Ordinance No. 122452

Council Bill No. 115933

AN ORDINANCE relating to the Seattle Chinatown-International District Public Development Authority; authorizing the City to provide a guaranty in support of 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.

CF No.

Date Introduced: 7-9-07	
Date 1st Referred: 7-9-07	To: (committee) McIver ~~Economic Development, Neighborhoods~~
Date Re - Referred:	To: (committee) Finance
Date Re - Referred:	To: (committee)
Date of Final Passage: 8-6-07	Full Council Vote: 9-0
Date Presented to Mayor: 8-7-07	Date Approved: 8-13-07
Date Returned to City Clerk: 8-13-07	Date Published: Title 4 T.O. ✓ F.T.
Date Vetoed by Mayor:	Date Veto Published:
Date Passed Over Veto:	Veto Sustained:

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Richard J. McIver

Councilmember

Committee Action:

Passed Wed, 8/01/07 RJM, DD, JG 3-0

8-6-07 Passed 9-0

This file is complete and ready for presentation to Full Council. Committee: _____ (initial/date)

Law Department

Law Dept. Review	OMP Review	City Clerk Review	Electronic Copy Loaded	Indexed

City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

June 26, 2007

Honorable Nick Licata
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Licata:

I am pleased to transmit the attached proposed Council Bill authorizing the City to extend its guaranty on bonds to be issued by the Seattle Chinatown International District Preservation and Development Authority (SCIDPDA). These bonds will be used to refund (refinance) at lower interest rates approximately $7,340,000 of bonds that were issued in 1996. This refunding is expected to save SCIDPDA a present value of about $900,000. The City's guaranty will have the same terms and conditions as the guaranty on the 1996 bonds.

Founded in 1975 as a City-chartered community development agency, SCIDPDA has played an important role in revitalizing the Seattle Chinatown International District. Its mission is to "preserve, promote, and develop the Seattle Chinatown International District as a vibrant community and unique ethnic neighborhood." SCIDPDA fosters neighborhood renewal by implementing new projects that increase the economic viability and quality of life within the Chinatown International District. SCIDPDA encourages projects that fit the existing historical and cultural characteristics of the multi-ethnic neighborhood and works collaboratively with a wide variety of partners from community members to government agencies to neighborhood social service organizations in order to provide solutions to neighborhood-wide issues. Together, the partners work to improve public safety, affordable housing, transportation, marketing, business development, and parking in the community.

The savings from this refunding will enhance SCIDPDA's ability to continue its mission. The proposed guaranty was reviewed and approved by the City's Debt Management Policy Advisory Committee on June 1. Thank you for your consideration of this legislation. Should you have questions, please contact Michael van Dyck (4-8347).

Sincerely,

GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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Slayton/JMS
SCIPDA Bond Guaranty
June 19, 2007
Version # 1

ORDINANCE 122452

AN ORDINANCE relating to the Seattle Chinatown-International District Public Development Authority; authorizing the City to provide a guaranty in support of 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 developed land in the International District formerly occupied by Metro into a mixed-use facility known as "Village Square I"; and

WHEREAS, Village Square I includes low-income assisted elderly housing, a small retail space component, and parking facilities, and provides offices for non-profit social and health service agencies; and

WHEREAS, Village Square I benefits the International District, and the City of Seattle as a whole, by providing a facility for 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 Authority previously issued its Special Obligation Bonds, Series 1996, in an aggregate principal amount of not-to-exceed Nine Million Dollars ($9,000,000) (the "1996 Bonds") to finance a portion of the costs of acquisition of the site and development of Village Square I, and the City provided credit enhancement to the 1996 Bonds by guaranteeing their payment; and

WHEREAS, the Authority can realize debt service savings by refunding the outstanding 1996 Bonds through the issuance of its Special Obligation Refunding Bonds, Series 2007 in the aggregate principal amount of not-to-exceed Seven Million Five Hundred Thousand Dollars ($7,500,000) (the "2007 Bonds"); and

WHEREAS, the Authority and representatives of the City have negotiated a form of Bond Payment Guaranty Agreement pursuant to which the City would provide credit enhancement to the 2007 Bonds by guaranteeing their payment on substantially the same terms as the City provided credit enhancement to the 1996 Bonds; and

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WHEREAS, the rental payments from the social and health service agencies and the retail tenant of Village Square I, together with other revenues of the Authority, will provide sufficient funds for the repayment of the 2007 Bonds in the same manner as such revenues provided sufficient funds for the repayment of the 1996 Bonds; NOW, THEREFORE,

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 refund its Special Obligation Bonds, Series 1996, issued to finance a portion of the cost of acquiring and developing Village Square I, to achieve debt service savings for the benefit of the Authority.

The Authority, on its own, was unable to obtain financing to develop and construct Village Square I on terms and conditions that made 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) significantly reduced the costs of the Authority's financing for the Village Square I project and thereby enabled the Authority to meet its debt service requirements. The Authority, on its own, is unable to refund the 1996 Bonds to achieve debt service savings. The City's pledge of its full faith and credit to guarantee payment of the principal of and interest on the Authority's 2007 Bonds in an amount not to exceed Seven Million Five Hundred Thousand Dollars ($7,500,000) would significantly reduce the interest cost of the 2007 Bonds, enabling the Authority to realize the debt service savings available as a result of refunding the 1996 Bonds. The Authority will derive funds for the repayment of the 2007 Bonds from payments under the leases of portions of Village Square I to retail and non-profit social and health service agencies and from other sources available to the Authority in the same manner as the Authority has derived funds for the repayment of the 1996 Bonds.

JMS CITY CLERK

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 2007 Bonds issued by the Authority on substantially the same terms of the City pledged its full faith and credit to guarantee payment of the principal of and interest on the 1996 Bonds. 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 and any expenditure of public funds to assist in the refinancing of costs the Village Square I project are for a public and strictly municipal purpose.

Section 2. Authorization to execute agreements. 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.

CITY CLERK

Passed by the City Council the 6th day of August, 2007, and signed by me in open session in authentication of its passage this 6th day of August, 2007.

President _____ of the City Council

Approved by me this 13th day of August, 2007.

Gregory J. Nickels
Mayor

Approved by me this 13th day of August, 2007.

City Clerk

(Seal)

Attachment: Bond Payment Guaranty Agreement

CITY CLERK

BOND PAYMENT GUARANTY AGREEMENT

Between

THE CITY OF SEATTLE

and

THE SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY

LTS
CITY
CLERK

Table of Contents

Page

I. RECITALS 1

II. DEFINITIONS 2

III. GUARANTY PAYMENT OBLIGATIONS OF THE CITY AND REPAYMENT BY THE AUTHORITY 5

3.1 Payment Obligations 5
3.2 Procedure in Event of Insufficient Funds 5
3.3 Authority's Obligation to Repay the City 6
3.4 Tax Exemption 6
3.5 Non-Impairment 7
3.6 Undertaking to Provide Continuing Disclosure 7

IV. [RESERVED] 9

V. OBLIGATIONS OF THE AUTHORITY 9

5.1 Issue Bonds 9
5.2 Tax Exemption 9
5.3 Creation of Project Fund and Accounts 10
5.4 Revenue Account and Application of Project Revenues 10
5.5 Bond Account 11
5.6 Capital Reserve Account 13
5.7 Operating Reserve Account 13
5.8 Investments and Earnings 14
5.9 Corrective Action Plan 14
5.10 Refunding Account 15
5.11 Accounting 15
5.12 Tax Covenants; Rebate of Arbitrage Earnings 16
5.13 Project Conditions, Progress and Monitoring 16
5.14 Management of Facility and Site 16
5.15 Leasing 17
5.16 PDA Report 17
5.17 Sale or Redevelopment 18
5.18 Security 18
5.19 Refinancing 19
5.20 Authority's Continuing Disclosure 19

VI. EVENTS OF DEFAULT AND REMEDIES 19

6.1 Events of Default 19
6.2 Authority's Remedies 20
6.3 City's Remedies 20

VII. TERM AND MISCELLANEOUS 21

7.1 Term and Termination 21
7.2 Assignment 21
7.3 Obligation to Third Parties 21

CITY CLERK

7.6 Environmental Liability and Indemnification 22
7.7 Insurance 23
7.8 Entire Agreement, Amendments and Waiver 24
7.9 Choice of Law 24
7.10 Captions 24
7.11 Notices 24
7.12 Joint Notice to City Under Depository Agreement 25
7.13 Force Majeure 25
7.14 City Approval 25
7.15 Approval Pursuant to the Code 25
7.16 Amendments to Other Documents 26
7.17 Severability 26
7.18 Counterparts 26
7.19 Statutory Notice 26

BNS CITY CLERK

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 August, 2007, 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 refund its outstanding Special Obligation Bonds, Series 1996, issued to finance a portion of the Authority's costs to develop and construct a facility 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 developed and constructed the International District Village Square, a mixed-use project containing low-income elderly housing, social and health service agency offices and other uses (the "International District Village Square Project" or the "Facility"), located in the City of Seattle's Chinatown-International District on the site legally described in Exhibit B hereto (the "Site").

1.3 The International District Village Square Project furthers the purposes of the Authority and serves 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 development of this Facility, which provides significant public benefit to the community.

1.5 By Resolution No. 96.9.26.2, adopted September 27, 1996, (the "1996 Bond Resolution"), the Authority 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 "1996 Bonds") to finance a portion of the costs for acquisition of the Site and development and construction of the Facility.

CITY CLERK

1.6 The Authority wishes to refund all of the outstanding 1996 Bonds (the "Refunded Bonds") to achieve debt service savings, through the issuance of its Special Obligation Refunding Bonds, Series 2007 (the "Bonds").

1.7 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 on substantially the same terms as the City provided credit enhancement to the Refunded Bonds.

1.8 The City Council by Ordinance No. _____ passed on _____, 2007, has authorized the Mayor to execute this Agreement on behalf of the City.

1.9 By Resolution No. _____ adopted on _____, 2007 the Authority has authorized the execution of this Agreement on behalf of the Authority.

1.10 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 [Reserved]

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.

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 Refunding Bonds, Series 2007, 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 _____ Dollars ($_____).

EDS CITY CLERK

2.8 "Business Day" means any day other than: (a) a Saturday or Sunday, (b) a day on which the Depository or 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 [Reserved]

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 Subaccount" means the subaccount of that name established within the Bond Account of the Authority pursuant to this Agreement and the Bond Resolution.

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 Amended and Restated Deed of Trust to be executed by the Authority in favor of the City, 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 "DOF" means the Department of Finance of the City, or its functional successor.

2.21 "Facility" means the completed International District Village Square Project as described in the recitals hereto.

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

CITY CLERK

2.23 "Interest Subaccount" means the subaccount of that name established within the Bond Account of the Authority pursuant to this Agreement and the Bond Resolution.

2.24 "Lease" means the lease or leases for the use of the Facility between the Authority and its tenants.

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

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 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 Account's constituent subaccounts hereinafter provided for.

2.28 "Ordinance" means Ordinance No. _____ of the City, passed _____, 2007, 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 [Reserved]

2.31 "Principal Subaccount" means the subaccount of that name established within the Bond Account of the Authority pursuant to this Agreement and the Bond Resolution.

2.32 [Reserved]

2.33 [Reserved]

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 received by the

LHS CITY CLERK

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

2.37 "Revenue Account" means the special account established by the Authority pursuant to this Agreement and the Bond Resolution into which Project Revenues shall be deposited.

2.38 "Site" means the real property on which the Facility is 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 Subaccount, Principal Subaccount and/or Debt Service Reserve Subaccount 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 Subaccount (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 Subaccount no 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 Subaccount 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 Subaccount, Principal Subaccount and

LOS CITY CLERK

the Debt Service Reserve Subaccount (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 5.4 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 Facility, 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.

(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.

LOS CITY CLERK

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, 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:

(b) City hereby undertakes (the "Undertaking") for the benefit of holders of the Bonds, as follows.

Annual Financial Information. The City will provide or cause to be provided to each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule ("NRMSIR") and to a state information depository, if one is established in the State of Washington and recognized by the SEC (the "SID"), annual financial information and operating data of the type included in this Official Statement with respect to the City, as generally described below ("annual financial information"):

(i) annual financial statements of the City, prepared in accordance with generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by State law, which 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 debt of the City;

(iii) the assessed value of the property within the City subject to *ad valorem* taxation; and

(iv) *ad valorem* tax levy rates and amounts and percentage of taxes collected.

Annual financial information described above will be provided to each NRMSIR and to the SID not later than the last day of the ninth month after the end of each fiscal year of the City, as such fiscal year may be changed as permitted or required by State law, commencing with the City's fiscal year ended December 31, 2008. In its provision of annual financial information, with

CITY CLERK

respect to these obligations of the City, the City may cross-reference to any "final official statement" (as defined in the Rule) available from the Municipal Securities Rulemaking Board (the "MSRB") or any other documents provided to each then existing NRMSIR or to the SID.

The City will provide or cause to be provided 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 above.

Material Events. The City further will provide or cause to be provided to each NRMSIR or to the MSRB, and to the SID, timely notice of the occurrence of any of the following events with respect to the Bonds, if applicable and material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(vii) modifications to the rights of the holders of the Bonds;

(viii) Bond calls (other than scheduled mandatory redemptions of Term Bonds);

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Bonds; and

(xi) rating changes.

For purposes of this section, "Continuing Disclosure Undertaking," the term "holders of the Bonds" shall have the meaning intended for such term under the Rule.

To the extent authorized by the SEC, the City may satisfy its obligation to provide the information above by transmitting the required filings using http://www.disclosureusa.org (or such other centralized dissemination agent as may be approved by the SEC).

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or any broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID, or the MSRB, under the circumstances and in the manner permitted by the Rule.

The City will give notice to each NRMSIR or the MSRB, and to the SID, of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information

CITY CLERK

to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information to be provided.

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

(e) No failure by the City (or any other obligated person) to comply with the Undertaking will 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 the Undertaking. The Undertaking will inure to the benefit of the City and any holder of the Bonds, and will not inure to the benefit of or create any rights in any other person.

IV. [RESERVED]

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 refund the Refunded Bonds and pay costs of issuing the Bonds, but in no event in an amount exceeding $_____ 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,

CITY CLERK

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 Creation of Project Fund and Accounts. The Authority has previously created and established the Village Square Project Fund ("the Project Fund") with the Depository pursuant to this Agreement and the Bond Resolution. Within the Project Fund the Authority has created and established the following accounts and subaccounts:

(a) the 1996 International District Village Square Revenue Account (the "Revenue Account");

(b) the 1996 International District Village Square Bond Account (the "Bond Account"), which consists of the Interest Subaccount, the Principal Subaccount and the Debt Service Reserve Subaccount;

(c) the 1996 International District Village Square Capital Reserve Account (the "Capital Reserve Account");

(d) the 1996 International District Village Square Operating Reserve Account (the "Operating Reserve Account"); and

(e) the 1996 International District Village Square Project Account (which shall be renamed the "Refunding Account").

The Project Fund and each of its constituent accounts and subaccounts shall be held by the Depository pursuant to the Depository Agreement separate and apart from all other funds and accounts of the Authority, and shall be managed, invested, disbursed and administered as provided in this Agreement.

5.4 Revenue Account and Application of Project Revenues.

(a) For so long as the Bonds remain Outstanding, and unless otherwise specifically provided herein, the Authority shall deposit all Project Revenues into the Revenue Account. Payments under the Leases shall be deposited by the Authority into the Revenue Account upon receipt. Investment earnings on money in the Debt Service Reserve Subaccount (in excess of the amount needed to maintain the Debt Service Reserve Subaccount at the Debt Service Reserve Requirement) shall be deposited into the Revenue Account when paid.

(b) For so long as the Bonds are Outstanding, the money in the Revenue Account 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 Subaccount to pay the interest on the Bonds;

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

CITY CLERK

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

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 Account and Operating Reserve Account;

Seventh, to retire by redemption or purchase for cancellation any Outstanding Bonds, or for any other lawful Authority purpose.

5.5 Bond Account. For so long as the Bonds are Outstanding the Authority shall maintain the Bond Account within the Project Fund. Within the Bond Account the Authority shall maintain the "Interest Subaccount", the "Principal Subaccount" and the "Debt Service Reserve Subaccount".

(a) Interest Subaccount. For so long as the Bonds remain Outstanding, the Authority shall deposit into the Interest Subaccount on or before the twentieth (20th) day of each month, from the Revenue Account or from any other revenues, funds and assets legally available to the Authority, one-sixth (1/6th) of the interest on the Bonds due and payable on the next debt Service Payment Date (adjusted for interest earnings and other money on deposit in the Interest Subaccount). The Authority shall also deposit money into the Interest Subaccount from the Revenue Account to the extent necessary to make up any deficiency in such Subaccount 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 Account 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 Subaccount to make payments of the interest on the Bonds, and the Authority shall not draw upon funds in the Interest Subaccount for any other purpose until the principal of and interest on the Bonds is paid in full.

(b) Principal Subaccount. Upon the issuance of the Bonds and for so long as the Bonds remain Outstanding, the Authority shall deposit into the Principal Subaccount on or before the twentieth (20th) day of each month, from the Revenue Account or from any other revenues, funds and assets legally available to the Authority, and taking into account investment earnings on money in the Principal Subaccount (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) (provided, 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

CITY CLERK

shall also deposit money into the Principal Subaccount from the Revenue Account to the extent necessary to make up any deficiency in such Subaccount 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 not sufficient funds in the Revenue Account 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 Subaccount to make payments of the principal of the Bonds, and the Authority shall not draw upon funds in the Principal Subaccount for any other purpose until the principal of and interest on the Bonds is paid in full.

(c) Debt Service Reserve Subaccount.

(i) Establishment and Replenishment of Account. Upon the issuance of the Bonds the Authority shall deposit into the Debt Service Reserve Subaccount 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 Subaccount, on or before the twentieth (20th) day of each month, money from the Revenue Account in an amount sufficient, together with other funds in the Debt Service Reserve Subaccount, to maintain the balance in the Debt Service Reserve Subaccount in an amount equal to the Debt Service Reserve Requirement.

(ii) Use of Funds. In the event that funds in the Interest Subaccount and/or Principal Subaccount 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 Subaccount to make such payment. The Authority shall not draw upon funds in the Debt Service Reserve Subaccount 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 Subaccount in excess of the amount needed to maintain the Debt Service Reserve Subaccount at the Debt Service Reserve Requirement shall be transferred to the Revenue Account pursuant to Section 5.8 below, "Investments and Earnings."

(iii) Final Disposition of Funds. When the total remaining debt service on the Bonds is equal to or less than the amount in the Debt Service Reserve Subaccount, and if at that time the City has been fully reimbursed for money expended, if any, under its guarantee obligations under this Agreement, then the money in the Debt Service Reserve Subaccount shall be transferred to the Interest Subaccount and Principal Subaccount at such times and in such amounts as is necessary to make the final debt service payment(s) (or portion of such final debt service payment(s), as applicable) on the Bonds. 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 Subaccount 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 Subaccount 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

LAS CITY CLERK

remain after repaying the City, then when no Bonds remain Outstanding such remaining funds shall be remitted to the Authority by the Depository.

(iv) Notification to City of Withdrawal. The Authority shall notify the City within two Business Days of any withdrawal from the Debt Service Reserve Subaccount (other than the transfer of investment earnings into the Revenue Account as required under this Agreement).

5.6 Capital Reserve Account.

(a) Funding of Account. For so long as the Bonds remain Outstanding, the Authority shall deposit into the Capital Reserve Account on or before the twentieth (20th) 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.

(b) 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 Subaccount, 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 5.19 below ("Refinancing"). When no Bonds remain Outstanding, any amounts remaining in the Capital Reserve Account shall be remitted to the Authority by the Depository.

5.7 Operating Reserve Account.

(a) Account Activity. The Authority has previously deposited Five Hundred Fifty Thousand Dollars ($550,000) into the Operating Reserve Account from sources other than Refunded 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 twentieth (20th) day of each month, from Project Revenues or from funds or assets available to the Authority from sources other than the Facility, 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 no less than Three Hundred Thousand Dollars ($300,000).

(b) Use of Money in Operating Reserve Account. The Authority may use any and all money in the Operating Reserve Account for Operations and Maintenance Expenses. 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 Subaccount, if the City so requests, up to the amount of the Debt Service Reserve Requirement;

LOS CITY CLERK

and (iii) to redeem the Bonds or pay debt service on refunding bonds or other refinancing pursuant to Section 5.19 below ("Refinance").

(c) Credit toward City clinic loan operating reserve requirement. Deposits to an 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.

5.8 Investments and Earnings. The Authority may invest funds in the accounts and subaccounts 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 Subaccount in excess of the amount needed to maintain the Debt Service Reserve Subaccount at the Debt Service Reserve Requirement shall be deposited into the Revenue Account. Investment earnings on money in all other accounts and subaccounts shall accrue to such accounts and subaccounts.

5.9 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:

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

(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.

(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.

CITY CLERK

(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;

(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 Subaccount;

(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.

5.10 Refunding Account.

(a) Establishment. The Authority shall rename the special fund of the Authority entitled the "1996 Village Square Project Account" as the "Refunding Account". The Refunding 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 shall be deposited in the Refunding Account, and no other money from any other source shall be deposited into the Refunding Account.

(b) Use of Refunding Account. The Bond proceeds deposited in the Refunding Account shall be applied pursuant to the Escrow Deposit Agreement dated _____, 2007.

5.11 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 Sate 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 Facility and all funds and accounts established pursuant to this Agreement.

LMS CITY CLERK

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

5.13 Facility Conditions.

(a) Ownership. The Authority shall be the owner of all property, including the Site and the Facility, paid for or financed from the Refunded Bonds.

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

5.14 Management of Facility and Site.

(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 DOF (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 DOF (or its successor charged with responsibility for monitoring the Facility), by January 15th of each year of the term of this Agreement, 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 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.

LOS CITY CLERK

5.15 Leasing.

(a) Form; requirements. All Leases for the Facility shall be in writing. Before the Authority issues the Bonds, the Authority shall have entered into leases for all of the portions of the Facility to be rented out. 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; and

(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; and

(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 Facility 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.

5.16 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.

CITY CLERK

5.17 Sale or Redevelopment. Any property constituting: (i) a part of the Site or Facility developed, constructed, or acquired with Refunded Bond proceeds; (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. Notwithstanding 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 solely for the Facility; 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.

5.18 Security. Upon the issuance of the Bonds, the Authority shall execute and record an Amended and Restated Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing 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 on the Site except the following encumbrances in the following order of priority:

(1) the Regulatory Agreement in favor of the City of Seattle relating to the City's housing loan to the Authority for development of low-income housing on the Site;

(2) a Low-Income Housing Covenant in favor of the State of Washington in form acceptable to the City;

(3) the deed of trust in favor of the City of Seattle securing the City's housing loan to the Authority;

(4) the deed of trust in favor of the City of Seattle securing the City's clinic loan to the Authority;

(5) the City Deed of Trust securing this Agreement;

(6) a deed of trust in favor of the State of Washington securing a loan for the development of the Facility on terms acceptable to Lender;

(7) a deed of trust or mortgage in favor of King County securing a loan for the development of the Facility on terms acceptable to Lender;

(8) one or more commercial leases in form and content acceptable to the City (or memoranda thereof) provided that the lessees shall have executed subordination, non-disturbance, attornment and estoppel agreements with the City in form acceptable to the City; and

(9) any other encumbrances that the City may hereafter specifically approve in writing in its 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

CITY CLERK

necessary to effect the orders of priority set forth in this Paragraph. The City may, in its sole discretion, at any time, change the priorities among the three deeds of trust from the Authority to the City identified in subparagraphs (3), (4) and (5), above.

5.19 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.

5.20 Authority's Continuing Disclosure. In the Bond Resolution the Authority shall undertake to provide the continuing disclosure to the extent required by SEC Rule 15c2-12, and shall provide to the City copies of any filings or disclosures relating to "material events" within the meaning of such SEC Rule.

VI. EVENTS OF DEFAULT AND REMEDIES

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 Subaccount 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;

LOS CITY CLERK

(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 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 or refinancing of the Facility 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:

(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 any 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 Facility; and

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

EMS CITY CLERK

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 ranges 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 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 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 its Paragraph may be authorized only by resolution duly adopted 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 assigned.

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

CITY CLERK

(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 Tile 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.

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 development of 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

2005 CITY CLERK

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.

(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

LHS CITY CLERK

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 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 DOF. 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, Department of Finance
Attn: Michael Van Dyck
600 Fourth Avenue, Sixth Floor
Seattle, Washington 98124-4747

With a copy to:

The City Attorney's Office
The City of Seattle
600 Fourth Avenue, Fourth Floor

CITY CLERK

P.O. Box 94769
Seattle, WA 98124-4769

(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 Account and the Bond 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.

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 DOF 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.

CITY CLERK

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 shell be deemed to be an original instrument. All such counterparts together will constitute one and the same Agreement.

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 _____, 2007.

SEATTLE CHINATOWN-INTERNATIONAL
DISTRICT PRESERVATION AND
DEVELOPMENT AUTHORITY

By: _____

THE CITY OF SEATTLE

By: _____
Gregory J. Nickels
Mayor

ATTEST:

By: _____

CITY CLERK

Pursuant to the authority of
Ordinance _____.

List of Exhibits:
A - Reserved
B - Description of Site
C - Form of Deed of Trust
D – Reserved
E – Reserved
F – Pro-Forma Budget
G - Description of West Parcel

LOS CITY CLERK

Exhibit B

[insert description of site]

DMS CITY CLERK

Exhibit C

After recording return to

City of Seattle
Department of Finance
600 Fourth Avenue, [2nd Floor]
Seattle, WA [98104]
Attn: PDA Coordinator

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

THIS AMENDED AND RESTATED DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING ("Deed of Trust') is made this _____ day of _____, 2007, 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 Department of Finance, Municipal Building, 600 Fourth Avenue, 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 at Eighth Ave. South and South Dearborn St in Seattle, Washington, 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;

CITY CLERK

(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.

LMS CITY CLERK

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.

CITY CLERK

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 Special Obligation Refunding Bonds, Series 2007 (the "Bonds") in the maximum aggregate principal amount of _____ 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,

CITY CLERK

encumbrances, easements, assessments, security interests, claims or defects of any kind except for exceptions expressly permitted 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. 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

LAS CITY CLERK

lien or security interest except such as may be approved in writing by the Beneficiary. Beneficiary shall respond to any request for 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 (3) 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.

CITY CLERK

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 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 Guaranty Agreement Deed of Trust 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 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,

BDS CITY CLERK

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 Guaranty Agreement Deed of Trust 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

(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

LMS CITY CLERK

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 Guaranty Agreement Deed of Trust 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 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

EMS CITY CLERK

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.

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

LMS CITY CLERK

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 Facility (as such term is defined in the 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 Facility.

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.

LOS CITY CLERK

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, Guaranty Agreement Deed of Trust 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 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.

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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:_____

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.

CITY CLERK

AUTHORITY ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this ____ day of _____, 2007, 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: _____

CITY CLERK

Exhibit D

[Reserved]

LOS CITY CLERK

Exhibit E

[Reserved]

LAS CITY CLERK

Exhibit F

[insert pro forma budget]]

LOS CITY CLERK

Exhibit G

[insert description of West Parcel]

CITY CLERK

Michael van Dyck
SCIDPDA Bonds 2007 FISC.doc
June 11, 2007
Version #2

Form revised December 4, 2006

FISCAL NOTE FOR CAPITAL PROJECTS ONLY

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Finance	Michael van Dyck 4-8347	Michael van Dyck 4-8347

Legislation Title:

AN ORDINANCE relating to the Seattle Chinatown-International District Public Development Authority; authorizing the City to provide a guaranty in support of 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.

Summary and background of the Legislation:

This legislation permits the Seattle Chinatown International District Preservation and Development Authority (SCIDPDA) to refinance approximately $7,340,000 of its 1996 bonds at lower interest rates.

The City has periodically guaranteed bonds issued by its chartered preservation and development authorities for a variety of purposes. In 1996, the City guaranteed bonds issued by the SCIDPDA for the construction of Village Square I. SCIDPA pays the debt service on these bonds, but the City is committed to take over payments if it is unable to fulfill its obligations. SCIDPDA has always made its debt service payments. These bonds may now be refinanced at lower interest rates. This refinancing is expected to save SCIDPDA a net present value of about $900,000 over the period 2008-2026 (12% of refunded par). About $200,000 of these savings are expected to be used within the next year for renovation of commercial space to be vacated by the Wing Luke Asian Museum. The term of these bonds will remain the same (through 2024). Annual debt service will be about $300,000 lower in 2008, and then about $50,000 lower in years 2009-2026.

Project Name:	Project I.D.	Project Location:	Start Date:	End Date

- *Please check any of the following that apply:*

X ____ This legislation has financial implications. (*Stop here and delete the remainder of this document prior to saving and printing.)*

While this legislation does not appropriate funds or increase City revenue, it has fiscal implications in that its passage will allow the refunding of City-guaranteed bonds that will save SCIDPDA a net present value of approximately $900,000 through 2026.

CITY CLERK

122452

STATE OF WASHINGTON – KING COUNTY

--ss.

214650 No.
CITY OF SEATTLE,CLERKS OFFICE

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:122451-122455 TITLE

was published on

08/20/07

The amount of the fee charged for the foregoing publication is the sum of $ 97.65, which amount has been paid in full.

Pamela Oglesby

Subscribed and sworn to before me on

08/20/07

Notary public for the State of Washington,
residing in Seattle

JENNIFER A. PRYZER
COMMISSION EXPIRES
NOTARY
PUBLIC
OCT. 24, 2007
STATE OF WASHINGTON

Affidavit of Publication

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on August 6, 2007, and published here by title only, will be mailed upon request, or can be accessed electronically at http://clerk.ci.seattle.wa.us. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 122455

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

ORDINANCE NO. 122454

AN ORDINANCE authorizing the Superintendent of Parks and Recreation to enter into an Agreement with the Arboretum Foundation relating to the implementation of the Washington Park Arboretum - Pacific Connections Project; authorizing acceptance of funds from the Arboretum Foundation for such purpose; and increasing the expenditure authority in the Department of Parks and Recreation's 2007 Adopted Budget, all by a three-fourths vote of the City Council.

ORDINANCE NO. 122453

AN ORDINANCE relating to the City's purchase of an interest in real property owned by Chief Seattle Club; removing a budget proviso restricting expenditure of an appropriation in the 2007 Budget; increasing an appropriation in the 2007 Adopted Budget of the Human Services Department; decreasing an appropriation in the 2007 Adopted Budget of Finance General; transferring cash between funds; and authorizing the purchase and acceptance of an easement with restrictive covenants from Chief Seattle Club to provide for social and community services uses on the property at 410 Second Avenue Extension South, Seattle, Washington for a period of ten years and the expenditure of funds therefore; all by a three-fourths vote of the City Council.

ORDINANCE NO. 122452

AN ORDINANCE relating to the Seattle Chinatown-International District Public Development Authority; authorizing the City to provide a guaranty in support of 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.

ORDINANCE NO. 122451

AN ORDINANCE relating to the Department of Parks and Recreation; authorizing the acquisition of real property located at 414 6th Avenue South, otherwise known as Lots 3 and 4, Block 41, Town of Seattle, as laid out by D. S. Maynard; commonly known as D.S. Maynard's Plat of Seattle according to the plat thereof recorded in Volume 1 of Plats, page 23, in King County, Washington; authorizing acceptance of the deed for open space, park, and recreation purposes; and authorizing acquisition by condemnation.

Publication ordered by JUDITH PIPPIN, City Clerk

Date of publication in the Seattle Daily Journal of Commerce, August 20, 2007.

8/20(214650)