the Bonds; and (iii) one hundred twenty-five percent (125%) of the average annual debt service on the Bonds.

2.17 "Deed of Trust" means the Deed of Trust to be executed by the Authority in favor of the City upon the Authority's acquisition of the Site, in substantially the form attached hereto as Exhibit C, with such changes thereto as are approved by the City.

2.18 "Depository" means a national banking association or trust company selected by the Authority with the City's approval to act as depository under the Depository Agreement.

2.19 "Depository Agreement" means the depository agreement with respect to the Bonds among the Depository, the City, and the Authority.

2.20 "Facility" means the completed International District Village Square project as described in Exhibit A hereto.

2.21 "Fiscal Year" means the fiscal year of the Authority.

2.22 "Interest Account" means the special account of the Authority established pursuant to this Agreement and the Bond Resolution.

2.23 "Lease" means the lease or leases for the use of the International District Village Square Facility between the Authority and its tenants.

2.24 "Legislative Authority" means the Mayor and the City Council of the City.

2.25 "OMP" means the Office of Management and Planning of the City, or its functional successor.

2.26 "Operating Reserve Account" means the special account of the Authority established pursuant to this Agreement.

2.27 "Operations and Maintenance Expenses" means all reasonable and necessary expenses incurred by the Authority in causing the Facility to be operated and maintained in good repair, working order and condition. Operation and Maintenance Expenses shall include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs to the extent not properly classifiable as Capital Costs, and a properly allocated share of charges for insurance (including

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reasonable contributions for self-insurance reserves, if any), consulting, technical and professional services, and all other expenses incidental to the operation of the Facility, including pro rata charges of the Authority's administration expense where such charges represent a reasonable distribution and share of actual costs, but shall exclude depreciation, transfer of money to any other funds of the Authority, expenses subject to reimbursement by tenants and payments into the Bond Fund's constituent accounts hereinafter provided for.

2.28 "Ordinance" means Ordinance ____________ of the City, passed ____________________, 1996, authorizing the Mayor of the City to execute this Agreement and authorizing the City's unconditional payment obligation as set forth herein.

2.29 "Outstanding" means, with respect to the Bonds, an obligation that has not yet been paid or redeemed.

2.30 "Plans and Specifications" is defined in Section 4.2 of this Agreement.

2.31 "Principal Account" means the special account of the Authority established pursuant to this Agreement and the Bond Resolution.

2.32 "Project" or "International District Village Square Project" means the work and undertaking by the Authority, including planning, financing, design, purchase, acquisition, development, construction, and equipping the Village Square facility at the Site, and all work or undertakings related thereto, all pursuant to this Agreement and as described in the attached Exhibit A.

2.33 "Project Account" means the special account of the Authority established pursuant to this Agreement and the Bond Resolution into which a portion of the proceeds from the Bonds shall be deposited.

2.34 "Project Revenues" means: (1) all earnings and revenues received by the Authority from operation of the Facility and includes without limitation all parking revenues and all rents, income, receipts, revenues, issues, profits and other income of the Facility from all Leases of the Facility including minimum rents, additional rents, percentage rents, parking or common area maintenance contributions, tax and insurance contributions, deficiency rents, liquidated damages following default in any Lease, and all proceeds payable under any policy of insurance covering loss of rents resulting from untenantability caused by destruction or damage to the Property; and (2) all earnings and revenues of whatever nature or source

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received by the Authority from operation of the land described as the "West Parcel" on Exhibit G hereto, and any improvements now or hereafter constructed thereon, less reasonable and customary costs and expenses for maintenance and operation of the West Parcel. Project Revenues excludes public or private charitable contributions or donations to the Authority.

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

2.36 "Revenue Fund" means the special fund established by the Authority pursuant to this Agreement and the Bond Resolution into which Project Revenues shall be deposited.

2.37 "Site" means the real property on which the International District Village Square shall be located, together with all appurtenances thereto, as more fully described in Exhibit B hereto.

III. GUARANTY PAYMENT OBLIGATIONS OF THE CITY AND REPAYMENT BY THE AUTHORITY

3.1 Payment Obligations. The City unconditionally obligates itself to make payments to the Depository for deposit into the Interest Account, Principal Account and/or Debt Service Reserve Account as provided in Section 3.2 below, in amounts sufficient, together with other funds available therefor, to make scheduled payments of principal of and interest on the Bonds. The City covenants and agrees, for so long as any Bonds are Outstanding, that each year it will include in its budget and levy an *ad valorem* tax within and as a part of the tax levy permitted to cities without a vote of the people, upon all the property within the City subject to taxation, which will be sufficient, together with all other money of the City that may legally be used and that the City may apply for such purposes, to satisfy its guaranty obligation to make payments with respect to the Bonds as provided herein. Registered owners of the Bonds are the express beneficiaries of the City's payment obligation set forth in this paragraph.

3.2 Procedure in Event of Insufficient Funds.

(a) In the event that the amount of funds in the Debt Service Reserve Account (taking into account earnings accrued thereon) falls below one-half (1/2) the Debt Service Reserve Requirement, the City shall, upon notice provided pursuant to the Depository Agreement given no later than the first Business Day of the second month preceding the next Debt Service Payment Date, cause to be deposited into the Debt Service Reserve Account no

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later than seven (7) days prior to such Debt Service Payment Date, the amount of money necessary to restore the amount of funds in the Debt Service Reserve Account to one-half the Debt Service Reserve Requirement. The City shall deposit such funds directly with the Depository in accordance with the Depository Agreement.

(b) If, for any reason by 10:00 a.m. on the second Business Day preceding a Debt Service Payment Date the amount on hand in the Interest Account, Principal Account and the Debt Service Reserve Account (taking into account earnings accrued thereon) is inadequate to make scheduled payments of principal of and interest on the Bonds on such Debt Service Payment Date, the Authority shall and the Depository (pursuant to the Depository Agreement) will immediately so notify the City. Upon such notice the City shall pay to the Depository the amount necessary to make up such deficiency no later than 10:00 a.m. on the Business Day preceding the scheduled Debt Service Payment Date.

(c) Notwithstanding any failure by the Authority or the Depository to provide notice required under this Section 3.2, the City shall not be relieved of its payment obligations under this Section III, and shall make such payments upon receiving actual (and not merely constructive) notice of all facts set forth in this Section III that trigger the City's payments hereunder.

3.3 Authority's Obligation to Repay the City.

(a) Any amounts expended by the City pursuant to this Agreement shall be deemed a loan from the City to the Authority. The Authority shall be obligated to repay such amounts from Revenues in accordance with Section 5.3 below, and, if the City so requires at the City's sole discretion, from all other property, assets or funds lawfully available to the Authority for such purpose including revenues, money and assets available to the Authority from sources or activities other than the Project, with interest payable at an annual rate equal to the cost of funds to the City at the time of such expenditure or the annualized earnings rate of the City's general fund, whichever is greater.

(b) The Authority shall repay the City any and all amounts expended by the City pursuant to this Agreement, together with interest as set forth above, within six (6) months after the City has expended such funds. The Authority's failure to repay the City within such time shall be an Event of Default under this Agreement.

3.4 Tax Exemption.

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(a) Arbitrage Bonds. The City covenants that it will not make any use of the proceeds from the sale of the Bonds or any other money or obligations of the Authority or the City which may be deemed to be proceeds of such Bonds pursuant to Section 148(a) of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said Section and said regulations. The City will comply with the applicable requirements of Section 148(a) of the Code throughout the term of the Bonds. The City covenants that it will not act or fail to act in a manner which will cause the Bonds to be considered obligations not described in Section 103(a) of the Code.

(b) Private Activity Bonds. The City will take no actions and will make no use of the proceeds of the Bonds, or any other funds, that would cause any of the Bonds to be treated as a "private activity bond" (as defined in Section 141(b) of the Code) subject to treatment under said Section 141(b) as an obligation not described in subsection (a) of said Section 103, other than a "qualified 501(c)(3) bond" within the meaning of Section 145 of the Code, unless the tax exemption thereof is not affected.

3.5 Non-Impairment. The Authority is relying on this Agreement, and in particular, on the unconditional obligations of the City provided for herein, to issue the Bonds. The City shall not take any action which impairs the Authority's authority to issue and sell the Bonds pursuant to this Agreement. To the extent legally required to prevent impairment of the City's obligations hereunder, the City shall reserve and designate for purposes of providing for the unconditional obligation of the City specified herein a portion of its general obligation debt capacity permitted to cities without a vote in accordance with Chapter 39.36 RCW, equal to the maximum principal amount of the Bonds, and, upon issuance thereof, such reservation may be reduced to equal the outstanding principal amount thereof.

3.6 Undertaking to Provide Continuing Disclosure.

(a) Disclosure. This Section 3.6 constitutes the City's written undertaking (the "Undertaking") for the benefit of the holders of the Bonds as required by United States Securities and Exchange Commission (the "SEC") Rule 15c2 - 12(b)(5), as it may be amended and administratively and judicially interpreted (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

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by the SEC (the "SID"), annual financial information and operating data regarding the City of the type included in the Official Statement for the Bonds as follows: (i) annual financial statements of the City prepared in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board ("GASB"), as such principles may be changed from time to time by GASB or its successor 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; (ii) a statement of authorized, issued and outstanding general obligation bond debt; (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 (currently, a fiscal year ending December 31), as such fiscal year may be changed as permitted or required by State law, commencing with the City's fiscal year ending December 31, 1996. The annual financial information may be provided in a single or in multiple documents, and may be incorporated by reference from other documents that have been filed with each NRMSIR and the SID, or, if a document incorporated by reference is a "final official statement" with respect to other obligations of the City, that document shall instead be filed with the Municipal Securities Rulemaking Board ("MSRB").

(2) to each NRMSIR or the MSRB, and to the SID, timely notice of the occurrence of any of the following events, if material, with respect to the Bonds: (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.

(b) <u>Amendment</u>. The Undertaking may be amended without the consent of any owner of any Bond, any broker, dealer, municipal securities dealer, participating underwriter, rating agency,

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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 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 notice also will include a narrative explanation of the effect of that change on the type of information to be provided.

(c) Compliance. 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.

(d) Beneficiaries. This Undertaking shall inure to the benefit of the City, the Authority and any holder of the Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination. The City's obligations under the Undertaking described in this Section 3.6 shall terminate upon the legal defeasance of all of the Bonds or any refunding bonds guaranteed pursuant to this Agreement. In addition, the City's obligations under the Undertaking shall terminate if those provisions of the Rule which require the City to comply with the Undertaking become legally inapplicable with respect to the Bonds, or such refunding bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the SID and either the MSRB or each NRMSIR.

IV. OBLIGATIONS OF THE COMMITTEE

4.1 Purpose and Composition. The Committee shall be established for the purpose of determining substantial progress of the Project, approving disbursements from the Project Fund pursuant to Section 5.9 below, and reporting to the Legislative Authority on the progress of the Project as provided herein. The Committee will consist of the Mayor, the City Council Finance Committee Chair and the Director of the Department of Housing and Human Services, or their respective designees. The City shall provide such support staff for the Committee as it deems reasonable in its discretion. The Committee may, as it deems useful, permit or cause persons with specialized expertise to

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consult with members of the Committee and to attend all or any of the proceedings, meetings or activities of the Committee, to advise the Committee and its members regarding its functions under this Agreement, provided, however, that such consulting persons shall act solely in an advisory capacity and shall have no authority hereunder to act on behalf of the Committee.

4.2 Monitor Progress. The Committee shall, upon receipt of staff reports, determine: (1) whether the Authority has provided the Committee with evidence satisfactory to the Committee that, prior to beginning work on the Project, the Authority has obtained sufficient financing to complete the Project; and (2) whether the Authority is making substantial progress on the Project using the Project Budget attached hereto as Exhibit D, and the Construction Schedule attached hereto as Exhibit E as the standards (as such Project Budget and Construction Schedule may be amended with the City's review and approval); and (3) whether the Project is being constructed in substantial accordance with the plans and specifications designated and/or incorporated into the general contract for construction of the Facility (hereinafter, the "Plans and Specifications").

4.3 Approval of Disbursements from Project Account. The Committee shall review and approve requests for disbursement from the Project Account as provided in Section 5.9, below.

4.4 Recommendations. Upon request of the Director of OMP, the Committee shall recommend to the Legislative Authority such actions as it deems advisable or warranted to further the purposes of this Agreement if: (1) the Committee finds that the Authority has not demonstrated to the Committee's satisfaction that it has obtained sufficient financing to complete the Project; or (2) that substantial progress on the Project is not being made; or (3) that the Project is not being constructed in accordance with the Plans and Specifications. Upon request of the Director of OMP, the Committee shall recommend to the Authority and the Legislative Authority any adjustments to the Project or amendments to this Agreement that would improve the Project, further its purposes or objectives, or reduce any problems or difficulties encountered in completing the Project.

4.5 Reviews. The Committee shall review or cause to be reviewed monthly reports from the Authority and any additional information the Committee may reasonably request on the cost, design and progress of the Project.

4.6 Access. The Committee shall have access, at reasonable times and conditions, and subject to reasonable notice, to all Project records, files, personnel and the Site.

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4.7 Dissolution of Committee. The Committee shall be dissolved and shall have no further authority or responsibility without any action on the part of the City or the Committee immediately following filing of the Certificate of Completion of the Project with the Depository pursuant to the Depository Agreement.

V. OBLIGATIONS OF THE AUTHORITY

5.1 Issue Bonds. The Authority shall issue its Bonds in accordance with the Bond Resolution and this Agreement. The Authority shall issue Bonds in an amount not to exceed the amount necessary to finance the Project in accordance with the Project Budget attached as Exhibit D, but in no event in an amount exceeding $9,000,000 without express written authorization of the City. Principal payments on the Bonds may commence no later than twenty-four (24) months after issuance of the Bonds. Prior to the issuance and sale of the Bonds, the Authority will review the proposed date, terms, conditions, interest rates and other features of the Bonds with the Director of the City's Department or Finance or his/her designee, and the Authority shall be obligated to make any changes in the terms and conditions thereof reasonably requested by the City.

5.2 Tax Exemption.

(a) Arbitrage Bonds. The Authority covenants that it will not make any use of the proceeds from the sale of the Bonds or any other money or obligations of the Authority or the City which may be deemed to be proceeds of the Bonds pursuant to Section 148(a) of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said Section and said regulations. The Authority will comply with the applicable requirements of Section 148(a) of the Code throughout the term of the Bonds, including arbitrage and arbitrage rebate requirements. The Authority covenants that it will not act or fail to act in a manner which will cause the Bonds to be considered obligations not described in Section 103(a) of the Code.

(b) Private Activity Bonds. The Authority shall take no actions and shall make no use of the proceeds of the Bonds, or any other funds, that would cause the Bonds to be treated as a "private activity bond" (within the meaning of Section 141(b) of the Code) subject to treatment under said Section 141(b) as an obligation not described in subsection (a) of said Section 103, other than a "qualified 501(c)(3) bond" (as defined in Section 145 of the Code) unless the tax exemption thereof is not adversely affected.

5.3 Revenue Fund and Application of Project Revenues.

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(a) Establishment of Revenue Fund. The Authority shall establish a special fund known as the "1996 International District Village Square Revenue Fund" (the "Revenue Fund") pursuant to this Agreement and the Bond Resolution. The Revenue Fund shall be held by the Depository pursuant to the Depository Agreement separate and apart from all other funds and accounts of the Authority. For so long as the Bonds remain Outstanding, and unless otherwise specifically provided herein, the Authority shall deposit all Project Revenues into the Revenue Fund. Payments under the Leases shall be deposited by the Authority into the Revenue Fund upon receipt. Investment earnings on money in the Debt Service Reserve Account (in excess of the amount needed to maintain the Debt Service Reserve Account at the Debt Service Reserve Requirement) shall be deposited into the Revenue Fund when paid.

(b) For so long as the Bonds are Outstanding, the money in the Revenue Fund shall be used only for the following purposes and in the following order of priority:

First, to make all payments required by this Agreement to be made into the Interest Account to pay the interest on the Bonds;

Second, to make all payments required by this Agreement to be made into the Principal Account to pay the principal of the Bonds (including mandatory sinking fund payments with respect to term bonds);

Third, to make all payments required by this Agreement to be made into the Debt Service Reserve Account;

Fourth, to pay Operation and Maintenance Expenses;

Fifth, to make all payments required by this Agreement to be made to reimburse the City, including interest thereon, for the City's payments made pursuant to the City's guaranty obligations set forth in Section III of this Agreement;

Sixth, to make all payments required by this Agreement to be made into the Capital Reserve and Operating Reserve Accounts;

Seventh, to retire by redemption or purchase in the open market any Outstanding Bonds, or for any other lawful Authority purpose.

5.4 Bond Fund. The Authority shall establish and maintain for so long as the Bonds are Outstanding a special fund of the Authority entitled the "Bond Fund" (the "Bond Fund"). Within the Bond Fund the Authority shall authorize and establish the Interest Account (the "Interest Account"), the Principal Account

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(the "Principal Account") and the Debt Service Reserve Account ("Debt Service Reserve Account"). Money and securities in the Bond Fund and its constituent accounts shall, pursuant to the Depository Agreement, be held by the Depository separate and apart from all other funds and accounts of the Authority.

(a) <u>Interest Account.</u> Upon the issuance of the Bonds the Authority shall deposit into the Interest Account a portion of the proceeds of the Bonds in an amount equal to twelve (12) months interest on the Bonds. Beginning on the thirteenth (13) month after issuance of the Bonds, and for so long as the Bonds remain Outstanding, the Authority shall deposit into the Interest Account on or before the first Business Day of each month, from the Revenue Fund or from any other revenues, funds and assets legally available to the Authority, and taking into account investment earnings on money in the Interest Account (if any), one-sixth (1/6th) of the interest on the Bonds due and payable on the next Debt Service Payment Date. The Authority shall also deposit money into the Interest Account from the Revenue Fund to the extent necessary to make up any deficiency in such Account resulting from the failure to pay all or any portion of any prior monthly payment since the last Debt Service Payment Date. If there are insufficient funds in the Revenue Fund to make up any such deficiency, the Authority shall make up such deficiency from any and all other revenues, money and assets legally available to the Authority from all sources including sources other than the Facility. The Authority shall authorize the Depository under the Depository Agreement to draw upon funds in the Interest Account to make payments of the interest on the Bonds, and the Authority shall not draw upon funds in the Interest Account for any other purpose until the principal of and interest on the Bonds is paid in full.

(b) <u>Principal Account.</u> Upon the issuance of the Bonds and for so long as the Bonds remain Outstanding, the Authority shall deposit into the Principal Account on or before the first Business Day of each month, from the Revenue Fund or from any other revenues, funds and assets legally available to the Authority, and taking into account investment earnings on money in the Principal Account (if any), one-twelfth (1/12th) of the principal on the Bonds due and payable on the next Debt Service Payment Date (whether such principal is due upon maturity of serial bonds or upon mandatory sinking fund redemptions of term bonds) (<u>provided</u>, however, that if the first Debt Service Payment Date on which principal is due and payable on the Bonds is more than twelve (12) months after issuance of the Bonds, then monthly payments of principal hereunder shall commence the twelfth (12th) month preceding the first Debt Service Payment Date on which principal on the Bonds is due and payable). The Authority shall also deposit money into the Principal Account from the Revenue Fund to the extent necessary to make up any deficiency in such Account resulting from the failure to

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pay all or any portion of any prior monthly payment since the last Debt Service Payment Date. If there are not sufficient funds in the Revenue Fund to make up any such deficiency, the Authority shall make up such deficiency from any and all other revenues, money and assets legally available to the Authority from all sources including sources other than the Facility. The Authority shall authorize the Depository under the Depository Agreement to draw upon funds in the Principal Account to make payments of the principal of the Bonds, and the Authority shall not draw upon funds in the Principal Account for any other purpose until the principal of and interest on the Bonds is paid in full.

(c) Debt Service Reserve Account.

(i) Establishment and Replenishment of Account. Upon the issuance of the Bonds the Authority shall deposit into the Debt Service Reserve Account a portion of the proceeds of the Bonds in an amount equal to the Debt Service Reserve Requirement. For so long as the Bonds remain Outstanding, the Authority shall deposit into the Debt Service Reserve Account, on or before the first Business Day of each month, money from the Revenue Fund in an amount sufficient, together with other funds in the Debt Service Reserve Account, to maintain the balance in the Debt Service Reserve Account in an amount equal to the Debt Service Reserve Requirement.

(ii) Use of Debt Service Reserve Account Funds. In the event that funds in the Interest Account and/or Principal Account are insufficient to make any payment of the principal of or interest on the Bonds then due and payable, the Authority shall authorize the Depository under the Depository Agreement to withdraw funds from the Debt Service Reserve Account to make such payment. The Authority shall not draw upon funds in the Debt Service Reserve Account for any other purpose until the principal of and interest on the Bonds is paid in full without the consent of the City, except that earnings from the investment of money in the Debt Service Reserve Account in excess of the amount needed to maintain the Debt Service Reserve Account at the Debt Service Reserve Requirement shall be transferred to the Revenue Fund pursuant to Section 5.7 below, "Investments and Earnings." If the City has not previously been fully reimbursed for any money expended to satisfy its guarantee obligations hereunder, then when no Bonds remain Outstanding, the balance in the Debt Service Reserve Account shall be used to repay the City for such expenditures; provided, however, that this sentence, and the existence of funds in the Debt Service Reserve Account which may be used pursuant hereto to repay the City when no Bonds remain Outstanding, shall not abrogate or in any way affect or alter the Authority's obligation under Section 3.3, above, to repay the City within the time set forth therein, and making failure to do so an Event of Default under this Agreement. If any funds remain after repaying the City, then when no Bonds remain Outstanding such remaining funds shall be remitted to the Authority by the Depository.

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(iii) Notification to City of Withdrawal. The Authority shall notify the City within 2 working days of any withdrawal from the Debt Service Reserve Account (other than the transfer of investment earnings into the Revenue Fund as required under this Agreement).

5.5 Capital Reserve Account.

(a) Establishment. The Authority shall establish and maintain for so long as the Bonds remain Outstanding a special fund of the Authority entitled the "1996 International District Village Square Capital Reserve Account" (the "Capital Reserve Account"). The Capital Reserve Account shall, pursuant to the Depository Agreement, be held by the Depository separate and apart from all other funds and accounts of the Authority.

(b) Funding of Account. For so long as the Bonds remain Outstanding, the Authority shall deposit into the Capital Reserve Account on or before the first Business Day of each month a minimum of one-twelfth (1/12th) of the amount budgeted for Capital Reserves for that year in the Pro Forma Budget attached to this Agreement as Exhibit F.

(c) Use of Money in Capital Reserve Account. The Authority may withdraw and use any and all funds in the Capital Reserve Account to pay for Capital Costs of the Facility. In the event that the expenditure of funds on a Capital Cost is necessary to operate the Facility consistently with prudent management practices, the Authority shall either spend money in the Capital Reserve Account for such Capital Cost or pay for such Capital Cost from funds available to it from sources other than the Facility. The Authority shall withdraw and use money in the Capital Reserve Account, if any, for the following purposes: (i) to repay the City, if the City so requests, for any money expended to satisfy its guaranty obligations under this Agreement; (ii) to replenish the Debt Service Reserve Account, if the City so requests, up to the amount of the Debt Service Reserve Requirement; and (iii) to redeem the Bonds or pay debt service on refunding bonds or other refinancing pursuant to Section 5.18 below ("Refinancing"). When no Bonds remain Outstanding, any amounts remaining in the Capital Reserve Account shall be remitted to the Authority by the Depository.

5.6 Operating Reserve Account.

(a) Establishment. The Authority shall establish a special fund of the Authority entitled the "1996 International District Village Square Operating Reserve Account" (the "Operating Reserve Account"). The Operating Reserve Account shall, pursuant to the Depository Agreement, be held by the Depository separate and apart from all other funds and accounts of the Authority.

(b) Account Activity. No later than the first day of the twelfth (12th) month after the Bonds are issued, the Authority shall deposit Five Hundred Fifty Thousand Dollars ($550,000) into the Operating Reserve

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Account from sources other than Bond Proceeds or Project Revenues. For so long as the Bonds remain Outstanding, the Authority shall deposit into the Operating Reserve Account on or before the first business day of each month, from Project Revenues or from funds or assets available to the Authority from sources other than the Project, a minimum of one-twelfth (1/12th) of the amount budgeted for operating reserves for that year in the Pro Forma Budget attached to this Agreement as Exhibit F to maintain the operating Reserve at Three Hundred Thousand Dollars ($300,000).

(c) Use of Money in Operating Reserve Account. The Authority may use any and all money in the Operating Reserve Account for: (1) Operations and Maintenance Expenses; (2) for the reasonable and necessary expenses incurred by the Authority to own and operate the Facility until the residential and non-retail portions of the Facility are fully leased and rental payments on all such leases have commenced; and (3) for twenty-four (24) months after the Bonds are issued, to make payments into the Principal Account or Interest Account to pay debt service on the Bonds where Project Revenues are insufficient to pay such debt service and the Authority has taken reasonable and appropriate measures to maximize Project Revenues. The Authority shall withdraw and use money in the Operating Reserve Account, if any, for the following purposes: (i) to repay the City, if the City so requests, for any money expended to satisfy its guaranty obligations under this Agreement; (ii) to replenish the Debt Service Reserve Account, if the City so requests, up to the amount of the Debt Service Reserve Requirement; and (iii) to redeem the Bonds or pay debt service on refunding bonds or other refinancing pursuant to Section 5.18 below ("Refinance").

(d) Credit toward City clinic loan operating reserve requirement. Deposits to the operating reserve account required under the terms of the loan to be made from the City to the Authority (the "Clinic Loan") for costs associated with the development of the community health clinic in the Facility shall count toward the required deposits to the Operating Reserve Account under this Agreement, provided, that all terms of this Guaranty Agreement pertaining to the Operating Reserve Account shall apply to any operating reserve funds under the Clinic Loan where such funds are counted toward the required deposits to the Operating Reserve under this Agreement.

5.7 Investments and Earnings. The Authority may invest funds in the accounts and funds established pursuant to this Agreement in such investments as the Authority is legally authorized to make, provided no such investment may adversely affect the exemption from federal income taxation under the Code of the interest on the Bonds. The investment earnings on the Debt Service Reserve Account in excess of the amount needed to maintain the Debt Service Reserve Account at the Debt Service Reserve Requirement shall be deposited into the Revenue Fund. Investment earnings on money in all other funds and accounts shall accrue to such funds and accounts.

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5.8 Corrective Action Plan.

(a) Use of Corrective Action Plan. Upon the following events, the Authority shall propose and the City may impose, in the manner and at such times as set forth below, a Corrective Action Plan upon the Authority's management and operation of the Facility or Project:

(1) any withdrawal from the Debt Service Reserve Account (other than the transfer of investment earnings into the Revenue Fund as required under this Agreement);

(2) the Facility's actual Net Rental Income, Total Income, Net Operating Income, Total Expenses or Net Cashflow in any Fiscal Year varies by more than five percent (5%) from the projections for such items on the Pro Forma Budget attached hereto as Exhibit F as such budget may be amended with City review and written approval; or

(3) the City or the Authority reasonably determine, based upon actual expenditures to date and any other information available concerning the Project, that there is a significant possibility that the total actual cost of the Project will vary by more than two percent (2%) from the projection for total Project cost in the Project Budget attached hereto as Exhibit D.

(b) Corrective Action Plan - When Proposed and Imposed. The Authority shall notify the City upon the occurrence of any of the events set forth in subsection (a) immediately above, and provide the City with such information as the City may request concerning such occurrence. The Authority shall propose a Corrective Action Plan within forty-five (45) days after the occurrence of any of the events set forth in subsection (a), above, and the City may impose a Corrective Action Plan at any time after the occurrence of any such event. In no case shall the City's guaranty obligations under this Agreement be waived and no action required under this Section may in any manner whatsoever adversely affect the exemption from federal income taxation of interest on the Bonds. Taking action under this Section shall not be a condition to the City's exercise of its rights and remedies set forth in Section VI, "Events of Default and Remedies," and any action the City may take pursuant to this Paragraph shall not diminish or abrogate the City's rights and remedies under said Section VI.

(c) Corrective Action Plan - Elements. A Corrective Action Plan may consist of such terms and conditions as the City may impose in its reasonable discretion (provided that no requirement hereunder shall be imposed which would affect the tax exempt status of the Authority or the Bonds), including without limitation:

(i) Requiring the Authority to enforce any rights or options it has under the Leases, including without limitation leasing all or portions of the Facility to tenants who demonstrate an ability to pay rents, or collecting unpaid rents from the Facility's tenants;

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(ii) Requiring the Authority to raise or contribute additional funds from other sources, under such terms as the City may require in its reasonable discretion, to replenish the Debt Service Reserve Account;

(iii) Imposing reasonable time limits for the performance of the above conditions;

(iv) requiring the Authority to change the scope and frequency of reporting required under this Agreement; or

(v) Such further conditions as may added by the mutual agreement of the City and the Authority.

A Corrective Action Plan imposed by the City may differ in any or all respects from any Corrective Action Plan proposed or implemented by the Authority, and the City may, in its discretion, at any time, change any element of a Corrective Action Plan previously implemented hereunder.

5.9 <u>Project Account</u>.

(a) <u>Establishment</u>. The Authority shall establish and maintain a special fund of the Authority entitled the "1996 Village Square Project Account" ("Project Account"). The Project Account shall, pursuant to the Depository Agreement, be held by the Depository separate and apart from all other funds and accounts of the Authority. All proceeds of the Bonds, with the exception of accrued interest on the Bonds which shall be deposited at closing in the Interest Account and an amount of money equal to the Debt Service Reserve Requirement which shall be deposited at closing in the Debt Service Reserve Account, shall be deposited in the Project Account, and no other money from any other source shall be deposited into the Project Account.

(b) <u>Use of Project Account</u>. The Bond proceeds deposited in the Project Account and any investment earnings thereon shall be used solely to pay the costs and expenses of the Project, to pay the cost of issuance and sale of the Bonds, and to pay the Rebate Amount, if any, to the extent that the Rebate Amount is attributable to earnings on moneys in the Project Account. All money in the Project Account used to pay the costs and expenses of the Project shall be spent on the Project before any money available to the Authority for the Project from any other source is spent on the Project. When the Project is completed, any funds remaining in the Project Account shall be applied to the payment of the principal of the Bonds or to the redemption of the Bonds, upon approval of the City. Any disbursements from the Project Account shall be made only with the prior written approval of the Committee. The Authority shall submit its disbursement schedules for the Project Account to the Committee for advance approval. The Committee shall approve such disbursement schedules in writing based upon the City's satisfaction that there is substantial progress being made on the Project, using the Project Budget attached hereto as Exhibit D and the Construction Schedule

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attached hereto as Exhibit E, as the standards against which to measure progress, and that the Project is being constructed in substantial accordance with the Plans and Specifications for the Project. The City's notice of approval or disapproval shall be given no later than eight (8) Business Days after the first Business Day of the month after the City receives the Authority's request. The Authority may disburse amounts from the Project Account in accordance with the disbursement schedule approved by the Committee.

(c) Completion of Project Financing Prior to Disbursement from Project Account. Before funds may be disbursed from the Project Account, and before any money available to the Authority for the Project from any other source is spent on the Project, the Authority shall provide the Committee with evidence satisfactory to the Committee that the Authority has obtained sufficient financing to complete the Project.

5.10 Accounting. The Authority shall establish accounting procedures and systems and maintain its accounting books and records in a manner satisfactory to the Auditor of the State of Washington, the City Auditor, and such additional person as the Mayor of the City shall designate, and shall allow each of them access thereto for audit purposes. Promptly upon the City's request for information (whether oral or written), the Authority shall provide the City with all information concerning the Project and all funds and accounts established pursuant to this Agreement.

5.11 Rebate of Arbitrage Earnings. The Authority shall calculate the Rebate Amount, and pay the Rebate Amount to the United States of America in the manner and at the times and in the amounts necessary to meet the requirements of the Code to maintain the federal income tax exemption for interest on the Bonds, in accordance with the Arbitrage and Tax Certification.

5.12 Project Conditions, Progress and Monitoring.

(a) Substantial Delay and Cost Increase. The Authority shall immediately notify the Committee in the event that there is any significant risk that there will be substantial delay in the completion of the Project or an increase of more that two percent (2%) in the budgeted cost of the Project.

(b) Progress. The Authority shall proceed with diligence to cause to be constructed on the Site a Facility in accordance with the Project description as set forth in Exhibit A hereto as amended with City review and approval, and as substantially described and for the purposes and benefits provided herein and in the Ordinance.

(c) Construction Contract. The Authority shall enter into a contract for the construction of the Project, and shall ensure that the contractor is selected pursuant to a competitive process which satisfies

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applicable state and local law for the solicitation of proposals or bids by contractors who are qualified to undertake development or construction of the Project.

(d) Inspection and Bond. The Authority shall, before construction of the Project begins, enter into a contract with an inspector acceptable to the Committee who shall issue a certification on a monthly basis during the construction of the Project and also upon completion of the Project that the Project has been constructed in substantial accordance with the construction schedule and plans and specifications for the Project. The City shall be an express third party beneficiary of said inspection contract. The acts or omissions of the Project architect or inspector shall not waive or impair the rights of the City under this Agreement. The Authority shall obtain a bond from a surety company, acceptable to the City in its reasonable discretion, which for a period of not less than one year after substantial completion of the Project shall provide for payment for the repair or remedy of defects in the Project and Facility which are due to faulty materials or workmanship and for damage to other work resulting from such faulty material and workmanship.

(e) Changes. The Authority shall have sole discretion, consistent with the Ordinance and this Agreement, to make changes with respect to unit costs, design elements, selection of contractor, change orders, and all other matters relating to the Project, without approval of the City, provided that such changes are consistent with the description of the Project set forth in Exhibit A and with the Project Budget set forth in Exhibit D.

(f) Ownership. The Authority shall be the owner of all property, including the Site and the Facility, paid for or financed from the Project Fund.

(g) Compliance. With respect to work and services funded from the Project Fund, the Authority shall be bound by and comply with the requirements of the City's W/MBE Ordinance, SMC Ch. 20.46A, as amended, and include in contracts with others for work and for services for the Project, the anti-discrimination and equality of opportunity provisions provided in SMC § 20.44.030 as existing or hereafter amended.

(h) Barrier-Free Access. The Facility shall comply with applicable requirements for barrier-free access for the disabled.

(i) Monthly Reports. Until the Project is completed, the Authority shall file with the Committee a monthly written report in a form reasonably acceptable to OMP as to the progress of the Project, including:

(1) Certification that the Authority is making substantial progress in the Project, indicating the extent to which the Project

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is in compliance with the Description of Project, the Project Budget, the Construction Schedule and the Pro forma Budget attached as Exhibits hereto; and that the Project is being constructed in substantial accordance with plans and specifications for the Project;

(2) A description of significant events during the preceding month and planned activities for the next month, such significant events to include, without limitation, change orders, any changes in the cost of the Project associated with such change orders, and any lawsuits relating to the Project or the Facility that have been filed or that the Authority has reasonable cause to believe may be filed;

(3) An estimate of the disbursements which will be requested from the Project Fund for the next month; and

(4) A financial statement certified by the Authority, describing funds disbursed from the Project Fund and any outstanding liabilities.

5.13 <u>Management of Facility and Site</u>.

(a) The Authority shall be responsible for the management and operation of the Facility and Site, including:

(1) Developing a lease structure which is adequate to meet the payments required by the Bonds;

(2) Operating the Facility consistently with prudent management practices, in a manner that will allow the Authority to maximize the Facility's operating surpluses;

(3) providing to OMP (or its successor charged with responsibility for monitoring the Facility) quarterly reports on the financial and operating aspects of the Facility;

(4) Submitting to the Office of Management and Planning (or its successor charged with responsibility for monitoring the Facility), by January 15th of each year of the term of this Agreement following completion of the Project, an operating budget for the Facility for review and approval or disapproval by the City. If disapproved, the City and the Authority shall cooperate in the development of a budget acceptable to the City.

(b) In the event that the Net Cash Flow from operation of the Facility exceeds the amount projected for such item in the Pro Forma budget attached as Exhibit F hereto, the Authority may request the City to permit some portion of Project Revenues to be used for purposes other

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than those permitted under this Agreement, which request the City may accept or reject in its sole discretion.

(c) The Authority may enter into a management contract for all or any portion of the Facility, on such terms as are acceptable to the City in its reasonable discretion, if in the written opinion of Bond Counsel such contract will not adversely affect the exemption from federal income tax of the interest on the Bonds.

5.14 Leasing.

(a) Form; requirements. All Leases for the Facility shall be in writing. Before the Authority issues the Bonds, the Authority shall enter into leases for all of the non-residential portions of the Facility to be rented out, except the retail/commercial space. All Leases shall be on such terms and conditions as are acceptable to the City in its reasonable discretion. The Leases for the Facility shall, in the aggregate, provide for lease payments in amounts and at such times as are sufficient for the timely payment of debt service on the Bonds. The form of all non-residential Leases shall include:

(1) Obligation of the tenants for payment of their proportionate share of the Facility's maintenance and utilities costs;

(2) Restrictions on use of the Facility for 501(c)(3) purposes, as defined in the Code and its amendments, or for governmental purposes, as necessary, and providing for the immediate termination of the Lease and immediate removal of the tenant from the Facility should the tenant lose its status as an entity that fits within the definitions of 501(c)(3) of the Code;

(3) Obligation of the tenants to quit and surrender possession in a timely manner should utility or maintenance costs, or other Lease payments go unpaid;

(4) Requirement that non-residential non-retail tenants charge service fees to the public that are reasonable (while remaining consistent with such tenants' obligations to pay rent to the Authority), to ensure that indigent persons being served by tenants may be served at the Facility;

(b) Termination. In the event of termination of any Lease, the Authority shall:

(1) Immediately notify the City of termination of the Lease;

(2) Act to remove tenants whose Lease has been terminated;

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(3) Lease the vacant space of the Facility in a timely manner to ensure payments required by the Bonds;

(c) Consistency with Agreement and Consent to City as Lessor. Any Lease for the Project shall not conflict with any provision of this Agreement, shall specifically reference this Agreement, and shall provide that the tenant agrees to the substitution of the City as Lessor under such lease pursuant to the terms of this Agreement.

5.15 PDA Report. The Authority shall include in its annual PDA report to the City required under Seattle Municipal Code Ch. 3.110, as amended, on April 15th of each year, a report on the planned and actual operations of the Facility, which report shall include: (i) all receipts and payments related to the Facility by budget category; (ii) whether and to what extent the Authority's actual Net Rental Income, Total Income, Net Operating Income, Total Expenses or Net Cashflow varies from the projections for such items on the Pro Forma Budget attached hereto as Exhibit F as amended with the City's review and approval; and (iii) and a three-year financial projection for costs and receipts for the Facility.

5.16 Sale or Redevelopment. Any property constituting: (i) a part of the Site or Facility developed, constructed, or acquired with money from the Project Fund; (ii) any real property or improvements thereto defined as Collateral in the Deed of Trust; or (iii) the West Parcel, may not be sold or otherwise transferred, assigned, encumbered, disposed of, or redeveloped to change its current use by the Authority without the express written permission of the City. Nothwithstanding the preceding sentence: (x) the Authority may pledge the West parcel and any improvements thereon as security to obtain additional financing, provided that such financing is used soley for the Project; and (y) The City shall not unreasonably withhold its approval for the Authority to pledge the West Parcel and any improvements thereon as security to obtain financing to redevelop the West Parcel.

5.17 Security. Upon the issuance of the Bonds, the Authority shall execute a Deed of Trust, Assignment of Rents and Security Agreement in favor of the City (the "City Deed of Trust") in substantial conformance with Exhibit C hereto, and immediately deliver said Deed of Trust to the City. There shall be no liens or encumbrances superior to the City Deed of Trust except as may be expressly provided in the Deed of Trust or approved in writing by the City in its sole discretion. The Authority shall not permit any other liens or encumbrances to be placed on the Site except: (a) the Regulatory Agreement and Deed(s) of Trust in favor of the City encumbering the Site and securing the City's low-income housing loan and community facilities loan to the Authority funding a portion of the costs to develop the Facility; (b) a deed of trust in favor of the State of Washington securing the State of Washington's Housing Trust Fund Loan for the International District Village Square Project; (c) the Interlocal Agreement with Metropolitan King County relating to partial

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funding of the project with Metropolitan King County's Housing Opportunity Fund; (d) commercial leases or memoranda thereof, provided that such leases are in form and content acceptable to the City and provided further that the tenants under the leases execute and deliver Subordination, Non-Disturbance, Attornment and Estoppel Agreement in form and content acceptable to City; and (e) any other subordinate liens or encumbrances that City may hereafter approve in writing in its sole discretion. The City and the Authority shall execute, deliver and/or record (and the Authority shall cause all other necessary parties to execute deliver and/or record) such subordination agreements or such other documents, in form and content acceptable to the City, as are reasonable or necessary to effect the orders of priority set forth in this Paragraph. In the event that the Authority has not completed its purchase of the Property before the Bonds are issued, the Authority shall execute an assignment of the Authority's interest in the Real Estate Purchase and Sale Agreement for the Property dated March 30, 1995 between King County and the Authority which Assignment shall be in form and content acceptable to the City, and the Authority shall execute and record the City Deed of Trust immediately upon its acquisition of the Property.

5.18 Refinancing. From and after the first date upon which the Bonds may be redeemed at par, the City may request the Authority to:

(a) redeem the Bonds if the City reasonably determines that in order to provide funds with which to redeem the Bonds, the Authority is able to issue and sell refunding bonds or to obtain other refinancing, in either case without the unconditional guaranty of the City, and is financially able to pay the debt service on such refunding bonds or other refinancing; or

(b) redeem the Bonds with the proceeds of refunding bonds if the interest rate at which refunding bonds would likely be issued is less than the rate on the Bonds, and the Authority is financially able to pay debt service on such refunding bonds with the unconditional guaranty of the City.

If the City makes such request, the Authority shall use its best efforts to obtain a contract for the purchase of such bonds or obtain other refinancing bearing an effective net interest rate that is not more than the effective net interest rate on the Bonds. If the Authority is able to obtain such a bond purchase contract, the Authority shall issue and sell such refunding bonds, shall call the Bonds for redemption and shall pay and redeem the Bonds. The Authority shall not issue refunding bonds to redeem the Bonds unless the Authority has consulted with the City and the City has approved the terms and conditions of the issuance of such refunding bonds.

VI. EVENTS OF DEFAULT AND REMEDIES

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OF THE DOCUMENT.

6.1 Events of Default. The following shall be Events of Default, without notice or demand by the City except as expressly provided herein:

(a) Any failure by the Authority to make a payment of money to any person or entity as required by this Agreement or to make a deposit or transfer of money as required under this Agreement from or to any of the Accounts established hereunder, including, without limitation the Authority's failure to timely pay interest or principal on the Bonds, the Authority's failure to repay the City any and all amounts expended by the City pursuant to this Agreement within the time limit in Section 3.3 above, and the failure to replenish the Debt Service Reserve Account as provided in Section 5.4(c);

(b) Any breach or nonperformance, whether voluntary or involuntary, of Section 5.16 of this Agreement ("Sale or Redevelopment"), without the advance written consent of the City;

(c) Any breach or nonperformance of any provision of this Agreement not included within Subsections (a) and (b) above that is not cured within thirty (30) days after notice to the Authority of such breach or nonperformance;

(d) The filing of a voluntary petition for bankruptcy or reorganization by the Authority; the filing against the Authority of any complaint for receivership or trusteeship for any of the Authority's property, the filing of an involuntary petition for bankruptcy or for reorganization (unless such complaint or petition be dismissed within forty-five (45) days of such filing); if the Authority shall become insolvent, or make a general assignment for the benefit of creditors, or consent to the appointment of a receiver of all or any of its assets; if the Site, the Project or the Facility shall become subject to any encumbrance or lien or attachment except as provided in this Agreement; or, the Authority suspends or is unable to conduct its usual business; or

(e) Any default under, breach of, failure to comply with, or failure to satisfy any condition of any other contracts or instruments relating to the financing of the Project or secured by the Site unless such default, breach or failure is waived in writing by all interested parties or is cured within an applicable cure period permitted by the documents in question, in either case before any party has the right to exercise any remedy or to be excused from any performance as a result of such breach, default or failure.

6.2 Authority's Remedies. The Authority shall have all remedies provided at law or in equity, including the remedy of being able to specifically enforce the terms and provisions of this Agreement.

6.3 City's Remedies. Upon an Event of Default, the City shall be entitled, but not obligated, to any or all of the following remedies:

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(a) Requiring the Authority to immediately pay to the City an amount of money that is sufficient to defease and refund the Bonds in accordance with their terms, or, at the City's election, an amount of money that is sufficient to redeem the Bonds if the Bonds are then subject to voluntary redemption, provided, that the City shall be obligated to use such moneys to defease or redeem the Bonds;

(b) Exercising an_ and all of its rights under the City Deed of Trust including without limitation foreclosure, appointment of a receiver or acting as mortgagee in possession;

(c) Take over in whole or in part management of the Project; and

(d) Exercise any other remedy provided at law or in equity, including without limitation appointment of a receiver for the Site, the Project or the Facility.

VII. TERM AND MISCELLANEOUS

7.1 Term and Termination.

(a) This Agreement shall be binding on the City and the Authority until none of the Bonds are Outstanding. Either the City or the Authority may terminate this Agreement upon thirty (30) days prior written notice to the other in the event that:

(i) A final judicial determination, including exhaustion of all appeals, has been rendered that this Agreement violates the law in any material respect, or amendments to or changes in law shall deprive either party of the ability to render further performance as contemplated by the Agreement, and the parties cannot agree within sixty (60) days upon amendments to bring the Agreement into compliance with the decision of the court or the amendments to the law (provided, however, that no such amendments shall impair, and no such termination shall be effective which impairs the security of any financing undertaken by the Authority which is secured by the City's obligations pursuant to Section III); or

(ii) The other party agrees or assents thereto;

(b) Termination by the City under this Paragraph may be authorized only by ordinance. Termination by the Authority under this Paragraph may be authorized only by resolution duly adopted by the Authority.

7.2 Assignment. No party shall assign any of its rights or delegate any of its duties under this Agreement without the express written approval of the other party provided, however, that the City's guaranty obligations under Article III shall not be assigned.

7.3 Obligation to Third Parties. The owners of the Bonds shall be the express beneficiaries of the City's obligations under this Agreement

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to the extent the performance of such obligations is necessary to pay and redeem the Bonds in accordance with their terms and as is necessary to maintain the exemption from federal income taxation of the interest on the Bonds. Except as provided in the previous sentence, neither the City nor the Authority shall be obligated or liable hereunder to any other third party, and the City and the Authority may amend this Agreement by mutual agreement without the consent of any other party or the owners of the Bonds, provided that no amendment shall impair or diminish the City's payment guaranty obligations hereunder.

7.4 Actions Contesting Agreement.

(a) Obligation to Appear and Defend. Each party shall appear and defend any action or legal proceeding brought to determine or contest:

(1) The validity of this Agreement;

(2) The establishment of any fund or account pursuant to this Agreement; and

(3) The legal authority of the City and/or the Authority to undertake the activities contemplated by this Agreement.

(b) Notice and Costs. If both parties to this Agreement are not named as parties to the action, the party named shall give the other party prompt notice of the action and provide the other an opportunity to intervene. Each party shall bear any costs and expenses taxed by the court against it; any costs and expenses assessed by a court against both parties jointly shall be shared equally.

7.5 Indemnification. To the maximum extent permitted by law, the Authority shall hold the City and its officers, agents and employees, acting in their official capacity or course of employment, harmless from all suits, claims or liabilities of any nature, including without limitation costs and expenses, for or on account of injuries or damages sustained by any persons or property resulting in whole or in part from activities or omissions of the Authority, its agents or employees or on account of any unpaid wages or other remuneration for goods or services. In the event that any such suit or action is brought against the City, the Authority shall, upon notice of the commencement thereof, defend the City at its sole costs and expense, and if final judgment be adverse to the City, or the City and the Authority jointly, the Authority shall promptly satisfy and pay the same. Nothing contained in this section shall be construed as requiring the Authority to indemnify the City against liability for damages arising out of the bodily injury to persons or damage to property caused by or resulting from the sole or partial negligence of the City, its officers, employees or agents. The Authority specifically waives its immunity under RCW Title 51 for any claim the City may assert against the Authority with respect to any claims brought by the Authority's employees against the City.

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7.6 Environmental Liability and Indemnification.

(a) Condition of the Site. The Authority warrants and covenants that: (i) except as expressly and specifically permitted by the Purchase and Sale Agreement for the Authority's acquisition of the Site from King County dated March 30, 1995 ("Purchase and Sale Agreement") and by the Consent Decree between Metro and the Washington State Department of Ecology referenced in the Purchase and Sale Agreement ("Consent Decree"), no Hazardous Substance is located on or under, or is currently being generated, processed, stored, transported, handled or disposed of at the Site; (ii) The Authority shall take no action inconsistent with the Consent Decree; (iii) no Hazardous Substance shall be used in connection with the Project or the operation of the Facility except in full compliance with all applicable laws, regulations, and prudent construction practices; and (iv) the Authority shall not allow the Site or the Facility to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce, process or release Hazardous Substances, except in compliance with all applicable Federal, State and local laws or regulations.

(b) Definition. As used herein, the term "Hazardous Substance" means any hazardous, toxic or dangerous substance, waste or material which is regulated under any federal, state or local statute, ordinance, rule, regulation or other law pertaining to environmental protection, contamination or cleanup, including without limitation any substance, waste or material which is designated as a "Hazardous Substance" or as hazardous under the Federal Resource Conservation and Recovery Act, as amended; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1257 et seq.; the Clean Air Act, as amended, 42 U.S.C. Section 2001 et seq.; the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. 9601 et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 et seq., or the Washington Model Toxics Control Act, as amended, RCW Chapter 70.105D, or as a "dangerous waste" under the Washington Hazardous Waste Management Act, as amended, RCW chapter 70.105. Hazardous Substances also shall include any substance which after being released into the environment and upon exposure will or may reasonably be anticipated to cause death, disease, behavior abnormalities, cancer and/or genetic abnormalities.

(c) Indemnity. The Authority shall defend, hold harmless and indemnify the City from and against any judgments, settlements, costs, penalties, fees, liens, or damages resulting from (i) any breach of the foregoing representations and warranties, including all reasonable attorney's fees and costs incurred by the City; (ii) any costs and expenses incurred as a result of Hazardous Substances being found on or being removed from any other properties where such Hazardous Substances came from activities on or contamination from the Site; and (iii) any costs and expenses, including the cost of cleanup, incurred as a result of Hazardous Substances being found on the Site.

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(d) Notification and Cleanup. The Authority will immediately notify the City in writing should the Authority (i) become aware that the Site or any adjacent property is being or has been contaminated with Hazardous Substances, (ii) receive any notice of or become aware of any actual or alleged violation with respect to the Site of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, or (iii) become aware of any lien or action with respect to any of the foregoing. The Authority will, at its sole expense, promptly take all necessary and reasonable actions to comply with all laws, and with all orders, decrees or judgments of governmental authorities or courts that have jurisdiction over Hazardous Substances, and shall further pay or cause to be paid all cleanup, administrative and enforcement costs of governmental agencies if obligated to do so by contract or by law.

(e) Delivery of Property. In the event the Deed of Trust is foreclosed or the Authority tenders a deed in lieu of foreclosure, the Authority shall deliver the Site to City free of any and all Hazardous Substances or with such substances appropriately mitigated so that the condition of the Property shall comply with all applicable laws.

(f) Survival of Environmental Provisions. This Paragraph 7.6 shall survive the expiration of this Agreement or the City's exercise of any of its rights, including foreclosure, under the City Deed of Trust.

7.7 Insurance. Subject to review and approval by the City, the Authority shall procure and maintain at all times a policy of public liability insurance naming the City as an insured, protecting and holding the City harmless from any and all damages which may arise or are alleged to arise in connection with the services to be provided hereunder, whether or not such damages are alleged to arise or result from acts or omissions that are the sole negligence of the City, its officers, agents and/or employees or the combined negligence of the City and others, in at least the principal amount of a combined single limit of Five Million Dollars ($5,000,000) each occurrence, personal injury and/or property damage. The Authority will insure the Site and the Facility against loss or theft in the amount of their replacement costs and any tenant improvements therein and shall include the City as an insured thereunder. The City shall be entitled to review and approve such insurance policy. The terms of any insurance policy required under this section shall provide that the insurer shall notify the City at least thirty (30) days before any reduction or cancellation of insurance. No such insurance shall be reduced or canceled without the City's prior written agreement. Unless the City authorizes a different application of insurance proceeds, such proceeds shall be applied to repair or replace damaged property.

7.8 Entire Agreement, Amendments and Waiver. This Agreement, together with the Depository Agreement and Deed of Trust (collectively, the "Bond Guarantee Documents"), contains the entire agreement and understanding of the City and Authority with respect to the subject

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matter hereof, and supersedes all prior or contemporaneous oral or written understandings, agreements, promises, or other undertakings between the parties, except as provided in the Charter of the Authority and SMC Chapter 3.110. The Bond Guarantee Documents may not be modified or amended other than by a written instrument executed by both parties, nor shall any waiver of any right or remedy of the City be valid unless in writing and signed by the City. No document shall be binding upon the City unless signed by the Mayor of the City or the Director of OMP. No course of dealing between the parties or any delay in exercising any rights hereunder shall operate as a waiver of any rights of any party. Any rating agency providing a rating on the Bonds shall be notified in writing prior to the execution of any amendment to the Bond Guarantee Documents

7.9 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. The venue of any suit or arbitration arising under this Agreement shall be in King County, Washington, and if a suit, in King County Superior Court.

7.10 Captions. The section and paragraph captions used in this Agreement are for convenience only and shall not control and affect the meaning or construction of any of the provisions of this Agreement.

7.11 Notices. Any notice, demand, document, or other communication which is required by this Agreement to be given shall be in writing and shall be deemed to have been given when hand-delivered to the person to whom it is addressed or three days after mailing by registered or certified mail, return receipt requested, addressed as follows:

(a) If to the City:

City of Seattle
Director, Office of Management and Planning
Attn: Ms. JoAnn Cowan
300 Municipal Building
600 Fourth Avenue
Seattle, Washington 98104

and

City of Seattle
Director, Department of Finance
Attn: Michael Van Dyck
103 Municipal Building
600 Fourth Avenue
Seattle, Washington 98104

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(b) If to the Authority:

Attn: Ms. Sue Taoka
Executive Director
Seattle Chinatown-International District Preservation and Development Authority

Authority mailing address:
P.O. Box 3302
Seattle, Washington 98114

Authority street address:
409 Maynard Avenue South
Seattle, Washington 98104

Such names and addresses may be changed by written notice pursuant to this provision.

7.12 Joint Notice to City Under Depository Agreement. The Depository Agreement shall provide that the Depository shall give the City duplicate notice of all notices it provides to the Authority thereunder.

7.13 Force Majeure. Other than the Authority's unconditional obligation to issue the Bonds, to pay the principal of and interest on the Bonds, and to apply and to deposit Project Revenues into the Revenue Fund and the Bond Fund Accounts, and the City's unconditional obligation to guarantee payment of principal of and interest on the Bonds pursuant to this Agreement, if any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, that party shall give to the other parties prompt notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement, contrary to the wishes of the party involved, of strikes, lockouts, or other labor difficulty and any such difficulty shall be handled entirely within the discretion of the party concerned. The term "force majeure" as here employed shall mean any act of God, strike, lockout, or other labor relations disturbance, act of the public enemy, war, blockade, public riot, fire, flood, explosion, failure to timely receive necessary governmental approvals, governmental restraint, and any other cause, whether of the kind specifically enumerated above or otherwise, that is not reasonably within the control of the party claiming suspension.

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7.14 City Approval. Unless specifically otherwise provided for herein, all decisions of the City hereunder shall be deemed to be made by the Director of OMP or his successor.

7.15 Approval Pursuant to the Code. Execution of this Agreement by the Mayor of the City shall be deemed to be approval of the Bonds pursuant to Section 147(f) of the Code.

7.16 Amendments to Other Documents. The Authority may not amend the Purchase and Sale Agreement or any terms or conditions of the purchase of the Site, any documents appended or incorporated into this Agreement, the Depository Agreement or the Bond Resolution, or any other documents or agreements relating to the issuance of the Bonds, without the written consent of the City.

7.17 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without affecting or invalidating the remainder of this Agreement.

7.18 Counterparts. This Agreement may be executed in counterparts, and each such counterpart shall be deemed to be an original instrument. All such counterparts together will constitute one and the same Agreement.

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7.19 Statutory Notice. The Authority is a public corporation organized pursuant to Seattle Municipal Code (SMC) 3.110 and RCW 35.21.660, 35.21.670, and 35.21.730-.755. RCW 35.21.750 provides as follows:

> All 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 such person shall have any right of action against the city, town or county creating such public corporation, commission or authority on account of any debts, obligations or liabilities of such public corporation, commission or authority.

IN WITNESS WHEREOF, the City and the Authority have executed this Agreement this day of______________, 1996.

SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY

By: ____________________________________
____

THE CITY OF SEATTLE

By ______________________
Norman B. Rice
Mayor

ATTEST:

By ______________________
Pursuant to the authority of Ordinance ________________.

List of Exhibits:
A - Description of International District Village Square Project
B - Description of Site
C - Form of Deed of Trust
D - Project Budget
E - Construction Schedule
F - Pro Forma Budget
G - Description of West Parcel

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EXHIBIT A

Project Summary

The International District Village Square will transform a former bus storage site into a vital urban village of growth and activity.

Seattle's International District has always been the social and cultural heart of the Pacific Northwest's many Asian ethnic groups, including the Japanese, Chinese, Korean, Filipino, and Southeast Asian communities. With the recent arrival of immigrants and refugees from Eastern Europe, Africa and Latin America, the District has expanded to provide culturally-appropriate services and housing to these groups as well. Over the years, housing conditions and economic activity in the International District have declined, while the community's needs have increased.

Serving 27,000 people from 45 different ethnic groups, the Village Square will create a multicultural, intergenerational, collaborative center that connects neighbor-to-neighbor, links non-profit groups to one another and the community, and establishes a national model.

The Village Square is a project of the Seattle Chinatown-International District Preservation and Development Authority (SCIDPDA). As the lead neighborhood community development agency, SCIDPDA has played a major role in revitalizing Seattle's International District. The Village Square is the culmination of many years of multi-ethnic, community collaborative efforts. Located at 8th Avenue South and South Dearborn in Seattle, this 150,000 square-foot project will merge SCIDPDA's experience and vision with a long history of cooperation among five International District non-profit groups. Combined, these forces will meet urgent needs in several areas:

Affordable Housing for Frail Elderly: *The Village Square will include 75 new apartments for low-income frail elderly with assisted living services that meet their language and cultural needs.* One out of three International District residents is over the age of 60; a majority are Asian, living on less than $6,000 a year; yet there is no facility in Seattle/King County to assist frail Asian elderly in living independently. Affordable housing for this population is scarce, and many live without basic amenities. As these elders become more frail these conditions, lack of resources, and language and cultural barriers contribute to their becoming room-bound and isolated, often with fatal results.

The Village Square will be the region's first multi-ethnic assisted living facility. Built-in multicultural services such as a multi-lingual staff, an Asian/Pacific menu and intergenerational programming are designed to meet each elderly residents' unique needs. In the Village Square, private apartments with kitchens and bathrooms, constant staff monitoring, on-site nursing, and neighbors close-by will ensure that our elders are safe and get the services they need. In addition to on-site adult day health services, the Village Square agencies offer a range of health and social services steps away. *Units of this type available in Washington state: 0. With the Village Square: 75.*

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Multicultural, Collaborative Health and Human Services: *The Village Square will be a centralized health and human services resource for over 27,000 people every year--98% immigrants and refugees; 78% low-income; 20% children; 24% elderly; from King and Pierce counties.* The community-based agencies serving multi-ethnic populations face ever-rising needs, and the resulting growth has created an urgent need for affordable service space. With the decline in available funding, agencies must reduce costs while offering a broader spectrum of services.

Four community-based non-profit agencies headquartered at the Village Square will serve clients representing 45 different ethnic groups, with 200 staff speaking 43 languages. In centrally-located facilities, using a new model of cross-agency collaborative administrative and service programs, the agencies will eliminate duplication resulting in cost savings and better services for their clients many needs. The four agencies to be housed in the Village Square are:

- *Employment Opportunities Center*, a comprehensive employment service and training agency;
- *Denise Louie Education Center*, a multicultural child care and Head Start education center;
- *International District Community Health Clinic*, a preventive and primary health care clinic;
- *Asian Counseling and Referral Service*, offering language-appropriate, culturally-relevant mental health and other social services.

Community Revitalization: *The Village Square will act as a much-needed anchor for development in the International District's southeastern area.* The International District has been designated by the City of Seattle as a "Distressed Community" and by the State of Washington as a "Neighborhood Reinvestment Area," calling for increased economic and community development. While a limited number of public and private investments have focused on Jackson and King Streets, housing and retail activity are needed to anchor the District's southeastern border.

The Village Square will foster neighborhood economic vitality by acting as a catalyst for future investments, strengthening the employment base through entrepreneurial and job skills trainings, increasing public safety by inviting foot traffic into a new area, creating new storefront retail space, turning a throughway into a 24-hour residential neighborhood, and creating jobs such as service staff positions in the assisted housing and construction apprenticeships for populations traditionally unable to break into the industry. *The Village Square represents the largest public-private investment package in the history of the International District.*

A New Model for the Nation: The Village Square is also generating keen interest across the country as a model of what cross-cultural collaboration can achieve. Gordon Chin, executive director of San Francisco's Chinatown Resource Center writes: *"The Village Square is a compelling model of the power of community participation to find integrated and efficient solutions. San Francisco is looking closely at the International District Village Square as there are many elements we'd like to incorporate into our developments."*

The Village Square has received extensive public, private and community support. To date, $7 million has been raised towards a $17.3 million development budget. Total project funding is anticipated at $5 million from city, county and state governments; $3 million from a private capital campaign; $.4 million from low interest loans and approximately $9 million in tax-exempt bonds. Construction is scheduled to begin in summer of 1996. The Village Square will open in late 1997.

Under One Roof: This extraordinary and complex project is best described in terms of the simplest day to day interactions: A parent drops off his child at day care before attending language and job training next door. A patient gets her annual flu shots, then visits her great uncle in the assisted living facility. The tiniest child and the eldest grandmother harvest vegetables in the rooftop garden for meals to be eaten by elderly residents.

The benefits of the Village Square will reach far and wide, from each individual served to the non-profit groups who can do their work more affordably; from Seattle's International District to Chinatowns and other ethnic communities across the country who will look to the Village Square as a new model of a healthy, vibrant, cross-cultural community.

For more information please call Wendy Watanabe, Project Director, at (206) 624-8929.

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EXHIBIT B TO GUARANTY AGREEMENT
DESCRIPTION OF SITE
Page 1 of 1

Lots 1 through 8, inclusive, Block 3, Terry's 5th Addition to the City of Seattle, according to the plat thereof recorded in Volume 2 of Plats, page 55, in King County, Washington;

EXCEPT the South 12 feet of said Lots 6,7, and 8, condemned in King County Superior Court cause no. 52652 for widening of Dearborn Street as provided in Ordinance no. 13320 of the City of Seattle, AND EXCEPT the east 112 feet thereof condemned in King County Superior Court cause no. 600725 for Primary State Highway 1.

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EXHIBIT C TO GUARANTY AGREEMENT

After recording return to

City of Seattle
Office of Management and Planning
300 Municipal Building
600 Fourth Avenue, 2nd Floor
Seattle, WA 98104
Attn: Joann Cowan, PDA Coordinator

DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING ("Deed of Trust") is made this __ day of ______, 1996, between SEATTLE CHINATOWN-INTERNATIONAL DISTRICT PRESERVATION AND DEVELOPMENT AUTHORITY, a public corporation chartered by the City, as Grantor, whose address is 409 Maynard Avenue South, Seattle, Washington 98104; and STEWART TITLE COMPANY OF WASHINGTON, INC., whose address is 1201 Third Avenue, Suite 3800, Seattle, Washington 98101, as Trustee; and THE CITY OF SEATTLE, a Washington municipal corporation, as Beneficiary, whose address is Office of Management and Planning, Municipal Building, 600 Fourth Avenue, 2nd Floor, Seattle, Washington 98104, Attention: Director.

1. Granting Clause. Grantor irrevocably grants, bargains, sells, and conveys to Trustee in trust, with power of sale, all Grantor's estate, right, title, interest, claim and demand, now owned or hereafter acquired, in and to the following:

(a) the property in King County, Washington, located at ______________________________ and legally described as follows:

> Lots 1 through 8, inclusive, Block 3, Terry's 5th Addition to the City of Seattle, according to the plat thereof recorded in Volume 2 of Plats, page 55, in King County, Washington;
>
> EXCEPT the south 12 feet of said Lots 6,7, and 8, condemned in King County Superior court cause no. 52652 for widening of Dearborn Street as provided in Ordinance no. 13320 of the City of Seattle, AND EXCEPT the east 112 feet thereof condemned in King County Superior Court cause no. 600725 for Primary State Highway 1.

(the "Property," which term shall include all or any part of the Property, any improvements thereon and all the property described in this Section 1);

(b) all land lying in streets and roads adjoining the Property, and all access rights and easements pertaining to the Property;

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(c) all the lands, tenements, privileges, reversions, remainders, irrigation and water rights and stock, oil and gas rights, royalties, minerals and mineral rights, hereditaments and appurtenances belonging or in any way pertaining to the Property;

(d) all buildings, structures, improvements, furnishings, fixtures, equipment, and replacements and additions thereto now or hereafter attached to or located on the Property or used in the operation of the Property in which Grantor now or hereafter has an ownership interest, including, but not limited to, heating and incinerating apparatus and equipment, boilers, engines, motors, dynamos, generating equipment, computers, computer workstations and terminals, telephone and other communication systems, piping and plumbing fixtures, ranges, cooking apparatus and mechanical kitchen equipment, refrigerators, cooling, ventilating, sprinkling and vacuum cleaning systems, fire extinguishing apparatus, gas and electric fixtures, irrigation equipment, carpeting, underpadding, elevators, escalators, partitions, mantles, built-in mirrors, window shades, blinds, screens, storm sash, awnings, furnishings of public spaces, halls and lobbies, and shrubbery and plants. All property mentioned in this Subsection (d) shall be deemed part of the realty and not severable wholly or in part without material injury to the Property;

(e) all rents, issues and profits of the Property, all existing and future leases of the Property (including extensions, renewals and subleases), all agreements for use and occupancy of the Property (all such leases and agreements whether written or oral are hereafter referred to as the "Leases"), and all guaranties of lessees' performance under the Leases, together with the immediate and continuing right to collect and receive all of the rents, income. receipts, revenues, issues, profits and other income of any nature now or hereafter due (including any income of any nature coming due during any redemption period) under the Leases or from or arising out of the Property including minimum rents, additional rents, percentage rents, parking or common area maintenance contributions, tax and insurance contributions, deficiency rents, liquidated damages following default in any Lease, all proceeds payable under any policy of insurance covering loss of rents resulting from untenantability caused by destruction or damage to the Property, all proceeds payable as a result of a lessee's exercise of any option to purchase the Property, all proceeds derived from the termination or rejection of any Lease in a bankruptcy or other insolvency proceeding, and all proceeds from any rights and claims of any kind which Grantor may have against any lessee under the Leases or any occupants of the Property (all of the above are hereafter collectively referred to as the "Rents") (This Subsection (e) is subject to the right, power and authority given to the Beneficiary herein to collect and apply the Rents);

(f) all of Grantor's rights further to encumber said Property for debt; Grantor hereby (i) representing, as a special inducement to Beneficiary to make its guaranty under the Guaranty Agreement (as such term is defined herein), that as of the date hereof there are no encumbrances to secure debt other than this Deed of Trust and (ii) covenanting that there are to be none as of the date when this Deed of Trust becomes of record, except in either case encumbrances having the prior written approval of Beneficiary; and

(g) all Grantor's rights to enter into any lease or lease agreement which would create a tenancy that is or may become subordinate in any respect to any mortgage or deed of trust junior to this Deed of Trust.

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2. Security Agreement. This Deed of Trust shall constitute a security agreement under the Uniform Commercial Code between Grantor as debtor and Beneficiary as secured party. Grantor grants a security interest to Beneficiary in any of the above-described or referenced Property in which such an interest may be created under the Uniform Commercial Code, and in the following property now owned or hereafter acquired by Grantor, to the extent of Grantor's interest therein (all of which is hereafter collectively referred to as the "Collateral"):

(a) All furniture, furnishings, fixtures, appliances, machinery, vehicles, equipment, all construction materials, supplies and equipment delivered to the Property or intended to be used in connection with the construction of improvements on the Property wherever actually located, and all other tangible personal property of any kind now or hereafter located on the Property, used or intended to be used on the Property wherever actually located, or purchased with the proceeds of the Note (as defined herein), and all rights of Grantor as lessee of any property described in this Section 2 and Subsection 1(d) above;

(b) All compensation, condemnation awards, damages, rights of action and proceeds (including insurance proceeds and any interest on any of the foregoing);

(c) All returned premiums or other payments on any insurance policies pertaining to the Property and any refunds or rebates of taxes or assessments on the Property;

(d) All plans, specifications, drawings, surveys, engineering reports, land planning maps, tests, studies, licenses, permits, forms, leases, construction contracts, purchase orders, inventory, goods, contracts, contract rights, options, subscriptions, accounts, accounts receivable, general intangibles, chattel paper, instruments, documents, causes in action, judgments, settlement proceeds, royalties, patents, copyrights, trademarks, rents, issues, profits, arising from or in any manner pertaining to the Property, Grantor's rights under any payment, performance, or other bond in connection with construction of improvements on the Property;

(e) All contracts and agreements pertaining to or affecting the Property including management, operating and franchise agreements and licenses, and any choses in action arising out of any such agreements;

f) All commitments or agreements, now or hereafter in existence, which will provide Grantor with proceeds to satisfy the Note and the right to receive the proceeds due under such commitments or agreements including refundable deposits and fees;

(g) All additions, accessions, replacements, substitutions, proceeds and products of the Property described in this Section 2 and of any of the Property which is personal property; and

(h) All funds, bank accounts, securities, investments, claims or demands comprising any reserve account relating to the Property established in accordance with the Guaranty Agreement, including without limitation the Debt Service Reserve Account, the Capital Reserve Account and the Operating Reserve Account required under the Guaranty Agreement.

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This Deed of Trust shall be deemed a Security Agreement as defined in said Uniform Commercial Code ("UCC") and the remedies for any violation of the covenants, terms and conditions of the agreements herein contained shall be (i) as prescribed herein, or (ii) by general law, or (iii) as to such part of the security which is subject to the UCC, by the terms of the UCC, all at Beneficiary's sole election. Grantor and Beneficiary agree that the filing of any Financing Statement under the UCC in the records normally having to do with personal property shall never be construed as in anywise derogating from or impairing the declaration and hereby stated intention of the parties hereto, that everything used in connection with the Property that is the subject of this Deed of Trust and/or adapted for use therein and/or which is described or reflected in this Deed of Trust is, and at all times and for all purposes and in all proceedings both legal or equitable shall be, regarded as part of the real estate irrespective of whether (i) any such item is physically attached to the improvements, (ii) serial numbers are used for the better identification of certain equipment and items capable of being thus identified in a recital contained herein or in any list filed with the Beneficiary, (iii) any such item is referred to or reflected in any such Financing Statement so filed at any time.

3. Obligations Secured. This Deed of Trust is given for the purpose of securing:

(a) the performance of each agreement of Grantor herein; and

(b) payment of all indebtedness and financial obligation of every sort now or hereafter incurred under, and performance of each agreement, term and condition set forth or incorporated by reference in, that certain Guaranty Agreement between Grantor and Beneficiary of approximately even date herewith, all advances to Grantor thereunder, and all renewals, modifications, substitutions, consolidations or extensions thereof (the "Guaranty Agreement"). The Guaranty Agreement is executed in connection with the issuance by the Authority of its Bonds, Series 1996 (the "Bonds") in the maximum aggregate principal amount of Nine Million Dollars.

(c) Payment of any further sums advanced or loaned by Beneficiary to Grantor, or any of Grantor's successors or assigns, if (1) the writing evidencing the future advance or loan specifically states that it is secured by this Deed of Trust or (2) the advance, including costs and expenses incurred by Beneficiary, is made pursuant to this Deed of Trust, whether executed before, at the same time as or after this Deed of Trust;

(d) Any and all other obligations of Grantor to Beneficiary, its successors and assigns, now existing and hereafter arising which specifically indicate in the instruments which evidence them that they are intended to be so secured.

GRANTOR REPRESENTS, WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

4. Performance of Obligations. Grantor shall promptly and timely pay all sums due under, the and strictly comply with all the terms and conditions of, the Guaranty Agreement.

5. Warranty of Title. Grantor represents and warrants that (a) Grantor is the sole holder of an indefeasible fee simple absolute title to the Property and good marketable title to the personal property Collateral, and that said title is marketable and subject to no liens, encumbrances, easements, assessments, security interests, claims or defects of any kind except for exceptions expressly permitted

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by the Guaranty Agreement, this Deed of Trust, any hereafter approved by Beneficiary in writing (collectively, the "Exceptions") and those for non-delinquent real estate taxes and assessments; (b) none of the Exceptions has priority over this Deed of Trust except as may be expressly and specifically authorized by Beneficiary in writing; and (c) Grantor has the right to convey the Property to Trustee for the benefit of Beneficiary, and the right to grant a security interest in the personal property Collateral. Grantor shall warrant and shall defend the validity and priority of the lien of this Deed of Trust and Beneficiary's interest in the Property herein against any and all claims or demands.

6. Prohibited Liens. Grantor shall keep the Property free from liens and lien claims of all kinds, superior or inferior to the Deed of Trust, except such liens as may be approved by Beneficiary in writing. If any claims of lien shall be asserted against the Property, Grantor, regardless of any action that Beneficiary may otherwise be authorized to take, shall either agree in writing to pay the obligation secured by such lien claim in a manner acceptable to Beneficiary, obtain a release and satisfaction of such lien claim, bond the lien claim, procure title insurance satisfactory to Beneficiary insuring that the title to the property shall remain free and clear of such lien claim, or otherwise provide to Beneficiary assurances satisfactory to Beneficiary that the lien claim will be paid or satisfied not later than ten (10) days after a judgment on the lien claim. Grantor may in good faith contest any worker's or material supplier's lien in legal proceedings which will prevent enforcement of the lien claim or foreclosure of the Property. If such a lien claim is not released or satisfied or a bond or other security provided within forty-five (45) days of written notice from Beneficiary to Grantor of the existence of such lien claim, then the failure to do so shall be a default regardless of whether such lien claim is or is not superior to Beneficiary's underlying Deed of Trust.

7. Payment of Taxes and Other Encumbrances. Grantor shall pay in full on or before the delinquency date the real estate taxes, assessments, ground rents, and all other encumbrances, charges and liens affecting the Property, including mortgages and deeds of trust, whether prior to or subordinate to the lien of this Deed of Trust, that may now or hereafter be levied, assessed or claimed upon the Property or any part thereof that is the subject of this Deed of Trust. On request Grantor shall furnish evidence of payment of these items.

8. Maintenance - No Waste. Grantor shall maintain the buildings and improvements now or hereafter located on the Property and the Collateral in good condition and repair. Grantor shall not commit or permit any waste of the Property or Collateral; shall promptly comply with all requirements of the Federal, State and Municipal authorities and all other laws, ordinances, regulations, covenants, conditions and restrictions respecting the Property, the Collateral, or the use thereof; and shall pay all fees or charges of any kind in connection therewith. Grantor shall do all acts and take all precautions which, from the character and use of the Property or Collateral, are reasonable, proper or necessary.

9. Alterations, Removal and Demolition. Other than the construction of the Village Square Project as contemplated by the Guaranty Agreement, Grantor shall not structurally alter, remove or demolish any building or improvement on the Property without Beneficiary's prior written consent nor shall Grantor remove any fixture or other item of property which is part of the Collateral without Beneficiary's prior written consent unless the fixture or item of property is replaced by an article of approximately equal suitability owned by Grantor free and clear of any lien or security interest except such as may be approved in writing by the Beneficiary. Beneficiary shall respond to any request for

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consent under this Section, accompanied by a full explanation of the proposed action and the purpose, necessity, and financing thereof, within thirty (30) days of receipt of such request.

10. Completion, Repair and Restoration. Grantor shall promptly complete or repair and restore in good workmanlike manner any building or improvement on the Property which may be constructed or damaged or destroyed and shall pay all costs incurred therefor. Prior to commencement of construction under this Section 10, Grantor shall submit the plans and specifications for Beneficiary's approval and furnish evidence of sufficient funds to complete the work.

11. Compliance with Laws. Grantor shall comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the Property, including without limitation, all environmental, subdivision, zoning, building code, fire, occupational, health, safety, and occupancy laws, and shall not commit or permit any act upon or concerning the Property in violation of any such laws, ordinances, regulations, covenants, conditions, and restrictions. In the event any statute requires any correction, alteration or retrofitting of any improvements, Grantor shall promptly undertake and complete the required correction, repair, alteration or restoration at its sole cost and expense.

12. Impairment of Collateral. Grantor shall not, without Beneficiary's prior written consent, change the general nature of the occupancy of the Property, initiate, acquire or permit any change in any public or private restrictions (including a zoning reclassification) limiting the uses which may be made of the Property, or take or permit any action which would impair the Property or Collateral or Beneficiary's lien or security interest in the Property or Collateral, all except as may be contemplated under the Guaranty Agreement. Grantor shall not, without the written consent of Beneficiary, (i) initiate or support any zoning reclassification of the Property, seek any variance under existing zoning ordinances applicable to the Property or use or permit the use of the Property in a manner which would result in such use becoming a nonconforming use under applicable zoning ordinances; (ii) modify, amend or supplement any easement, reservation, restriction, covenant, condition, or encumbrance pertaining to the Property; (iii) impose or consent to any restrictive covenant or encumbrance upon the Property, execute or file any subdivision or parcel map affecting the Property, or (iv) permit the Property to be used by the public or any person in such manner as might make possible a claim of adverse usage or possession or of any implied dedication or easement.

13. Inspection of Property. Beneficiary and/or its representative may, subject to the rights of tenants under applicable statutes and ordinances, inspect the Property, including the interior of any structures, at reasonable times after three days written notice, or without notice in case of emergency.

14. Grantor's Defense of Collateral. Grantor shall appear in and defend any action or proceeding which may affect the value, priority or enforceability of this security instrument or the Property or Collateral itself or the rights or powers of Beneficiary or Trustee, including any suits relating to damage to property or death or personal injuries.

15. Beneficiary's Right to Protect Collateral. Beneficiary may commence, appear in, and defend any action or proceeding which may affect the Property or Collateral or the rights or powers of Beneficiary or Trustee in the Property or Collateral. Beneficiary may pay, purchase, contest or compromise any encumbrance, charge or lien that is not an Exception which in its judgment appears to jeopardize the lien of this Deed of Trust. If Grantor fails to make any payment or do any act required

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under this Deed of Trust or the Guaranty Agreement, Beneficiary, without any obligation to do so, upon three days written notice (except in case of emergency) to Grantor and without releasing Grantor from any obligations hereunder or under the Guaranty Agreement, may make the payment or cause the act to be performed in such manner and to such extent as Beneficiary may deem necessary to protect the Property or Collateral or Beneficiary's interest therein. Beneficiary is authorized to enter upon the Property for such purposes. In exercising any of these powers Beneficiary may incur such reasonable expenses as it deems necessary.

16. Sale or Transfer. If the Property or any portion thereof or interest therein is sold, conveyed, transferred, or encumbered, either voluntarily or involuntarily (not including the creation of any Exception, but including any transfer upon the foreclosure thereof or default thereunder) without the prior written consent of the Beneficiary, then Beneficiary may declare all sums secured by the Deed of Trust immediately due and payable. Leases inconsistent with the terms of the Guaranty Agreement, leases with purchase options, conveyances by real estate contract and transfers by foreclosure or other forced sale or forfeiture shall each be deemed a transfer of Grantor's interest in the Property for the purposes of this paragraph. This provision shall apply to each and every sale, transfer, conveyance or encumbrance regardless of whether or not Beneficiary has consented or waived its rights, whether by action or inaction, in connection with any previous sale, transfer, conveyance or encumbrance, whether one or more.

17. Insurance.

(a) Grantor shall maintain insurance on the Property with premiums prepaid providing full replacement cost coverage and insuring against loss by fire and such other risks covered by "broad form" coverage insurance, and such other perils and risks as may be required by the Guaranty Agreement or by Beneficiary consistent with customary requirements of lenders on similar properties, or by any applicable law. Grantor shall also maintain comprehensive general public liability insurance applicable to the Property, buildings and improvements thereon, with Beneficiary named as an additional insured, covering losses from damage to property and injury or death to persons in amounts which Beneficiary reasonably requires from time to time, to include an extended liability endorsement if applicable to the Property and reasonably required by Beneficiary.

(b) In the event of foreclosure of this Deed of Trust or other transfer of title to the Property in extinguishment of some or all of the indebtedness secured hereby, all interest of Grantor in any insurance policies pertaining to the Property or Collateral and in any claims against the policies and in any proceeds due under the policies shall pass to Beneficiary.

(c) All insurance required under this paragraph shall be placed with companies legally entitled to do business in the state of Washington and placed with companies with a Best's rating of "A" or better and indicated to be of sufficient size to qualify for Best's designation VI. All proceeds to which Grantor may become entitled under any and all such insurance policies, either current or future, are hereby assigned to Beneficiary. All insurance required by Beneficiary shall be with lender's loss payable clauses in favor of and in form satisfactory to Beneficiary. The insurance certificates shall confirm that no insurance policy shall be canceled or modified without thirty (30) days' prior written notice to Beneficiary. At least thirty (30) days prior to the expiration of the term of any insurance policy, Grantor shall furnish Beneficiary with written evidence of renewal or issuance of a satisfactory replacement policy. If requested, Grantor shall deliver copies of all policies to Beneficiary. All such

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policies shall be evaluated and adjusted as required by Beneficiary on an annual basis. Grantor shall provide Beneficiary with proof of premiums paid for each policy term so long as this Deed of Trust remains in effect. Grantor shall reimburse Beneficiary for any premiums paid for such insurance by the Beneficiary upon the Grantor's default in so insuring the improvements.

18. Condemnation and Insurance Proceeds. Grantor shall give immediate notice to Beneficiary of any condemnation proceeding (including change of grade), or loss or damage to the Property or Collateral or any right therein. Such notice shall generally describe the nature and cause of such casualty and the extent of the damage to or destruction of the Property. Beneficiary may, except in the case of a condemnation by the Beneficiary, at Beneficiary's option, commence, appear in and prosecute, in its own name, any action or proceeding, make a claim for, or make any reasonable compromise or settlement as a result of condemnation, loss or damage. Subject to the terms of any deed of trust having priority over this Deed of Trust, all proceeds payable as a result of condemnation, loss or damage shall be paid to Beneficiary. All compensation, awards, damages, rights of action and proceeds, including the policies and the proceeds of any policies of insurance affecting the Property, are hereby assigned to Beneficiary, but no such assignments shall be effective to invalidate or impair any insurance policy. Subject to the terms of any deed of trust with priority over this Deed of Trust: (i) Grantor further assigns to Beneficiary any return premiums or other repayments upon any insurance at any time provided for the benefit of the Beneficiary and all refunds or rebates made of taxes or assessments on said Property, and (ii) Grantor agrees that Beneficiary may at any time collect said return premiums, repayments, refunds, and rebates in the event of any default by Grantor under the Loan Documents. No insurance proceeds or condemnation awarded at any time assigned to or held by Beneficiary shall be deemed to be held in trust, and Beneficiary may commingle such proceeds with its general assets and shall not be liable for the payment of any interest thereon. Beneficiary shall, unless Beneficiary determines that Beneficiary's security would be impaired or both Beneficiary and Grantor agree that the repair or restoration of the improvements on the Property would not be economically feasible, permit the proceeds to be used for repair and restoration of the Property on such conditions as Beneficiary may impose including evidence of sufficient funds to complete the work, approval of the plans and specifications and periodic disbursement of the proceeds during the course of repair and restoration. If (a) the Beneficiary determines that its security would be impaired by use of the proceeds for repair or restoration; (b) Grantor and Beneficiary agree that repair or restoration would not be economically feasible; (c) the conditions referenced in the previous sentence for use of proceeds for repair or restoration are not satisfied; or (d) Grantor fails to proceed with reasonable diligence to repair or restore notwithstanding the availability of insurance proceeds; then in any such case Beneficiary may, subject to the terms of any deed of trust having priority over this Deed of Trust, after deducting its expenses including reasonable attorneys' fees, without in any way affecting the enforceability or priority of the lien of this Deed of Trust or the obligation of the Grantor or any other person for payment of the indebtedness hereby secured or the reconstruction of the damaged improvements, whether such Grantor be the then owner of said Property or not:

(i) Apply all or part of the proceeds against the sums owed, if any, under the Guaranty Agreement, whether or not the sums are actually due; or

(ii) Release all or any part of the proceeds to Grantor; or

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(iii) In the case of an Event of Default resulting from Grantor's failure to proceed with repair or restoration, cause the proceeds to be used for repair or restoration of the Property under the terms and conditions stated in Section 24 below.

For purposes of this Section, impairment of the Beneficiary's security shall be determined by comparison to the adequacy of the Beneficiary's security prior to the condemnation or casualty loss. The provisions of this Section regarding the use and disposition of insurance and condemnation proceeds shall be subject to any requirements of Beneficiary contained in the Guaranty Agreement.

19. Leases. Grantor shall fully comply with all of the terms, conditions and provisions of all Leases so that the same shall not become in default and do all that is necessary or advisable to preserve all said Leases in force. Except for real estate taxes and assessments, without the express written consent of Beneficiary, Grantor shall not permit any lien to be created against the Property which may be or may become prior to any Lease.

20. Assignment of Rents and Leases - Grantor's Right to Collect. Grantor hereby absolutely and irrevocably assigns to Beneficiary all Grantor's interest in all rentals and deposits which may be received or contracted for under any existing or future leases of the Property or any portion thereof, all of the Grantor's present and future interests in said existing and future Leases, and, in the event of any default hereunder or under the Note, Grantor shall deliver possession of same to the Beneficiary forthwith upon demand. Unless otherwise provided in any separate assignment of leases and/or rents, and so long as Grantor is not in default under the Loan Documents, Grantor may collect the Rents as they become due. Grantor warrants that it has made no previous assignment of the Rents or Leases except as may be contained in the Exceptions, and will make no subsequent assignment without the prior written consent of Beneficiary. Grantor's right to collect the Rents shall not constitute Beneficiary's consent to the use of cash collateral in any bankruptcy proceeding.

21. Beneficiary's Right to Collect Rents. If Grantor is in default under the Guaranty Agreement, Beneficiary or its agents, or a court-appointed receiver, may, upon reasonable notice to Grantor, collect the Rents. In doing so, Beneficiary may (a) evict lessees for nonpayment of rent, (b) terminate in any lawful manner any tenancy or occupancy, (c) lease the Property in the name of the then owner on such terms as it may deem best and (d) institute proceedings against any lessee for past due rent. Beneficiary's failure to collect or its discontinuing collection at any time shall not in any manner affect the subsequent enforcement by Beneficiary of its rights to collect the Rents. The collection of the Rents shall not cure or waive any default under the Guaranty Agreement. In exercising its rights under this section Beneficiary shall be liable only for the proper application of and accounting for the Rents collected by Beneficiary or its agents and for management of the Property after the assumption of such management duties by the Beneficiary. Any Rents paid to Beneficiary or a receiver shall be credited against the amount due from the lessee under the Lease. In the event any lessee under the Lease becomes the subject of any proceeding under the Bankruptcy Code or any other federal, state or local statute which provides for the possible termination or rejection of the Leases assigned hereby, Grantor covenants and agrees that, in the event of sale or other transfer or conveyance if any of the Leases are so rejected, no damages settlement shall be made without the prior written consent of Beneficiary; any check or instrument in payment of damages for rejection or termination of any such Lease will be made payable both to the Grantor and Beneficiary; and Grantor hereby assigns, subject to the terms of any recorded assignment of rents having priority over this Deed of Trust, any such payment to Beneficiary

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and further covenants and agrees that upon request of Beneficiary and subject to the terms of any recorded assignment of rents having priority over this Deed of Trust, it will duly endorse to the order of Beneficiary any such check or instrument. Beneficiary may apply the proceeds of any such check or instrument to any portion of the indebtedness secured hereunder in such manner as Beneficiary may elect.

22. Additional Security Documents. Grantor shall within fifteen (15) days after request by Beneficiary execute and deliver any financing statement, renewal, affidavit, certificate, continuation statement, or other document Beneficiary may reasonably request in order to perfect, preserve, continue, extend, or maintain security interests or liens previously granted and the priority of the security interests or liens. Grantor shall pay all costs and expenses incurred by Beneficiary in connection with the preparation, execution, recording, filing, and refiling of any such document.

23. Financing Statement. This Deed of Trust shall serve as a financing statement filed for record in the real estate records as a fixture filing pursuant to the Uniform Commercial Code.

24. Default - Remedies. Any Event of Default under the Guaranty Agreement shall constitute a default hereunder, and Beneficiary shall not be required to provide Grantor the opportunity to cure any defaults except as specifically set forth therein or herein. Upon any Event of Default, Beneficiary may exercise its rights and remedies under the Guaranty Agreement and applicable law including foreclosure of this Deed of Trust judicially or non-judicially by the Trustee pursuant to the power of sale and/or any remedies authorized under the Uniform Commercial Code. Beneficiary's exercise or failure to exercise any of its rights and remedies shall not constitute a waiver or cure of a default, nor shall any waiver of or failure to enforce any remedy upon any default constitute a waiver of any subsequent default. After an Event of Default hereunder the Beneficiary shall have the exclusive right to exercise any and all rights of Grantor pursuant to any contracts or agreements with respect to the construction of the improvements and with respect to any related plans, specifications, studies, data, and drawings, without liability to Grantor for any such exercise.

25. Cumulative Remedies. All Beneficiary's and Trustee's rights and remedies specified herein and in the Guaranty Agreement are cumulative, not mutually exclusive and not in substitution for any rights or remedies available in law or equity. In order to obtain performance of Grantor's obligations under the Guaranty Agreement, without waiving its rights in the Property or Collateral, Beneficiary may proceed in such order and manner as Beneficiary may elect. The commencement of proceedings to enforce a particular remedy shall not preclude the discontinuance of the proceedings and/or the commencement of proceedings to enforce a different remedy.

26. Sale of Property After Default. In the event of a Trustee's sale under this Deed of Trust, the Property and Collateral may be sold separately in one or more parcels or as a whole, at the option of Beneficiary. Neither Trustee nor Beneficiary shall be required to marshal Grantor's assets. In the event of a Trustee's sale of all the Property and Collateral, Beneficiary hereby assigns its security interest in the personal property Collateral to the Trustee. Beneficiary may also realize on the personal property Collateral in accordance with the remedies available under the Uniform Commercial Code or at law. In the event of a foreclosure sale, Grantor and the holders of any subordinate liens or security interests waive any equitable, statutory or other right they may have to require marshaling of assets or foreclosure in the inverse order of alienation.

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27. Appointment of Receiver. In the event of a default, Beneficiary shall be entitled after notice to Grantor as provided under appropriate court rules, and without bond, to the appointment of a receiver for the Property and Collateral.

28. Foreclosure of Lessee's Rights - Subordination. Beneficiary shall have the right, at its option, to foreclose this Deed of Trust subject to the rights of any lessees of the Property. Beneficiary's failure to foreclose against any lessee shall not be asserted as a claim against Beneficiary or as a defense against any claim by Beneficiary in any action or proceeding. Beneficiary at any time may subordinate this Deed of Trust to any or all of the Leases except that Beneficiary shall retain its priority to any condemnation or insurance proceeds.

29. Reconveyance After Payment. Upon written request of Beneficiary stating that all obligations secured by this Deed of Trust have been paid, Trustee shall reconvey, without warranty, the Property then subject to the lien of this Deed of Trust. The grantee in the reconveyance may be described as "the person or persons legally entitled thereto." Grantor shall pay any Trustee's fees or recording fees.

30. Release of Parties or Collateral. Without affecting the Grantor's obligations under the Guaranty Agreement and without affecting the lien of this Deed of Trust and Beneficiary's security interest in the Property and Collateral, Beneficiary and/or Trustee may, without notice (a) release Grantor and/or any other party now or hereafter liable for any sums due under the Guaranty Agreement, (b) release all or any part of the Property or Collateral, (c) subordinate the lien of this Deed of Trust or Beneficiary's security interest in the Property or Collateral, (d) take and/or release any other security or guarantees for sums due under the Guaranty Agreement, (e) grant an extension of time, (f) modify, waive, forbear, delay or fail to enforce any obligations owed under the Guaranty Agreement, (g) sell or otherwise realize on any other security or guaranty prior to, contemporaneously with or subsequent to a sale of all or any part of the Property or Collateral, (h) consent to the making of any map or plat of the Property, and (i) join in the grant of any easement on the Property. Any subordinate lienholder shall be subject to all such releases, extensions or modifications without notice to or consent from the subordinate lienholder. Grantor shall pay reasonable Trustee's attorneys', title insurance or recording fees in connection with release of Property or Collateral, the making of a map or plat or the grant of an easement.

31. Nonwaiver of Terms and Conditions. Time is of the essence with respect to performance of the obligations due hereunder and under the Guaranty Agreement. Beneficiary's failure to require prompt enforcement of any required obligation shall not constitute a waiver of the obligation due or any subsequent required performance of the obligation.

32. Waivers by Grantor. Without affecting any of Grantor's obligations under the Guaranty Agreement, Grantor waives the following:

(a) Diligence, presentment, protest and notice of dishonor;

(b) Any defense arising out of Beneficiary entering into additional financing or other arrangements with Grantor not relating to the Property and the Project (as such term is defined in the

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Guaranty Agreement) and any action taken by Beneficiary in connection with any such financing or other arrangements or any pending financing or other arrangements not related to the Property or the Project.

33. Use of Property. The Property is not used principally, or at all, for agricultural or farming purposes.

34. Maximum Interest Rate; Rate After Acceleration. If the amounts secured hereby shall be declared immediately due and payable after an Event of Default then all such amounts, including principal, interest, and premium (if any) shall thereafter bear interest at 12% per annum or the highest rate then permitted by applicable law, whichever shall be less.

35. Substitution of Trustee. Beneficiary may at any time discharge the Trustee and appoint a successor Trustee who shall have all of the powers of the original Trustee.

36. Notices. Any notice given by Grantor, Trustee or Beneficiary shall be in writing and shall be effective (1) on personal delivery to the party receiving the notice or (2) on the third day after deposit in the United States mail, postage prepaid with return receipt requested, addressed to the party at the address set forth above.

37. Successors and Assigns. This Deed of Trust shall be binding on Grantor and Grantor's heirs, executors, personal representatives, successors and assigns and shall inure to the benefit of Trustee and Beneficiary and their respective successor and assigns. The terms "Grantor," "Trustee" and "Beneficiary" include their successors and assigns.

38. Controlling Document. In the event of a conflict or inconsistency between the terms and conditions of this Deed of Trust and the terms and conditions of any other of the Guaranty Agreement, the terms and conditions of the Guaranty Agreement shall prevail.

39. Invalidity of Terms and Conditions. If any term or condition of this Deed of Trust is found to be invalid, the invalidity shall not affect any other term or condition of the Deed of Trust and the Deed of Trust shall be construed as if not containing the invalid term or condition.

40. Rules of Construction. This Deed of Trust shall be construed so that, whenever applicable, the use of the singular shall include the plural, the use of the plural shall include the singular, and the use of any gender shall be applicable to all genders and shall include corporations, partnerships and limited partnerships. Any capitalized terms not defined herein shall have the meanings set forth in the Loan Agreement unless the context otherwise clearly requires.

41. Section Headings. The headings to the various sections have been inserted for convenience of reference only and shall not be used to construe this Deed of Trust.

42. FIRPTA Certification.

For loans secured by U.S. real property the I.R.S. requires lenders to obtain a certification of U.S. or foreign status from the property owners. If Grantor is a nonresident alien, foreign corporation or

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other foreign entity, Lender may be obligated to withhold funds in the event of a foreclosure. In general, the amount withheld would be 10% of the amount realized on the transfer. If this certification is not completed, the IRS will consider you to be foreign, and therefore subject to potential withholding under the Foreign Investment in Real Property Tax Act ("FIRPTA").

Tax I.D. No. of Grantor:________________________

Grantor must check one of the boxes below:

☐ The Grantor listed above is either a U.S. corporation, U.S. partnership, U.S. trust or U.S. estate as defined for purposes of the Internal Revenue Code and Income Tax Regulations. Therefore, Grantor is not a foreign entity.

☐ The Grantor listed above is either a nonresident alien, foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined for purposes of the Internal Revenue Code and Income Tax Regulations). I UNDERSTAND THAT THE 10% WITHHOLDING MAY APPLY TO ME at the time of a sale or transfer of the Property securing this loan.

I understand that this Certification may be disclosed to the Internal Revenue Service by Lender and that any false statement I have made herein could be punished by fine, imprisonment, or both. Grantor will notify Lender in writing if Grantor's tax identification number or status, as stated above, changes while this Deed of Trust is in effect.

UNDER PENALTIES OF PERJURY, I DECLARE THAT I HAVE EXAMINED THIS CERTIFICATION AND TO THE BEST OF MY KNOWLEDGE AND BELIEF IT IS TRUE, CORRECT AND COMPLETE

WITNESS the hand(s) and seal(s) of the Grantor(s) on the day and year first above written.

GRANTOR: SEATTLE CHINATOWN INTERNATIONAL DISTRICT PRESERVATION AND DEVELOPMENT AUTHORITY, a public corporation under the laws of the State of Washington

By: ____________________________
Print Name: ________________________
Title: ____________________________

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REQUEST FOR NOTICE OF DEFAULT AND FORECLOSURE UNDER OTHER MORTGAGE OR DEED OF TRUST

Grantor and Beneficiary request the holder of any mortgage, deed of trust or other encumbrance on the property described in this deed of trust to give notice to Beneficiary, at Beneficiary's address set forth on the first page of this deed of trust, of any default under such other mortgage, deed of trust or encumbrance and of any sale or other foreclosure action.

AUTHORITY ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this _____ day of _______________, 1996, before me the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _______________________, to me known to be the _______________ of SEATTLE CHINATOWN-INTERNATIONAL DISTRICT PRESERVATION AND DEVELOPMENT AUTHORITY, a Washington public corporation, the party that executed the foregoing instrument and acknowledged the said instrument to be the free and voluntary act and deed of said party for the uses and purposes therein mentioned, and on oath stated that s/he was authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

(seal or stamp)

____
NOTARY PUBLIC in and for the State of Washington residing at _______________
My commission expires: _______________
Print Name: _______________________

REQUEST FOR FULL RECONVEYANCE

To be used only when all obligations have been paid under the Note and this Deed of Trust.

TO: TRUSTEE

The undersigned is the legal owner and holder of all indebtedness secured by the within Deed of Trust. Said indebtedness secured by said Deed of Trust has been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

DATED: _______________   _______________________
Print name: _______________________

Mail reconveyance to : _______________________

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IDVS

EXHIBIT D

Development & Construction Costs

Description		Total Project	Elderly	EOC	IDCDC	[illegible]	ACRS	Parking	Retail
Proration by Construction Cost									
Direct Construction Cost		$9,254,272	$4,279,882	$602,375	$1,371,291	[illegible]	$1,832,389	$557,188	$252,227
% of Construction Cost		100.00%	46.25%	6.51%	14.82%	[illegible]	19.80%	6.02%	2.73%
Acquisition									
Purchase price		$87,500	$40,467	$5,696	$12,966	$3,394	$17,325	$5,268	$2,385
Closing costs		$10,000	$4,625	$651	$1,482	$388	$1,980	$602	$273
Other		$5,000	$2,312	$325	$741	$194	$990	$301	$136
Subtotal		$102,500	$47,404	$6,672	$15,188	$3,975	$20,295	$6,171	$2,794
Development Costs									
Appraisal		$10,000	$4,625	$651	$1,482	$388	$1,980	$602	$273
Architect & Engineer	Subtotal	$933,088	$431,[illegible]	$60,736	$138,264	$36,189	$184,756	$56,180	$25,432
A/E Reimbursables		$18,050	$8,348	$1,175	$2,675	$700	$3,574	$1,087	$492
Predev. Legal		$100,0[illegible]	$46,248	$6,509	$14,818	$3,878	$19,800	$6,021	$2,726
Agency Planning		$20,000	$9,250	$1,302	$2,964	$776	$3,960	$1,204	$545
Traffic Study		$8,826	$4,082	$574	$1,308	$342	$1,747	$531	$241
Finance Consultant		$10,000	$4,625	$651	$1,482	$388	$1,[illegible]80	$602	$273
Elder Hsg Consultants		$22,700	$22,700						
Marketing Consultant		$20,000	$9,250	$1,302	$2,964	$776	$3,960	$1,204	$545
Haz/Mat. Monitor & Tests		$10,000	$4,625	$651	$1,482	$388	$1,980	$602	$273
Fundraising campaign costs		$500,000	$235,734	$43,543	$43,961	$26,868	$112,858	$37,037	$0
Bridge Line of credit		$449,500	$207,883	$29,259	$66,607	$17,434	$89,003	$27,064	$12,251
Interest on Line of Credit		$15,600	$7,215	$1,015	$2,312	$605	$3,089	$939	$425
Insurance		$30,000	$13,874	$1,953	$4,445	$1,164	$5,940	$1,806	$818
General Project Legal		$50,000	$23,124	$3,255	$7,409	$1,939	$9,900	$3,010	$1,363
Developer fee		$295,000	$136,431	$19,202	$43,713	$11,441	$58,411	$17,762	$8,040
Start Up + AH Furnishing		$900,000	$650,000	$30,274	$68,918	$18,038	$92,091	$28,003	$12,676
Other		$ 3,000	$8,325	$1,172	$2,667	$698	$3,564	$1,084	$491
Subtotal		$3,410,763	$1,827,866	$203,222	$407,468	$122,012	$598,595	$184,739	$66,861
Construction Costs									
New Construction		$9,254,272	$4,279,882	$602,375	$1,371,291	$358,920	$1,832,389	$557,188	$252,227
Site & Off Site Work/Landscaping		$350,000	$161,867	$22,782	$51,863	$13,574	$69,302	$21,073	$9,539
Subtotal Direct Construction Cost		$9,604,272	$4,441,748	$625,157	$1,423,154	$372,495	$1,901,690	$578,261	$261,767
WSST @ 8.2%		$787,550	$364,223	$51,263	$116,699	$30,545	$155,939	$47,417	$21,465
Test/inspection-Soils, Steel, Conc.		$45,000	$20,811	$2,929	$6,668	$1,745	$8,910	$2,709	$1,226
Permits & Fees	1.20%	$115,251	$53,301	$7,502	$17,078	$4,470	$22,820	$6,939	$3,141
Bond/Builders Risk & Insurance	1.50%	$144,064	$66,626	$9,377	$21,347	$5,587	$28,525	$8,674	$3,927
Construct. Contingency	5.00%	$551,679	$255,138	$35,910	$81,747	$21,396	$109,235	$33,216	$15,036
Escalation @ 3% (1 year)	3.00%	$337,434	$156,055	$21,964	$50,001	$13,087	$66,814	$20,317	$9,197
Project Management		$547,650	$253,275	$35,647	$81,150	$21,240	$108,437	$32,973	$14,926
Subtotal		$12,132,900	$5,611,179	$789,749	$1,797,844	$470,566	$2,402,370	$730,507	$330,685
Financing Cost									
Bond Loan Fees	2.50%	$2[illegible] 709	$50,570	$20,847	$27,459	$12,130	$66,888	$20,355	$11,461
Bridge Loan Interest	7.00%	$10,500	$5,262	$778	$1,627	$462	$2,371	$0	$0
Construction Interest	6.50%	$817,865	$197,222	$81,303	$107,091	$47,307	$260,862	$79,383	$44,697
Debt Service Reserve Fund		$642,359	$154,900	$63,856	$84,110	$37,156	$204,884	$62,348	$35,105
Subtotal		$1,680,433	$407,953	$166,784	$220,288	$97,056	$535,004	$162,085	$91,263
Total Development Costs		$17,326,597	$7,894,402	$1,166,427	$2,440,789	$693,609	$3,556,265	$1,083,502	$491,603

Note:

1. Development and construction costs of Agency based on percentage of Agency construction cost
2. Financing Cost of Agency based on amount of bond each agency requires.
3. Assisted Living Startup = $300,000
4. Assisted Living furnishing = $350,000; Agency none

EXHIBIT E

Project Timeline

ACTIVITY	Start	Completion
Site Acquisition	**10/90**	**06/96**
Transfer agreement	08/94	03/95
Hazardous materials clean up	09/95	02/96
Acquisition of land	10/90	06/96
Title transfer	06/96	06/96
Planning	**10/91**	**12/94**
Community input	10/91	ongoing
SCIDPDA Board approves project	10/92	10/92
Project components developed	03/92	12/94
Fundraising/Financing	**12/92**	**08/97**
Secure pre-development funding	12/92	04/94
Secure public funding/financing	07/93	06/95
Secure private funding/financing	03/93	08/96
Private fundraising	09/94	12/97
Design and Construction	**01/92**	**08/97**
Planning/preliminary program	01/92	05/93
Schematic design	08/94	08/95
Design development	09/95	11/95
Construction documents	11/95	05/96
Bidding/negotiations	06/96	08/96
Construction	09/96	10/97
Marketing/Leasing	**09/92**	**09/97**
Non-profit tenant selection	09/92	12/93
Commercial/retail lease up	09/94	07/96
Residential tenant marketing/lease up	03/97	09/97
Occupancy	**09/97**	

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EXHIBIT F

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue (yearly increase by)	3.00%										
Rental Income											
Elderly Housing/Services		$226,497	$233,292	$240,291	$247,499	$254,924	$262,572	$270,449	$278,563	$286,920	$295,527
ACRS		$265,259	$273,217	$281,414	$289,856	$298,552	$307,508	$316,734	$326,236	$336,023	$346,103
EOC		$82,799	$85,283	$87,842	$90,4[illegible]	$93,191	$95,987	$98,866	$101,832	$104,887	$108,034
IDCHC		$123,102	$126,795	$130,599	$134,517	$138,552	$142,70[illegible]	$146,990	$151,400	$155,942	$160,620
DENISE LOUIE		$48,353	$49,803	$51,297	$52,836	$[illegible]4,421	$56,054	$57,736	$59,468	$61,252	$63,089
Retail/Comm[illegible] space (*note 1*)	$12	$49,291	$59,004	$60,774	$62,598	$64,476	$66,410	$68,402	$70,454	$72,568	$74,745
Parking		$80,010	$82,410	$84,883	$87,429	$90,052	$92,754	$95,536	$98,402	$101,354	$104,395
Net Rental Income		$875,311	$909,805	$937,0[illegible]	$965,212	$994,168	$1,023,993	$1,054,713	$1,086,355	$1,118,945	$1,152,514
[illegible]est from Reserves											
[illegible]est - Repl & oper Rese[illegible] [illegible]ote 2)	[illegible].50%	$12,375	$963	$1,[illegible]12	$1,963	$2,735	$3,528	$4,344	$5,183	$6,047	$6,936
Interest - Debt Service Reser[illegible]	4.50%	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906	$28,900	$28,906	$28,906
Subtotal Inte[illegible]est Earned		$41,281	$29,869	$30,118	$30,869	$31,641	$32,434	$33,250	$34,089	$34,953	$35,842
Total Income		$916,592	$939,674	$967,217	$996,081	$1,025,809	$1,056,[illegible]28	$1,087,963	$1,120,444	$1,153,898	$1,188,356
Expenses (yearly increase by)	4.0[illegible]%										
Insurance	$0.32	$31,479	$32,738	$34,047	$35,409	$36,826	$38,299	$39,831	$41,424	$43,081	$44,804
Utilities	$1.14	$50,812	$52,844	$54,958	$57,156	$59,442	$61,820	$64,293	$66,865	$69,539	$72,321
Maintenance and Repairs	$0.80	$64,109	$66,67[illegible]	[illegible]	$72,114	$74,399	$77,999	$81,119	$84,364	$87,738	$91,248
Security	$0.09	$8,853	$9,2[illegible]	$9,576	$9,959	$10,357	$10,772	$11,202	$11,650	$12,116	$12,601
Bond Trustee Fee (paid annually)	$7,500	$7,500	$7,50[illegible]	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500
Parking management fee		$29,544	$30,72[illegible]	$[illegible]1,955	$33,233	$34,562	$35,945	$37,383	$38,878	$40,433	$42,050
Management fee	$0.33	$31,579	$32,84[illegible]	$34,156	$35,523	$36,943	$38,421	$39,958	$41,553	$43,219	$44,947
Subtotal Expenses		$223,877	$232,532	$241,533	$250,894	$260,630	$270,755	$281,285	$292,237	$303,626	$315,471
Reserves											
Replacement Reserves($0.40 after yr. 5)	$0.23	$21,394	$22,250	$23,[illegible]40	$24,066	$25,028	$26,030	$27,071	$28,154	$29,280	$30,451
Operating Reserves (note 3)	$0.10	$0	$10,231	$10,[illegible]31	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231
Subtotal Reserves		$21,394	$32,481	[illegible]33,371	$34,296	$35,259	$36,260	$37,301	$38,[illegible]84	$39,510	$40,682
[illegible]l Expenses		$245,271	$265,012	[illegible]74,904	$285,191	$295,889	$307,015	$318,587	$330,621	$343,137	$356,153
Net Operating Income		$671,321	$674,661	[illegible]92,314	$710,891	$729,920	$749,412	$769,377	$789,823	$810,762	$832,203
Debt Service	[illegible].50%	[illegible]	$642,359	[illegible]42,359	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359
Net Cashflow		$28,962	$32,[illegible]02	$49,955	$68,531	$87,561	$107,053	$127,017	$147,464	$168,402	$189,844
		1.05	**1.05**	**1.08**	**1.11**	**1.14**	**1.17**	**1.20**	**1.23**	**1.26**	**1.30**

note 1 : Retail: 100% 1st yr

note 2 : interest on 1/2 of reserves only. 50% of Re[illegible]ce & Operating Reserves assumed to be spent in year of reserve.
Year 1 int[illegible]est based on 50% of startup.

note 3: No operating reserve set aside for the 1st year.

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Revenue (yearly increase by)										
Rental Income										
Elderly Housing/Services	$304,393	$313 525	$322,931	$332,619	$342,597	$352,875	$363,461	$374,365	$385,596	$397,164
ACRS	$356,486	$367,181	$378,196	$389,542	$401,229	$413,266	$425,663	$438,433	$451,586	$465,134
EOC	$111,275	$114,613	$118,052	$121,593	$125,241	$128,998	$132,868	$136,854	$140,960	$145,1[illegible]
IDCHC	$165,438	$170,402	$175,514	$180,779	$186,202	$191,789	$197,542	$203,468	$209,573	$215,860
DENISE LOUIE	$64,982	$66,931	$68,939	$71,007	$73,138	$75,332	$77,592	$79,920	$82,317	$84,787
Retail/Commercial space (*note 1*)	$76,987	$79,297	$81,676	$84,126	$86,650	$89,249	$91,927	$94,685	$97,525	$100,451
Parking	$107,527	$110,753	$114,075	$117,497	$121,022	$124,653	$128,393	$132,244	$136,212	$140,298
Net Rental Income	$1,187,089	$1,222,702	$1,259,383	$1,297,164	$1,336,079	$1,376,161	$1,417,446	$1,459,970	$1,503,76[illegible]	[illegible]1 548,382
Interest from Reserves										
Interest - Repl & oper Reserves (note 2)	$7,851	$8,794	$9,765	$10,766	$11,798	$12,861	$13,959	$15,090	$16,258	$17,464
Interest - Debt Service Reserves	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906
Subtotal Interest Earned	$36,757	$37,700	$38,671	$39,672	$40,704	$41,768	$42,865	$43,997	$45,164	$46,370
Total Income	$1,223,846	$1,260,402	$1,298,054	$1,336,836	$1,376,783	$1,417,929	$1,460,311	$1,503,966	$1,548,933	$1,595,252
Expenses (yearly increase by)										
Insurance	$46,596	$48,460	$50,399	$52,414	$54,511	$56,691	$58,959	$61,317	$63,770	$66,321
Utilities	$75,214	$78,222	$81,351	$84,605	$87,989	$91,509	$95,169	$98,976	$102,935	$107,052
Maintenance and Repairs	$94,898	$98,693	$102,641	$106,747	$111,017	$115,457	$120,076	$124,879	$129,874	$135,069
Security	$13,105	$13,629	$14,175	$14,742	$15[illegible]	$15,944	$16.582	$17,246	$17,935	$18,653
Bond Trustee Fee (paid annually)	$7,500	$7,500	$7,500	$7,500	$[illegible]	$7,500	$7.500	$7,500	$7 500	$7,500
Parking management fee	$43,732	$45,482	$47,301	$49,193	$51,161	$53,207	$55,335	$57,549	$59,851	$62,245
Management fee	$46,745	$48,615	$50,560	$52,582	$54,6[illegible]	$56,873	$59,148	$61,514	$63,974	$66,533
Subtotal Expenses	$327,790	$340,602	$353,926	$367,783	$382,19[illegible]	$397,182	$412,769	$428,980	$445,839	$463,373
Reserves										
Replacement Reserves($0.40 after yr. 5)	$31,669	$32,936	$34,253	$35,623	$37,048	$38,530	$40,071	$41,674	$43,341	$45,075
Operating Reserves (note 3)	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231
Subtotal Reserves	$41,900	$43,166	$44,484	$45,854	$47,279	$48,761	$50,302	$51,905	$53,572	$55,305
Total Expenses	$369,690	$383,768	$398,410	$413,637	$429,473	$445,943	$463,071	$480,885	$499,411	$518,678
Net Operating Income	$854,157	$876,634	$899,644	$923,200	$947,310	$971,987	$997,240	$1,023,082	$1,049,522	$1,076,574
Debt Service	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359
Net Cashflow	$211,79[illegible]	$234,274	$257,285	$280,840	$30[illegible],951	$329,627	$354,881	$380,722	$407,163	$434,214
	1.33	1.36	1.40	1.44	1.47	1.51	1.55	1.59	1.63	1.68

ID VILLAGE SQUARE - proforma

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Revenue (yearly increase by)										
Rental Income										
Elderly Housing/Services	$409,079	$421,351	$433,992	$447,012	$460,422	$474,235	$488,462	$503,116	$518,209	$533,755
ACRS	$[illegible]79,088	$493,461	$508,264	$523,512	$539,218	$555,394	$572,056	$589,218	$606,894	$625,101
EOC	$149,544	$154,031	$158,652	$163,411	$168,314	$173,363	$178,564	$183,921	$189,438	$195,122
IDCHC	$222,335	$229,006	$235,876	$242,952	$250,241	$257,748	$265,480	$273,445	$281,648	$290,097
DENISE LOUIE	$87,330	$89,950	$92,649	$95,428	$98,291	$101,240	$104,277	$107,405	$110,627	$113,946
Retail/Commercial space *(note 1)*	$103,464	$106,568	$109,765	$113,058	$116,450	$119,944	$123,542	$127,248	$131,066	$134,998
Parking	$144,507	$148,842	$153,307	$157,907	$162,644	$167,523	$172,549	$177,725	$183,057	$188,549
Net Rental Income	$1,595,348	$1,643,209	$1,692,505	$1,743,280	$1,795,579	$1,849,446	$1,904,929	$1,962,077	$2,020,940	$2,081,568
Interest from Reserves										
Interest - Repl & oper Reserves (note 2)	$18,708	$19,993	$21,320	$22,691	$24,108	$25,572	$27,085	$28,650	$30,268	$31,942
Interest - Debt Service Reserves	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906	$28,906
Subtotal Interest Earned	$47,614	$48,899	$50,226	$51,597	$53,014	$54,478	$55,991	$57,556	$59,174	$60,848
Total Income	$1,642,962	$1,692,108	$1,742,731	$1,794,877	$1,848,592	$1,903,924	$1,960,921	$2,019,633	$2,080,114	$2,142,416
Expenses (yearly increase by)										
Insurance	$68,974	$71,733	$74,602	$77,586	$80,690	$83,917	$87,274	$90,765	$94,395	$98,171
Utilities	$111,334	$115,788	$120,419	$125,236	$130,246	$135,455	$140,874	$146,509	$152,369	$158,464
Maintenance and Repairs	$140,471	$146,090	$151,934	$158,011	$164,332	$170,905	$177,741	$184,851	$192,245	$199,935
Security	$19,399	$20,175	$20,982	$21,821	$22,694	$23,602	$24,546	$25,528	$26,549	$27,611
Bond Trustee Fee (paid annually)	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500
Parking management fee	$64,735	$67,3[illegible]	$70,017	$72,818	$75,730	$78,759	$81,910	$85,186	$88,594	$92,137
Management fee	$69,194	$71,96[illegible]	$74,841	$77,834	$80,948	$84,186	$87,553	$91,055	$94,697	$98,485
Subtotal Expenses	$481,608	$500,572	$520,295	$540,807	$562,139	$584,324	$607,397	$631,393	$656,349	$682,303
Reserves										
Replacement Reserves($0.40 after yr. 5)	$46,878	$48,753	$50,703	$52,731	$54,840	$57,034	$59,315	$61,688	$64,156	$66,722
Operating Reserves (note 3)	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231	$10,231
Subtotal Reserves	$57,108	$58,984	$60,934	$62,962	$65,071	$67,265	$69,546	$71,919	$74,386	$76,952
Total Expenses	$538,716	$559,555	$581,228	$603,768	$627,210	$651,589	$676,943	$703,312	$730,735	$759,255
Net Operating Income	$1,104,247	$1,132,552	$1,161,503	$1,191,109	$1,221,333	$1,252,335	$1,283,977	$1,316,322	$1,349,379	$1,383,161
Debt Service	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359	$642,359
Net Cashflow	$461,887	$490,193	$519,144	$548,750	$579,023	$609,976	$641,618	$673,962	$707,020	$740,801
	1.72	1.76	1.81	1.85	1.90	1.95	2.00	2.05	2.10	2.15

Guaranty Agreement: City of Seattle and Seattle Chinatown-International District Preservation and Development Authority

EXHIBIT G TO GUARANTY AGREEMENT
DESCRIPTION OF SITE
Page 1 of 1

Lots 1, 2, 3, 4, 5, 6, 7, and 8 of Turner's Supplemental Plat of the east half of Block 52, D.S. Maynard's Plat of the Town (now City) of Seattle, according to the Plat recorded in Volume 1 of Plats, page 169, in King County, Washington;

EXCEPT the South 12 feet of said Lots 1 to 4, condemned in King County Superior Court cause no. 52652, for Dearborn Street, as provided by Ordinance no. 13320 of the City of Seattle.

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RECEIVED OMP

JUN 0 3 1996

City of Seattle

Department of Finance

Dwight D. Dively
Director of Finance

Norman B. Rice
Mayor

June 3, 1996

The Honorable Jan Drago
President, Seattle City Council
600 Fourth Avenue, 11th Floor
Seattle, Washington 98104

Via: Mayor's Office

Attention: Tom Tierney, Director, Office of Management & Planning

Subject: Legislation to approve a City bond guarantee for the Seattle Chinatown-International District Public Development Authority's Village Square project.

Attached is proposed legislation authorizing the City to guarantee bond(s) issued by the Seattle Chinatown-International District Public Development Authority (SCIDPDA) totaling about $8.4 million (not to exceed $9 million) for the Village Square project. Accompanying this legislation will be the proposed Cooperation Agreement between the City and SCIDPDA which outlines the terms and conditions of this guarantee. This agreement reflects the work of staff in Finance, OMP, Law, and OED working together with SCIDPDA. This project will benefit the International District and the City of Seattle as a whole by providing centralized Asian/Pacific resources for health care, mental health and social services, pre-school and childcare, employment, senior advocacy and supportive care and housing; by creating a combined multi-ethnic staffing pool of approximately 225 staff speaking 43 languages; and by allowing the agencies to redirect their resources from administrative costs to service, and provide more services at reduced cost.

The total cost of this project is currently projected to be about $17.3 million (estimated between $17 million and $18 million) of which the SCIDPDA has or will raise about $8.9 million from sources other than City-backed bonds, including about $3 million in private donations.

SCIDPDA, on its own, would not be able to obtain financing to develop the Village Square project on terms that would make it economically and financially feasible. The City's guaranty would significantly reduce the Authority's borrowing costs, and thereby enable the Authority to develop the Village Square project in a manner that is financially prudent and that would allow the Authority to provide the greatest benefits to the community in furtherance of its public purpose.

The City's Debt Management Policy and Advisory Committee (DMPAC) has reviewed the financing for this project and approved the use of the City's credit to guarantee the bond issue. The proposed Agreement is consistent with DMPAC's approval.

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Whenever the City extends a guarantee for bonds issued by another organization, it exposes itself to some amount of financial risk. In the case of Village Square, this risk has been mitigated with the following security:

- Standard six months of debt service in reserves,
- Additional "back-up" six months of debt service in reserves,
- Collateral of land to be developed, with an estimated value of about $1.6 million and
- About $550,000 in operating reserves.

Although agency tenants have long track records and the rental rates are roughly comparable to what they are currently paying, they are somewhat dependent on uncertain federal and state grant funding. However, these agencies are committed to the project and will sign leases with SCIDPDA prior to issuance of bonds. Additional financial merits of this project include:

- Market demand for additional retail space in the International District appears adequate and SCIDPDA is currently negotiating a lease agreement for retail space in the Village Square project,
- A construction phase-in contingency of about six months,
- Significant annual interest earnings from reserves and additional annual contributions to capital and operating reserves,
- Multiple sources of operating revenues can provide some hedge against risk, and
- SCIDPDA's financial planning for this project exhibits a high level of professionalism.

If you have additional questions, please call Michael van Dyck at 684-5236 or JoAnn Cowan at 684-8064.

Sincerely,

Dwight Dively
Finance Director
Seattle Department of Finance

Judy Bunnell
Budget Director
Office of Management & Planning

Attachments

cc: Deputy Mayor Anne Levinson
JoAnn Cowan, Office of Management & Planning
Kathleen Henry, Law Department
Michael van Dyck, Finance
Brian McCartan, Finance

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CITY OF SEATTLE
PUBLIC DEVELOPMENT AUTHORITY
PROJECTS

NAME	PIKE PLACE MARKET		
PURPOSE	PARKING GARAGE	REFINANCE 1987 BONDS & LEGAL EXPENSES	REFINANCE PRIVATE LOANS AND LEGAL COSTS
YEAR	1987	1991 - FEBRUARY	1991 - OCTOBER
TYPE OF FINANCING	PDA BONDS	PDA BONDS	PDA BONDS
CITY ASSISTANCE	GUARANTY DIRECT	GUARANTY & LOAN OF CITY PARKING REVENUE	GUARANTY
AMOUNT OF CITY PARTICIPATION	$8,400,000 BOND GUARANTEE $410,000 DIRECT	$10,300,000 GUARANTY $300,000 INCOME DEFERRED	$7,525,000
AMOUNT OF NON-CITY FUNDING	$550,000 PDA $350,000 SHA	NONE	$1,500,000 FROM STATE FOR REFUNDING
TOTAL PROJECT COST	$9,710,000	$10,300,000	$7,525,000
REQUIRED BOND DEBT PAYMENT RESERVES* (*DOES NOT INCLUDE OTHER RESERVES)	1 YEAR	1 YEAR	$300,000
REVENUE SOURCE	GARAGE AND OTHER LOT REVENUES	GARAGE AND OTHER LOT REVENUES	PIKE MARKET REVENUE AND STATE CAPITAL BUDGET

NAME	SEATTLE INDIAN SERVICES COMMISSION PDA		
PURPOSE	LESCHI CENTER FOR SERVICES	REFUNDING FOR LESCHI BONDS	PEARL WARREN BUILDING
YEAR	1987	1991	1994
TYPE OF FINANCING	PDA BONDS	PDA BONDS	PDA BONDS
CITY ASSISTANCE	GUARANTY	GUARANTY	GUARANTY
AMOUNT OF CITY PARTICIPATION	$4,000,000	$4,670,000	$6,000,000
AMOUNT OF NON-CITY FUNDING	$1,000,000	N/A	$300,000
TOTAL PROJECT COST	$5,000,000	$4,670,000	$6,300,000
REQUIRED BOND DEBT PAYMENT RESERVES* (*DOES NOT INCLUDE OTHER RESERVES)	1 YEAR	1 YEAR	6 MONTHS
REVENUE SOURCE	RENT FROM PUBLICLY FUNDED AGENCY	RENT FROM PUBLICLY FUNDED AGENCY	RENT FROM PUBLICLY FUNDED AGENCY

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CITY OF SEATTLE
PUBLIC DEVELOPMENT AUTHORITY
PROJECTS

NAME	MUSEUM DEVELOPMENT AUTHORITY	
PURPOSE	DOWNTOWN MUSEUM PROJECT	REFINANCE 1985 MDA NOT FOR PROPERTY PURCHASE
YEAR	1987	1994
TYPE OF FINANCING	PDA BONDS	PDA BONDS
CITY ASSISTANCE	TAX LEVY	CITY GUARANTY
AMOUNT OF CITY PARTICIPATION	$29,500,000	$33,000,000
AMOUNT OF NON-CITY FUNDING	$33,000,000-PROJECT FUNDING $30,000,000-LAND VALUE $10,000,000-SPECIAL ENDOWMENT PLEDGE	$10,000,000 SPECIAL ENDOWMENT PLEDGE
TOTAL PROJECT COST	$92,500,000	$33,000,000
REQUIRED BOND DEBT PAYMENT RESERVES* (*DOES NOT INCLUDE OTHER RESERVES)	1 YEAR	1 YEAR
REVENUE SOURCE	TAX PROCEEDS	GROUND LEASE OF ARCADE BUILDING TO SEATTLE ART MUSEUM AND PARKING REVENUE FROM HELIPARKER GARAGE

NAME	PACIFIC MEDICAL CENTER PDA	CHINATOWN/ INTERNATIONAL DISTRICT PDA
PURPOSE	TOWER REMODEL	SOCIAL SERVICES AND ELDERLY CARE
YEAR	1987	1996
TYPE OF FINANCING	KING COUNTY/VOTED BONDS	PDA BONDS
CITY ASSISTANCE	NONE	CITY GUARANTY
AMOUNT OF CITY PARTICIPATION	NONE	$9,000,000
AMOUNT OF NON-CITY FUNDING	$9,300,000 COUNTY $2,900,000 PDA	$11,000,000 PRIVATE AND PUBLIC AND PUBLIC SOURCES
TOTAL PROJECT COST	$12,200,000	$20,000,000
REQUIRED BOND DEBT PAYMENT RESERVES* (*DOES NOT INCLUDE OTHER RESERVES)	6 MONTHS	1 YEAR
REVENUE SOURCE	PDA REVENUE	RENT FROM PUBLICLY FUNDED SOCIAL SERVICE AGENCIES, SMALL RETAIL AND PARKING

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TIME AND DATE STAMP

SPONSORSHIP

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

FOR CITY COUNCIL PRESIDENT USE ONLY

COMMITTEE(S) REFERRED TO:

PRESIDENT'S SIGNATURE

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City of Seattle

Executive Department—Office of Management and Planning

Thomas M. Tierney, Director
Norman B. Rice, Mayor

June 3, 1996

Approved as to form
Kathleen Henry 6/3/96
Kathleen Henry

The Honorable Mark Sidran
City Attorney
City of Seattle

Dear Mr. Sidran:

The Mayor is proposing to the City Council that the enclosed legislation be adopted.

REQUESTING DEPARTMENT:	Finance
SUBJECT:	AN ORDINANCE relating to the Seattle Chinatown-International District Public Development Authority; authorizing the City to provide a guaranty in support of not to exceed Nine Million Dollars ($9,000,000) in tax exempt bonds to be issued by the Authority, establishing the terms and conditions under which the City will provide such guaranty; and authorizing an agreement and such related documents and agreements as are necessary between the City and the Authority with regard to the Authority's issuance of the bonds and the City's guaranty.

Pursuant to the City Council's S.O.P. 100-014, the Executive Department is forwarding this request for legislation to your office for review and drafting.

After reviewing this request and any necessary redrafting of the enclosed legislation, return the legislation to OMP. Any specific questions regarding the legislation can be directed to JoAnne Cowan at 684-8064.

Sincerely,

Norman B. Rice
Mayor

by
JoAnn Cowan
for
TOM TIERNEY
Director

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Enclosure

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STATE OF WASHINGTON - KING COUNTY

70155 —ss.
City of Seattle,City Clerk

No. ORDINANCE IN

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:ORD 118190

was published on

07/18/96

The amount of the fee charged for the foregoing publication is the sum of $, which amount has been paid in full.

Subscribed and sworn to before me on

07/18/96

Notary Public for the State of Washington, residing in Seattle

Affidavit of Publication

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