

Resolution No.

12-16

Authorization for the acquisition of real property and execution of a financing contract, site lease and related documentation relating to the acquisition of Mason County Public Works Facility

WHEREAS, Mason County (the "Local Agency") has executed a Notice of Intent to the Office of State Treasurer, in the form attached hereto as Annex 1 (the "NOI"), in relation to the acquisition of and the financing of the acquisition, improvement and betterment (collectively, the "acquisition") of the Property, as defined below, under the provisions of RCW ch 39.94; and

WHEREAS, it is deemed necessary and advisable by the Commission of the Local Agency that the Local Agency acquire the real property identified on Annex 1 attached hereto ("Property"); and

WHEREAS, it is deemed necessary and advisable by the Commission of the Local Agency that the Local Agency enter into a Local Agency Site Lease with the Washington Finance Officers Association in the form attached hereto as Annex 2 to facilitate the financing of the Property;

WHEREAS, it is deemed necessary and advisable by the Commission of the Local Agency that the Local Agency enter into a Local Agency Financing Lease with the Office of the State Treasurer, in the form attached hereto as Annex 3 (the "Local Agency Financing Lease"), in an amount not to exceed \$10,675,000 plus related financing costs in order to acquire the Property, and finance the acquisition of the Property;

WHEREAS, the Local Agency will undertake to acquire and/or improve the Property on behalf of and as agent of the Washington Finance Officers Association (the "Corporation") pursuant to the terms of the Local Agency Financing Lease, and in accordance with all applicable purchasing statutes and regulations applicable to the Local Agency; and

WHEREAS, the Local Agency desires to appoint the individuals set forth in Annex 4 as the representatives of the Local Agency in connection with the acquisition of the Property and execution of the Local Agency Financing Lease (each an "Authorized Agency Representative");

NOW, THEREFORE, BE IT RESOLVED, by the Commissioners of Mason County as follows:

Section 1. The individuals holding the offices or positions set forth in Annex 4 are each hereby appointed as a representative of the Local Agency in connection with the acquisition of the Property and execution of the Local Agency Financing Lease and all other related documents. A minimum of two Authorized Agency Representatives shall be required to execute any one document in order for it to be considered duly executed on behalf of the Local Agency.

Section 2. The form of the Local Agency Site Lease attached hereto as Annex 2 is hereby approved and the Authorized Agency Representatives are hereby authorized and directed to execute and deliver the Local Agency Site Lease, in substantially the form attached hereto with such changes as may be approved by the Authorized Representatives, to facilitate the acquisition and/or improvement of the Property and financing of the acquisition of the property.

Section 3. The form of the Local Agency Financing Lease attached hereto as Annex 3 is hereby approved and the Authorized Agency Representatives are hereby authorized and directed to execute and deliver the Local Agency Financing Lease, in an amount not to exceed \$10,675,000 plus related financing costs, and in substantially the form attached hereto with such changes as may be approved by the Authorized Representatives, for the acquisition of the property and financing of the acquisition of the Property.

Section 4. The Local Agency hereby authorizes the acquisition of the property as agent of the Corporation in accordance with the terms and provisions of the Local Agency Financing Lease.

Section 5. The Authorized Representatives are hereby authorized to execute and deliver to the Office of State Treasurer all other documents, agreements and certificates, and to take all other action, which they deem necessary or appropriate in connection with the financing of the property, including, but not limited to, any amendment to the NOI, any tax certificate and any agreements relating to initial and ongoing disclosure in connection with the offering of securities related to the financing.


Section 6. This resolution shall become effective immediately upon its adoption.


Resolution No. 12-16

ADOPTED by the Mason County Commissioners at a regular meeting thereof held this 16th day of February, 2016.


BOARD OF COUNTY COMMISSIONERS
MASON COUNTY, WASHINGTON

ATTEST:


Julie Almanzor, Clerk of the Board


Terri Jeffreys, Chair

APPROVED AS TO FORM:


Tim Whitehead, Chief DPA


Tim Sheldon, Commissioner


Randy Neatherlin, Commissioner

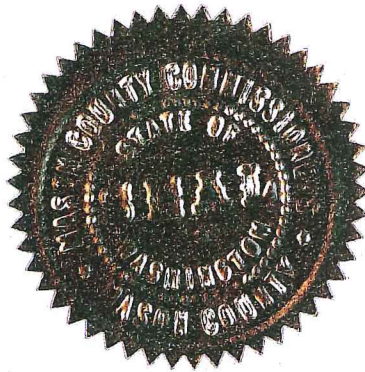
Certificate of Authorizing Resolution

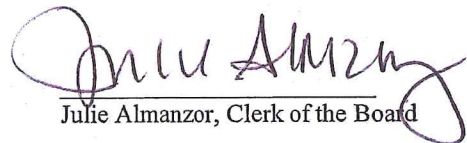
I, the undersigned, Clerk of the Board for the Board of Mason County Commissioners (the "Local Agency"), DO HEREBY CERTIFY:

1. That the attached Resolution No. 12-16 (herein called the "Resolution") is a true and correct copy of a Resolution of the Local Agency adopted/passed at a regular meeting of the BCC held on the 16th day of February, 2016, and duly recorded in my office;
2. That said meeting was duly convened and held in all respects in accordance with law; and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Commission was present throughout the meeting and a legally sufficient number of members of the Commission voted in the proper manner for the adoption of the Resolution;
3. That all other requirements and proceedings incident to the proper adoption/passage of the Resolution have been duly fulfilled, carried out and otherwise observed;
4. That the Resolution remains in full force and effect and has not been amended, repealed or superseded; and
5. That I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand as of this 16th day of February, 2016.

[SEAL]




Julie Almanzor, Clerk of the Board

Notice of Intent

State of Washington LOCAL(Local Option Capital Asset Lending)

Annex 1

Local Government Information

County: Mason County

Legal Name: Mason County

MCAG No.: 0144

Contact Person: Frank Pinter

Title: Budget Manager

Address: 411 N. 5th St. Shelton WA

Zip: 98584

Phone: 360-427-9670

Fax:

E-mail: fpinter@co.mason.wa.us

Would you prefer to receive financing documents (check one):

☒ by e-mail

☐ Hard copy by U.S. mail

Property (Real Estate or Equipment)

Property description (include quantity, if applicable): Mason County Public Works Facility 100 Public Works Drive Shelton, WA 98584

Total cost: \$14,282,154 Maximum amount to finance: \$10,675,000

Finance term: Balance of COP 0144-1-1 Lease Useful life: 35 Years Desired financing date: March 2016

Purpose of property (Please be specific and include dept. of use): Public Works Administration and Operations

If **real estate**, the Real Estate Worksheet: ☐ Is attached ☐ Will be provided by (date)

If **equipment**, will the property purchase price be paid with: ☐ program proceeds or ☐ general funds to be reimbursed from program proceeds? If general funds are to be used, include a copy of the local agency's reimbursement resolution with the financing documents. This is a refinance.

Security Pledge

☐ Voted general obligation of local government.. ☒ Non-voted general obligation of local government

Other Information

Approximate population: (not required for cities and counties).

If any of the following apply, please provide a complete discussion on a separate page:

☐ Yes ☒ No Does the local government use registered warrants, interfund loans or other cash flow borrowing?

☐ Yes ☒ No Is the local government a party to significant litigation?

☐ Yes ☒ No Is this a reimbursement? If yes, date funds spent

We are not required to submit the Credit Form because

Has local government received a bond rating in the last two years? ☒ Yes ☐ No Bond rating(s): AA-
(attach rating agency letter)

By executing this Notice of Intent, the local agency acknowledges, agrees to and accepts its designation and appointment as the agent of the nominal lessor in connection with the acquisition of the project. By executing this Notice of Intent, the local agency further acknowledges and agrees that certificate counsel and any other special counsel to the state in connection with the authorization, issuance and delivery of the certificates and the related financing documents shall not be acting, and shall not be deemed to act, as counsel to the local agency, nor shall any attorney-client relationship exist or be deemed to exist between such counsel and any participating local agency in connection with such matters.

Submitted by: Mason County, Frank Pinter Title: Budget Manager

Signature:  Date: 2/16/2016

LOCAL AGENCY SITE LEASE, SERIES 2016A

THIS LOCAL AGENCY SITE LEASE, SERIES 2016A (the "Site Lease"), dated as of March 31, 2016 (the "Dated Date"), is entered into by and between Mason County, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the state of Washington (the "Local Agency"), and the Washington Finance Officers Association, a nonprofit corporation duly organized and existing under and by virtue of the laws of the state of Washington (the "Corporation").

RECITALS:

WHEREAS, the state of Washington (the "State"), acting by and through the State Treasurer (the "State Treasurer") is authorized to enter into financing contracts, including but not limited to financing leases, for and on behalf of certain local government agencies (as provided therein, "Local Agencies") and state agencies (as defined therein, "State Agencies") for the use and acquisition of real and personal property pursuant to Chapter 356, Laws of Washington, 1989, codified as Chapter 39.94 of the Revised Code of Washington, as supplemented and amended, (the "Act"), including but not limited to by Chapter 291, Laws of Washington, 1998; and

WHEREAS, the State Treasurer has established a consolidated program providing for the execution and delivery of certificates of participation in such financing contracts, or in master financing contracts with respect thereto, in series from time to time in order to provide financing or refinancing for the costs of acquisition and/or improvement of such real and personal property by Local Agencies and State Agencies; and

WHEREAS, the Corporation and the Local Agency have determined that it is necessary and desirable to enter into this Site Lease to provide refinancing for the acquisition or improvement (the "Project") of certain real property described in Exhibit A hereto (the "Site"), by the Local Agency; and

WHEREAS, the Local Agency is duly authorized to enter into this Site Lease pursuant to the laws of the State and a duly adopted resolution or ordinance of its legislative body; and

WHEREAS, simultaneously with the execution and delivery hereof, the State is entering into a Master Financing Lease, Series 2016A, dated as of the Dated Date (the "Master Financing Lease"), with the Corporation, which shall constitute a "financing lease," a "financing contract" and a "master financing contract" within the meaning of the Act, to provide financing for the costs of acquisition or improvement of certain parcels of real property for and on behalf of certain State Agencies and Local Agencies, including the Local Agency, under the terms set forth therein; and

WHEREAS, under and pursuant to the Master Financing Lease, the State Treasurer is obligated to make Base Rent Payments (as defined in Appendix I hereto) to the Corporation for the lease of the parcels of real property described in Exhibit B thereto; and

WHEREAS, simultaneously with the execution and delivery of the Master Financing Lease, the State shall sublease the Site and the Project (collectively, the "Property") to the Local Agency pursuant to a Local Agency Financing Lease, Series 2016A (the "Local Agency Financing Lease"), dated as of the Dated Date; and

WHEREAS, the Corporation intends to grant, sell, assign, transfer and convey without recourse to the Fiscal Agent all of its rights to receive the Base Rent Payments scheduled to be made by the State Treasurer under and pursuant to the Master Financing Lease, together with all of its remaining right, title and interest in, to and under this Site Lease, the Master Financing Lease and the Property by means of a Master Assignment, Series 2016A (the "Master Assignment"), dated as of the Dated Date; and

WHEREAS, in consideration of such assignment and pursuant to the Trust Agreement, Series 2016A (the "Trust Agreement"), dated as of the Dated Date, by and among the Fiscal Agent, the State and the Corporation, the Fiscal Agent has agreed to execute and deliver the State of Washington Certificates of Participation, Series 2016A (State and Local Agency Real and Personal Property), in an aggregate principal amount of \$_____ (the "Certificates"); and

WHEREAS, a portion of the proceeds of the sale of the Certificates shall be used to finance or refinance the costs of the Project; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Parties hereto are now duly authorized to execute, deliver and perform their respective obligations under this Site Lease;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other valuable consideration, the Parties hereto do hereby agree as follows:

Section 1. Definitions; Construction; Miscellaneous Provisions; Supplements.

Capitalized terms used but not otherwise defined in this Site Lease shall have the respective meanings given such terms in Part 1 of Appendix I, which is incorporated herein and made a part hereof by this reference. This Site Lease shall be construed in accordance with the Rules of Construction set forth in Part 2 of Appendix I, which is incorporated herein and made a part hereof by this reference. The miscellaneous provisions set forth in Part 3 of Appendix I are incorporated herein and made a part hereof by this reference. This Site Lease may be supplemented and amended from time to time in accordance with Part 4 of Appendix I, which is incorporated herein and made a part hereof by this reference.

Section 2. Lease of the Site; Ownership.

(a) The Local Agency hereby leases to the Corporation and the Corporation hereby hires from the Local Agency, on the terms and conditions hereinafter set forth, the real

property and all improvements thereon situated in Mason County, state of Washington, and described in Exhibit A attached hereto and made a part hereof (collectively, the "Site"), subject to all easements, covenants, conditions and restrictions existing as of the date hereof.

(b) The Local Agency hereby represents and warrants that it is the owner in fee of the Site, subject only to Permitted Encumbrances.

Section 3. Term.

The term of this Site Lease shall commence on the Dated Date, and shall end on _____ 1, 20__, unless such term is extended or sooner terminated as hereinafter provided. If on such date, the Local Agency Financing Lease shall not be discharged by its terms, then the term of this Site Lease shall be extended until ten (10) days after all amounts due under the Local Agency Financing Lease shall have been paid and the Local Agency Financing Lease shall have been discharged by its terms, except that the term of this Site Lease shall in no event be extended beyond _____ 1, 20__. If prior to _____ 1, 20__, all amounts due under the Local Agency Financing Lease shall have been paid and the Local Agency Financing Lease shall have been discharged by its terms, the term of this Site Lease shall end ten (10) days thereafter or ten (10) days after written notice by the Local Agency to the Corporation, whichever is earlier.

Section 4. Rental.

The Corporation shall pay to State Treasurer, for the benefit of the Local Agency pursuant to the Master Financing Lease and the Local Agency Financing Lease, as and for the total rental due hereunder, the amount set forth in Exhibit B hereto (the "Prepaid Site Lease Rent"), all of which prepaid rental shall be payable on the Closing Date. The Parties hereto hereby agree that said amount represents fair consideration for the leasehold interest being transferred hereunder, given the purposes, terms and provisions hereof. The Corporation shall not be obligated to pay such rental other than from the proceeds of the Certificates. Anything herein to the contrary notwithstanding, the Corporation hereby waives any right that it may have under the laws of the State to a rebate or repayment of any portion of such rental in the event that there is substantial interference with the use or right to possession by the Corporation of the Site or any portion thereof as a result of material damage, destruction or condemnation.

Section 5. Purpose.

The Corporation shall use the Site solely for the purpose of leasing the Property to the State pursuant to the Master Financing Lease and for such purposes as may be incidental thereto; *provided*, that in the event of a default by the State under the Master Financing Lease or by the Local Agency under the Local Agency Financing Lease, the Corporation may exercise the remedies provided therein.

Section 6. Assignments and Subleases.

(a) The Corporation shall not grant, sell, assign, mortgage, pledge, sublet or transfer any of its right, title or interest in, to or under this Site Lease or the Site except as expressly provided in the Master Assignment, the Master Financing Lease and the Local Agency

Financing Lease, without the prior written consent of the Local Agency. The Local Agency hereby consents to the sublease of the Property pursuant to the Master Financing Lease, and the assignment of the Corporation's right, title and interest hereunder to the Fiscal Agent pursuant to the Master Assignment for the benefit of the Owners of the Certificates.

(b) Upon the occurrence and continuance of an Event of Default or Agency Event of Default with respect to the Property, the Corporation shall have the right, pursuant to the Master Assignment, the Trust Agreement and the Master Financing Lease, to sublease all or any portion of the Property; *provided*, that the subtenant and the terms and provisions of the sublease shall be subject to the prior written approval of the Local Agency, which approval shall not be unreasonably withheld or delayed.

Section 7. Right of Entry.

The Local Agency reserves the right for any of its duly authorized representatives to enter upon the Site at any reasonable time (or in an emergency at any time) to inspect the same, or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 8. Termination.

The Corporation agrees, upon the termination or expiration of this Site Lease, to quit and surrender the Site in the same good order, condition and repair as the same was in at the time of commencement of the term hereunder, except for acts of God, reasonable wear and tear, and any actions by the Local Agency that affect the condition of the Site. The Corporation agrees that any permanent improvements and structures existing upon the Site at the time of such termination or expiration of this Site Lease shall remain thereon and title thereto shall vest in the Local Agency. The Corporation shall thereafter execute, acknowledge and deliver to the Local Agency such instruments of further assurance as in the reasonable opinion of the Local Agency are necessary or desirable to confirm the Local Agency's right, title and interest in and to the Site.

Section 9. Default.

In the event that the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for sixty (60) days following notice and demand for correction thereof to the Corporation, the Local Agency may exercise any and all remedies granted by law, except that as described in Section (k) of Part 3 of Appendix I hereto, no merger of this Site Lease shall be deemed to occur as a result thereof; *provided, however*, that the Local Agency shall have no power to terminate this Site Lease by reason of any default on the part of the Corporation; and *provided further*, that so long as any Certificates are outstanding and unpaid in accordance with the terms of the Trust Agreement and the Master Financing Lease, the Base Rent Payments or Additional Rent or any part thereof payable to the Corporation shall continue to be paid to the Corporation. So long as the Fiscal Agent shall duly perform the terms and conditions of this Site Lease, the Master Assignment, the Master Financing Lease and of the Trust Agreement, the Fiscal Agent shall be deemed to be and shall become the tenant of the Local Agency hereunder and shall be entitled to

all of the rights and privileges granted to the Corporation hereunder and under the Master Assignment, the Master Financing Lease and the Trust Agreement.

Section 10. Waiver.

No delay or omission to exercise any right or remedy accruing upon a default hereunder shall impair any such right or remedy or shall be construed to be a waiver of such default, but any such right or remedy may be exercised from time to time and as often as may be deemed necessary or expedient. In order to exercise any remedy reserved to the Local Agency hereunder, it shall not be necessary to give any notice, other than such notice as may be required hereunder. A waiver by the Local Agency of any default hereunder shall not constitute a waiver of any subsequent default hereunder, and shall not affect or impair the rights or remedies of the Local Agency in connection with any such subsequent default.

Section 11. Quiet Enjoyment.

The Corporation and its authorized assignees and sublessees at all times during the term of this Site Lease, subject to the provisions of Section 9 hereof, shall peaceably and quietly have, hold and enjoy all of the Site without suit, trouble or hindrance from the Local Agency.

Section 12. Taxes.

The Local Agency covenants and agrees to pay any and all Impositions of any kind or character, including but not limited to possessory interest taxes, levied or assessed upon the Property (including both land and improvements), or with respect to this Site Lease, the Local Agency Financing Lease, or the lease of the Property pursuant to the Master Financing Lease; *provided, however*, that the Local Agency shall not pay any possessory interest taxes levied as a result of any assignment or sublease of or with respect to all or any part of the Property then in effect between the Corporation and any assignee or subtenant of the Corporation (other than as lessee under the Local Agency Financing Lease).

Section 13. Eminent Domain; Loss of Title.

In the event the whole or any part of the Property is taken permanently or temporarily under the power of eminent domain (or sold under threat of condemnation), or there is a loss of title to the whole or any part of the Property, the interest of the Corporation in the Property shall be recognized and is hereby determined to be an amount not less than the then unpaid indebtedness incurred by the Local Agency under its Local Agency Financing Lease. The term "unpaid indebtedness," as used in the preceding sentence, includes all unpaid Agency Principal Components, Agency Interest Components and all other payments required to be made by the Local Agency pursuant to the Local Agency Financing Lease, until all Agency Rent Payments due thereunder have been paid or the payment thereof provided for in accordance therewith. The amount of any such award, judgment or payment shall be paid to the Corporation, and the balance, if any, in excess of the unpaid indebtedness shall be paid to the Local Agency.

IN WITNESS WHEREOF, the Local Agency and the Corporation have caused this Site Lease to be executed in their respective names by their respective duly authorized officers, all as of the day and year first written above.

MASON COUNTY, as lessor

By _____
Authorized Agency Representative

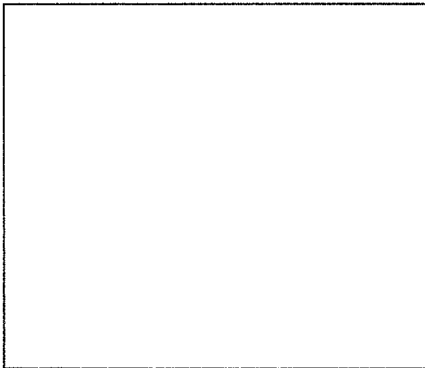
WASHINGTON FINANCE OFFICERS
ASSOCIATION, as lessee

By _____
Authorized Corporation Representative

STATE OF WASHINGTON)
) ss.
COUNTY OF MASON)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that [s]he signed this instrument, on oath stated that [s]he was authorized to execute the instrument and acknowledged it as _____ of MASON COUNTY, WASHINGTON to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____



(Use this space for notarial stamp/seal)

(Signature of Notary)

Print Name _____

(Legibly Print or Stamp Name of Notary)

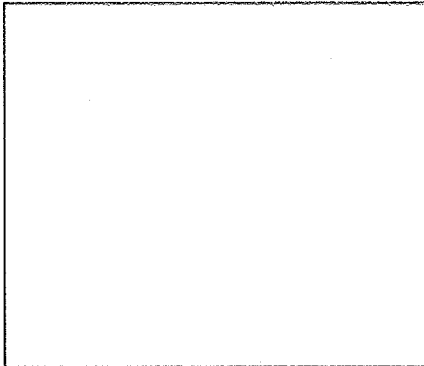
Notary public in and for the state of Washington, residing at _____

My commission expires _____

STATE OF WASHINGTON)
) ss.
COUNTY OF YAKIMA)

I certify that I know or have satisfactory evidence that CARMEN A. HAYTER is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the President of the WASHINGTON FINANCE OFFICERS ASSOCIATION to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____



(Use this space for notarial stamp/seal)

(Signature of Notary)

Print Name Constance D. Hauver
(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington, residing at
Moxee

My commission expires March 22, 2019

EXHIBIT A

Description of Site

Real property located in Mason County, Washington, described as follows:

All that portion of the West Half (W 1/2) of the Northeast Quarter (NE 1/4) of Section Two (2), Township Twenty (20) North, Range Four (4) West, W.M., lying Westerly of a line particularly described as follows:

BEGINNING at a point on the South line of said West Half (W 1/2) of the Northeast Quarter (NE 1/4) which is 890 feet West of the Southeast corner thereof; thence north 2°43' East, 2250 feet, more or less, to a point on the North line of said West Half (W 1/2) of the Northeast Quarter (NE 1/4) and the terminus of the herein described line.

EXCEPTING therefrom right-of-way for Dayton-airport County Road No. 09900.

EXHIBIT B

Prepaid Site Lease Rent

Ten Dollars (\$10.00)

LOCAL AGENCY FINANCING LEASE, SERIES 2016A

This Local Agency Financing Lease, Series 2016A (the "Financing Lease") is entered into by and between the state of Washington (the "State"), acting by and through the State Treasurer (the "State Treasurer"), and Mason County, a municipal corporation of the State (the "Local Agency").

RECITALS

WHEREAS, the State, acting by and through the State Treasurer, is authorized to enter into financing contracts, including but not limited to financing leases, for and on behalf of certain state agencies and local government agencies, including the Local Agency, for the use and acquisition of real and personal property pursuant to Chapter 356, Laws of Washington, 1989, codified as Chapter 39.94 of the Revised Code of Washington (the "RCW"), as supplemented and amended, (the "Act"), including but not limited to by Chapter 291, Laws of Washington, 1998; and

WHEREAS, the State Treasurer has established a consolidated program providing for the execution and delivery of certificates of participation in such financing contracts, or in master financing contracts with respect thereto, in series from time to time in order to provide financing for or refinancing of the costs of acquisition or improvement of such real and personal property by State Agencies and Local Agencies; and

WHEREAS, the Washington Finance Officers Association (the "Corporation"), a nonprofit corporation duly organized and existing under and by virtue of the laws of the state of Washington, and the Local Agency have entered into a Local Agency Site Lease, Series 2016A, dated as of the Dated Date (the "Site Lease"), for the lease of certain real property, designated in the Site Lease, (the "Site") for the sole purpose of subleasing the Site to the State in order to refinance the cost of the acquisition or improvement thereof as described herein (the "Project"); and

WHEREAS, simultaneously with the execution and delivery hereof, the State is entering into a Master Financing Lease, Series 2016A, dated as of the Dated Date (the "Master Financing Lease") with the Corporation, to provide financing or refinancing for the Projects for and on behalf of the Local Agency, among others, through the sublease of the Property from the Corporation; and

WHEREAS, the State Treasurer and the Local Agency have determined that it is necessary and desirable to enter into this Financing Lease to provide financing or refinancing for the Project to the Local Agency; and

WHEREAS, the State Finance Committee has authorized the execution and delivery of this Financing Lease pursuant to Resolution No. 987 adopted on October 7, 2003; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Financing Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Parties hereto are now duly authorized to execute, deliver and perform their respective obligations under this Financing Lease;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other valuable consideration, the Parties hereto mutually agree as follows:

Section 1.1 Defined Terms. Capitalized terms used but not otherwise defined in this Financing Lease shall have the respective meanings given such terms in Appendix I hereto.

Section 1.2 Notice of Intent; Certificate Designating Authorized Agency Representative; Appendix II. The Local Agency has delivered a Notice of Intent to the State Treasurer in the form of Exhibit A attached hereto and incorporated herein by this reference. The Local Agency has delivered a Certificate Designating Authorized Agency Representatives to the State Treasurer in the form of Exhibit B attached hereto and incorporated herein by this reference. Said Certificate is currently in force and has not been amended, withdrawn or superseded, and the signatures shown thereon are true and correct originals of the signatures of the persons who hold the titles shown opposite their names. The signature of any one of the individuals shown on said Certificate is sufficient to bind the Local Agency under this Financing Lease with respect to any of the undertakings contemplated herein. The terms and provisions set forth in Appendix II hereto are incorporated herein and made a part hereof by this reference.

Section 1.3 Sublease of Property. The State hereby subleases to the Local Agency, and the Local Agency hereby hires from the State, upon the terms and conditions set forth in this Financing Lease, the real property and all improvements thereon, including, but not limited to the Project, described in Exhibit C attached hereto and made a part hereof (collectively, the "Property"), subject to all easements, covenants, conditions and restrictions existing as of the date hereof. The Local Agency hereby agrees to pay in consideration thereof the Agency Rent Payments and Additional Rent therefor in accordance with Section 1.4 hereof and all other amounts required to be paid by the Local Agency hereunder, all in accordance with the provisions of this Financing Lease.

Section 1.4 Agency Rent Payments. In consideration of the sublease of the Property and the covenants and agreements of the State in this Financing Lease, the Local Agency hereby promises to pay to the State the following amounts at the following times: (a) On each Agency Rent Payment Date, the Agency Rent Payment set forth in Exhibit D hereto, consisting of an Agency Principal Component and/or an Agency Interest Component as set forth in such Exhibit; and (b) All Additional Rent incurred by the State in connection with the sublease of the Property to the Local Agency, the execution and delivery of the Certificates, and the observance and performance of the Series 2016A Agreements, within 30 days following receipt of an invoice from the State with respect thereto which includes (i) a brief description of each item of such Additional Rent, (ii) the party to whom payment is due, (iii) the amount thereof, and (iv) such additional information as the Local Agency may reasonably request.

Section 1.5 Term. The term of this Financing Lease shall commence on the Dated Date, and shall end on the scheduled termination date for this Financing Lease as set forth in Section 8.2, unless such term is extended or sooner terminated as hereinafter provided.

STATE OF WASHINGTON
OFFICE OF THE STATE TREASURER

MASON COUNTY, WASHINGTON
as Local Agency

By _____
Treasurer Representative

By _____
Authorized Agency Representative

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS; CONSTRUCTION; MISCELLANEOUS PROVISIONS; SUPPLEMENTS.....	1
Section 1.1 Definitions, Construction, Miscellaneous Provisions, Supplements.....	1
Section 1.2 Performance by Representatives.....	1
ARTICLE II SUBLEASE OF PROPERTY; ACQUISITION AND CONSTRUCTION OF THE PROJECT.....	1
Section 2.1 Sublease of Property.....	1
Section 2.2 Appointment of Agents; Additions to Property; Substitution and Release of Property	2
ARTICLE III AGENCY RENT PAYMENTS; PAYMENTS BY STATE TREASURER; FULL FAITH AND CREDIT OBLIGATION.....	4
Section 3.1 Agency Rent Payments.....	4
Section 3.2 Sources of Payment of Agency Rent Payments.....	5
Section 3.3 Deposit and Investment of Agency Rent Payments.....	6
Section 3.4 Net Lease.....	6
Section 3.5 Assignments by the Corporation.....	7
ARTICLE IV OPTIONAL AND MANDATORY PREPAYMENT OF AGENCY RENT PAYMENTS.....	7
Section 4.1 Optional Prepayment.....	7
Section 4.2 Mandatory Prepayment; Special Prepayment.....	8
Section 4.3 Revision of Agency Rent Payments upon Prepayment.....	8
Section 4.4 Discharge of Agency Financing Lease.....	8
ARTICLE V EMINENT DOMAIN; LOSS OF TITLE; DAMAGE AND DESTRUCTION.....	9
Section 5.1 Eminent Domain.....	9

TABLE OF CONTENTS
(continued)

	Page
Section 5.2 Loss of Title.....	9
Section 5.3 Damage or Destruction.....	9
ARTICLE VI REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS.....	10
Section 6.1 Representations and Warranties of the Local Agency.....	10
Section 6.2 Covenants and Agreements of the Local Agency.....	11
ARTICLE VII EVENTS OF DEFAULT; REMEDIES.....	16
Section 7.1 Agency Event of Default.....	16
Section 7.2 Rights of State Treasurer Following Agency Default Event.....	18
Section 7.3 No Remedy Exclusive; Non-Waiver.....	20
Section 7.4 Default by State.....	20
ARTICLE VIII MISCELLANEOUS PROVISIONS.....	21
Section 8.1 Indemnification of State and the Corporation.....	21
Section 8.2 Term.....	21
Section 8.3 Termination.....	21
Section 8.4 Notices to Agency.....	21
Exhibit A – Notice of Intent	
Exhibit B – Certificate Designating Authorized Agency Representative	
Exhibit C – Legal Description	
Exhibit D – Agency Rent Payments	

APPENDIX II

LOCAL AGENCY FINANCING LEASE, SERIES 2016A (REAL PROPERTY)

Article I

DEFINITIONS; CONSTRUCTION; MISCELLANEOUS PROVISIONS; SUPPLEMENTS

Section 1.1 Definitions, Construction, Miscellaneous Provisions, Supplements. Capitalized terms used but not otherwise defined in this Financing Lease shall have the respective meanings given such terms in Part 1 of Appendix I of this Financing Lease, which is incorporated herein and made a part hereof by this reference. This Financing Lease shall be construed in accordance with the Rules of Construction set forth in Part 2 of Appendix I of this Financing Lease, which is incorporated herein and made a part hereof by this reference. The miscellaneous provisions set forth in Part 3 of Appendix I are incorporated herein and made a part hereof by this reference. This Financing Lease may be supplemented and amended from time to time in accordance with Part 4 of Appendix I of this Financing Lease, which is incorporated herein and made a part hereof by this reference.

Section 1.2 Performance by Representatives. Any authority granted or duty imposed upon the State Treasurer or the State hereunder may be undertaken and performed by the Treasurer Representative. Any authority or duty imposed upon the Local Agency hereunder may be undertaken and performed by the Authorized Agency Representative.

Article II

SUBLEASE OF PROPERTY; ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.1 Sublease of Property.

(a) *Financing Lease.* This Financing Lease shall constitute a "financing lease" and a "financing contract" within the meaning of the Act.

(b) *Master Financing Lease.* The Local Agency acknowledges and agrees that this Financing Lease shall be subject and subordinate in all respects to the terms and provisions of the Master Financing Lease.

(c) *Right of Entry.* The State reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time (or in an emergency at any time) to inspect the same, or to make any repairs, improvements or changes necessary for the preservation thereof, or otherwise in connection with the State's rights and obligations hereunder.

(d) *Quiet Enjoyment.* The Local Agency at all times during the term of this Financing Lease, subject to the provisions of Section 7.1 hereof, shall peaceably and quietly have, hold and enjoy all of the Property without suit, trouble or hindrance from the State.

Section 2.2 Appointment of Agents; Additions to Property; Substitution and Release of Property.

(a) *Appointment of Agents.* The Local Agency hereby ratifies, approves and confirms, and accepts and agrees to, its designation and appointment as agent of the Corporation in connection with the refinancing of the Property.

(b) [RESERVED]

(c) *Additions to the Property.* The Local Agency shall have the right during the term of this Financing Lease, at its cost and expense, to make additions, betterments and improvements to the Property, and to attach fixtures, structures and signs thereto; provided, that such additions, betterments and improvements and fixtures, structures and signs (i) shall be constructed and installed in accordance with applicable laws and regulations, and not in violation of any easements, restrictions, conditions or covenants affecting title to the Property; and (ii) shall not diminish the value, capacity or usefulness of the Property. The Agency also shall have the right during the term of the Financing Lease, without the consent of any Owners, to enter into Additional Local Agency Financing Leases and Additional Site Leases with the Corporation to finance all or any portion of the cost of such additions, betterments and improvements to the Property so long as such leases do not reduce the obligation of the State to perform its obligations under the Master Financing Lease, including without limitation its obligation to make Base Rent Payments, and will not, in an Opinion of Counsel, adversely affect the tax-exempt status of the Interest Component of Base Rent Payments evidenced and represented by the Certificates. If the Agency enters into any Additional Local Agency Financing Lease for this purpose, the Corporation may be granted an interest in the Property under an Additional Site Lease of all or any portion of the Property, which leasehold interest may be assigned to the Fiscal Agent for the benefit of owners of certificates of participation in the Additional Master Financing Lease to which such Additional Local Agency Financing Lease is related. The occurrence of an Event of Default with respect to the Financing Lease shall constitute a like event under any Additional Local Agency Financing Lease, and the occurrence of any such like event under any Additional Local Agency Financing Lease shall constitute an Event of Default under the Financing Lease. The owners of certificates of participation in any Additional Master Financing Lease shall be secured *pari passu* with the Owners with respect to any amounts received by the Fiscal Agent with respect to the Property following the occurrence of an Event of Default.

(d) *Substitution of Property.* After the refinancing of the Project or the Property, the Local Agency, with the prior written consent of the State Treasurer and only upon the satisfaction of the requirements set forth in Section 2.2(d) of the Master Financing Lease, may substitute for the Property, another parcel or parcels of real property. As a condition to any such substitution, the Local Agency shall deliver to the State Treasurer (i) an appraisal or other written evidence from an independent, disinterested real property appraiser acceptable to the State Treasurer and the Fiscal Agent to the effect that such substitute Property has an estimated fair rental value for the remaining term of this Financing Lease equal to or greater than the Agency Rent Payments due hereunder from time to time thereafter; (ii) a certificate of the Local Agency to the effect that such substitute Property (A) is free and clear of any mortgages, deeds of trust, liens or other similar encumbrances, other than Permitted Encumbrances, and (B) is

essential to the Local Agency's ability to carry out its governmental functions and responsibilities. The State Treasurer, the Fiscal Agent, as assignee of the Corporation, and the Local Agency shall execute, deliver and record such amendments and modifications to the Site Lease, the Master Financing Lease, the Master Assignment and this Financing Lease, and such other documents, agreements and instruments, as the State Treasurer or the Fiscal Agent shall deem necessary or desirable in connection with such substitution.

(e) *Release of Property.* After the refinancing of the Project, the Local Agency, with the prior written consent of the State Treasurer and only upon the satisfaction of the requirements set forth in Section 2.2(e) of the Master Financing Lease, may release a portion of the Property leased under the Site Lease, and subleased under and pursuant to the Master Financing Lease and this Financing Lease. As a condition to any such release, the Local Agency shall (i) deliver to the State Treasurer an appraisal or other written evidence from an independent, disinterested real property appraiser acceptable to the State Treasurer and the Fiscal Agent to the effect that the remaining portion of the Property has an estimated fair rental value for the remaining term of this Financing Lease equal to or greater than the Agency Rent Payments due from time to time hereunder; (ii) provide any necessary easements, reciprocal agreements or other rights as may be necessary to provide comparable pedestrian and vehicular access, and other uses and amenities (including but not limited to water, sewer, electrical, gas, telephone and other utilities) as existed prior to such release. The State Treasurer, the Fiscal Agent, as assignee of the Corporation, and the Local Agency shall execute, deliver and record such amendments and modifications to the Site Lease, the Master Financing Lease, the Master Assignment and this Financing Lease, and such other documents, agreements and instruments, as the State Treasurer or the Fiscal Agent shall deem necessary or desirable in connection with such release.

(f) *Refunding Escrow Account.* In consideration of the mutual covenants and agreements of the Parties set forth in the Master Financing Lease, the Corporation, the State Treasurer and the Fiscal Agent shall enter into a Trust Agreement concurrently with the execution and delivery of the Master Financing Lease under which the Corporation authorizes and directs the Fiscal Agent to establish the Refunding Escrow Account and to make disbursements therefrom in accordance with the provisions hereof and thereof to pay the costs of carrying out the Refunding Plan on behalf of the Corporation. A portion of the proceeds of the sale of the Certificates shall be deposited in the Refunding Escrow Account. Moneys on deposit in the Refunding Escrow Account shall be invested by the Fiscal Agent as provided in the Trust Agreement. Disbursements from the Refunding Escrow Account shall be made as provided in the Trust Agreement.

Section 2.3 Title to the Property. Fee title to the Property, and all additions, modifications, repairs and improvements thereto, shall remain and vest in the Local Agency, subject to the respective leasehold estates under the Site Lease, the Master Financing Lease and this Financing Lease, without any further action by the State, the Local Agency or the Corporation.

Section 2.4 Assignment. In order to secure the payment and performance of the State of its obligations under the Master Financing Lease, the State has assigned and transferred to the Corporation the State's interest in this Agency Financing Lease and the rentals, income and

profits herefrom, including without limitation the Agency Rent Payments. The Local Agency acknowledges and agrees to such assignment and transfer. The State Treasurer hereby irrevocably authorizes and directs the Local Agency, upon receipt of written notice from the Fiscal Agent, as assignee of the Corporation, that an Event of Default has occurred and is continuing, to pay to the Fiscal Agent the Agency Rent Payments and other amounts due and to become due hereunder. The State Treasurer shall not have any right or claim against the Local Agency for any Agency Rent Payments or other amounts so paid by the Local Agency to the Fiscal Agent.

Section 2.5 Disclaimer of Warranties. The Local Agency acknowledges and agrees that it has had adequate opportunity to inspect the Property, and that such Property, including but not limited to the structures and improvements thereon, is acceptable to the Local Agency in its present condition. The Local Agency subleases the Property in its present condition, "as is." THE STATE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AND ASSUMES NO RESPONSIBILITY, LIABILITY OR OBLIGATION, AS TO THE VALUE, DESIGN, STRUCTURAL OR OTHER CONDITION, USE, USABILITY, SUITABILITY, OCCUPANCY OR MANAGEMENT OF THE PROPERTY, AS TO THE INCOME FROM OR EXPENSE OF THE USE OR OPERATION THEREOF, AS TO TITLE TO THE PROPERTY, AS TO COMPLIANCE WITH APPLICABLE ZONING, SUBDIVISION, PLANNING, SAFETY, FIRE, HEALTH OR ENVIRONMENTAL LAWS, REGULATIONS, ORDINANCES, CODES OR REQUIREMENTS, OR AS TO COMPLIANCE WITH APPLICABLE COVENANTS, CONDITIONS OR RESTRICTIONS, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROPERTY.

Article III

AGENCY RENT PAYMENTS; PAYMENTS BY STATE TREASURER; FULL FAITH AND CREDIT OBLIGATION

Section 3.1 Agency Rent Payments. Each Agency Rent Payment shall consist of an Agency Principal Component and/or an Agency Interest Component as set forth in Exhibit D to this Financing Lease. Interest shall accrue and be calculated as determined by the State Treasurer, which determination shall be binding and conclusive against the Local Agency, absent manifest error. Each Agency Rent Payment payable hereunder shall be paid to or upon the order of the State Treasurer, at such place as the State Treasurer shall direct in writing not less than ten (10) Business Days prior to the Agency Rent Payment Date, by electronic funds transfer in lawful money of the United States of America. Payments of Additional Rent shall be made to or upon the order of the State Treasurer. Each Agency Rent Payment shall be applied first to the Agency Interest Component due hereunder, and then to the Agency Principal Component due hereunder.

Such payments of Agency Rent Payments and Additional Rent for each rental payment period during the term of this Financing Lease shall constitute the total rental due for such period, and shall be paid for and in consideration of the use and occupancy and continued quiet enjoyment of the Property for such period. The Parties hereto have determined and agreed that such total rental does not exceed the fair rental value of the Property for each such rental period, given the purposes, terms and provisions of this Financing Lease. Anything herein to the

contrary notwithstanding, the Local Agency hereby waives any right that it may have under the laws of the State to a rebate or repayment of any portion of such rental in the event that there is substantial interference with the use or right to possession by the Local Agency of the Property or any portion thereof as a result of material damage, destruction or condemnation.

Section 3.2 Sources of Payment of Agency Rent Payments.

(a) *Agency Financing Lease.* The Local Agency hereby acknowledges and agrees that the State is subleasing the Property from the Corporation for and on behalf of the Local Agency. Concurrently with the execution hereof, the State shall execute and deliver (i) the Master Financing Lease with the Corporation, pursuant to which the State shall agree to make Base Rent Payments for the sublease of the Property for and on behalf of the respective Agencies, at such times and in such amounts as provided therein; and (ii) the Financing Leases with the respective Agencies, pursuant to which each such Agency shall agree to sublease its respective Property and to make Agency Rent Payments therefor, at such times and in such amounts as provided therein. Such Agency Rent Payments shall be sufficient in the aggregate to pay, on each Base Rent Payment Date, the Base Rent Payment for the Property subleased by the State from the Corporation for and on behalf of such Local Agencies under the Master Financing Lease.

The portion of the Base Rent Payments allocable to Local Agencies shall be payable by the State solely from Agency Rent Payments to be made by the respective Local Agencies, including the Local Agency, except as otherwise provided in the Master Financing Lease. The obligation of each Local Agency to make its Agency Rent Payments shall be a direct and general obligation of the Local Agency to which the full faith and credit of such Local Agency is pledged. The State shall not be obligated to pay the Base Rent Payments allocable to Local Agencies other than from Agency Rent Payments paid by the respective Local Agencies, except as otherwise provided in the Master Financing Lease.

(b) *Intercept of Local Agency Share of State Revenues.* In the event that the Local Agency fails to make any payment due under this Financing Lease, the State Treasurer shall withhold an amount sufficient to make such payment from the Local Agency's share of State revenues or other amounts authorized or required by law to be distributed by the State to the Local Agency, including but not limited to leasehold excise taxes, sales and use taxes, excise taxes and property taxes; *provided*, that the use of any such revenues or amounts to make such payments is otherwise authorized or permitted by State law. Such withholding shall continue until all such delinquent payments have been made. Amounts withheld by the State Treasurer shall be applied to make any such payment due under this Financing Lease on behalf of the Local Agency, or to reimburse the State Treasurer for any such payment made pursuant to Section 3.2(c) hereof. The Local Agency hereby authorizes, approves and consents to any such withholding.

(c) *Conditional Payment of Agency Rent Payments.* Upon the failure of the Local Agency to make any Agency Rent Payment at such time and in such amount as required pursuant to this Financing Lease, the State Treasurer shall, to the extent of legally available appropriated funds and subject to any Executive Order reduction, make such payment into the Agency Rent Payment Fund, defined below, on behalf of such Local Agency within ten (10) Business Days

after such Agency Rent Payment Date. The Local Agency shall reimburse the State for such payments made on its behalf immediately thereafter and in any case not later than ten (10) Business Days after such Agency Rent Payment Date, together with interest thereon at a rate equal to the State Reimbursement Rate. Anything herein to the contrary notwithstanding, failure of the Local Agency to reimburse the State Treasurer for any such payment shall not constitute an Agency Event of Default hereunder, but the State may institute such legal action and pursue such other remedies against the Local Agency as the State deems necessary or desirable including but not limited to actions for specific performance, injunction and/or the recovery of damages.

(d) *Payments by Local Agency Treasurer.* The treasurer of the Local Agency is hereby authorized and directed to establish and/or maintain a special fund in the "bonds payable" category of accounts of the Local Agency for the purposes of paying the Local Agency's Agency Rent Payments and Additional Rent. The treasurer of the Local Agency is hereby further authorized and directed to remit each payment of Agency Rent Payments to the State Treasurer or its assignee on each Agency Rent Payment Date and any Additional Rent when due hereunder. Such payment shall be made from any legally available funds of the Local Agency.

Section 3.3 Deposit and Investment of Agency Rent Payments. The Local Agency hereby acknowledges and agrees that the Agency Rent Payments shall be deposited in a special fund or funds maintained by the State Treasurer (the "Agency Rent Payment Fund"). The Agency Rent Payments due on each Agency Rent Payment Date shall be at least sufficient, in the aggregate, to make the Base Rent Payment next coming due under the Master Financing Lease. Amounts in the Agency Rent Payment Fund, including investment earnings thereon, shall be used and applied, *first*, to make the Base Rent Payment next coming due, *and thereafter*, but prior to the next Agency Rent Payment Date, to the extent that amounts remain in such Fund after such Base Rent Payment is made, to pay Additional Rent or for any other lawful purpose of the State Treasurer. Amounts in the Agency Rent Payment Fund shall be invested in the Qualified Investments, and shall be separately accounted for, but may be commingled with other moneys on deposit with the State Treasurer solely for investment purposes. The Local Agency shall have no right, title or interest in or to the amounts on deposit from time to time in the Agency Rent Payment Fund.

Section 3.4 Net Lease. The obligation of the Local Agency to make Agency Rent Payments from the sources set forth herein and to perform its other obligations hereunder shall be absolute and unconditional. This Financing Lease shall be deemed and construed to be a "triple net lease," and the Local Agency shall pay absolutely net during the term of this Financing Lease the Agency Rent Payments, Additional Rent and all other amounts due hereunder, without notice or demand, and free of any charges, assessments, Impositions or deductions whatsoever, and without any diminution, reduction, postponement, abatement, counterclaim, defense or set-off as a result of any dispute, claim or right of action by, against among the Local Agency, the State, the Corporation, the Fiscal Agent, and/or any other Person, or for any other reason; *provided*, that nothing in this Section 3.4 shall be construed to release or excuse the State from the observance or performance of its obligations hereunder. If the State shall fail to observe or perform any such obligation, the Local Agency may institute such legal action and pursue such other remedies against the State as the Local Agency deems necessary or

desirable, including, but not limited to actions for specific performance, injunction and/or the recovery of damages.

Section 3.5 Assignments by the Corporation. The Local Agency acknowledges and agrees that, concurrently with the execution and delivery hereof, the Corporation will unconditionally grant, sell, assign, transfer and convey to the Fiscal Agent pursuant to the Master Assignment, without recourse, (i) all of its rights to the Site pursuant to the Site Leases, (ii) all of its rights to receive the Base Rent Payments and any Additional Rent under and pursuant to the Master Financing Lease; (iii) its right to take all actions, exercise all remedies, and give all consents under and pursuant to the Site Leases and the Master Financing Lease; (iv) all of its remaining right, title and interest in, to and under the Site Leases, the Master Financing Lease, and the Agency Financing Leases, and in and to the Property (including any security interest therein) and any rents or profits generated therefrom; and (v) its right of access more particularly described in the Master Financing Lease, all in consideration for the payment by the Fiscal Agent to the State Treasurer, as agent of the Corporation, of the proceeds of the sale of the Certificates. The State Treasurer and the Corporation have acknowledged and agreed that such grant, sale, assignment, transfer and conveyance by the Corporation is intended to be a true sale of the Corporation's right, title and interest, and that upon such grant, sale, assignment, transfer and conveyance, the Corporation shall cease to have any rights, duties or obligations under the Site Leases, the Master Financing Lease and the Agency Financing Leases, or with respect to the Property, and the Fiscal Agent shall thereafter have all the rights, duties and obligations of the Corporation thereunder as if the Fiscal Agent had been the original party thereto, and, except where the context otherwise requires, every reference therein and herein to the Corporation shall be deemed and construed to refer to the Fiscal Agent. Anything herein to the contrary notwithstanding, such grant, sale, assignment, transfer and conveyance shall not confer any rights or impose any duties or obligations on the Fiscal Agent other than as expressly set forth in the Trust Agreement and the Master Assignment.

Article IV

OPTIONAL AND MANDATORY PREPAYMENT OF AGENCY RENT PAYMENTS

Section 4.1 Optional Prepayment. (a) The Local Agency may, at its option, prepay all or any portion of its Agency Rent Payments then unpaid, in whole or in part on any date, by causing to be deposited with the State Treasurer money and/or Government Obligations in an amount sufficient for the State Treasurer to prepay or defease the portion of its Base Rent Payments corresponding thereto in accordance with Subsection 4.1(a) or 4.1(b) of the Master Financing Lease and to pay any Additional Rent in connection therewith.

(b) The Local Agency shall provide the State Treasurer with not less than 60 days' prior written notice of its intention to prepay any of its Agency Rent Payments which notice shall specify the date of prepayment, and the amount and the Agency Rent Payment Dates of the Agency Rent Payments to be prepaid. The State Treasurer shall notify the Local Agency within fifteen (15) Business Days after receipt of such notice from the Local Agency as to the amount required to be paid in connection with such prepayment or defeasance of the corresponding Base Rent Payments, including any Additional Rent in connection therewith. The determination by the State Treasurer of the amount to be paid by the Local Agency shall be binding and conclusive against the Local Agency, absent manifest error.

Section 4.2 Mandatory Prepayment; Special Prepayment.

(a) *Eminent Domain; Loss of Title.* The Local Agency shall prepay or cause to be prepaid from eminent domain awards or sale proceeds received pursuant to Section 5.1 hereof, and from the net proceeds of title insurance received pursuant to Section 5.2 hereof, the Agency Rent Payments then unpaid, in whole or in part on any date, so that the aggregate annual Agency Rent Payments for the related Property from and after such prepayment date shall be in approximately equal amounts, at a Prepayment Price equal to the sum of the Agency Rent Payments so prepaid, without premium, plus accrued interest evidenced and represented thereby to the date of prepayment.

(b) *Insurance Proceeds.* The Local Agency may, at its option, prepay or cause to be prepaid from net insurance proceeds received pursuant to Section 5.3 hereof, the Agency Rent Payments then unpaid, in whole or in part on any date, so that the aggregate annual Agency Rent Payments for the related Property from and after such prepayment date shall be in approximately equal amounts, at a Prepayment Price equal to the sum of the Agency Rent Payments prepaid, without premium, plus accrued interest evidenced and represented thereby to the date of prepayment.

Section 4.3 Revision of Agency Rent Payments upon Prepayment. The Agency Principal Components and Agency Interest Components of the Agency Rent Payments due on each Agency Rent Payment Date on and after the date of any prepayment pursuant to Sections 4.1 or 4.2 hereof, as set forth in Exhibit D hereto, shall be reduced by the State Treasurer to reflect such prepayment, in Authorized Denominations, in such amounts and on such Agency Rent Payment Dates as the Local Agency shall elect in its written notice to the State Treasurer pursuant to Section 4.1(b) hereof.

Section 4.4 Discharge of Agency Financing Lease. All right, title and interest of the State herein and all obligations of the Local Agency hereunder shall cease, terminate, become void and be completely discharged and satisfied (except for the right of the State Treasurer and the Fiscal Agent, as assignee of the Corporation, and the obligation of the Local Agency to have the moneys and Government Obligations so set aside applied to make the remaining Agency Rent Payments) when either:

(a) all Agency Rent Payments and all Additional Rent and other amounts due hereunder have been paid in accordance herewith; or

(b) (i) the Local Agency shall have delivered a written notice to the State Treasurer of its intention to prepay all of the Agency Rent Payments remaining unpaid; (ii) the Local Agency shall have caused to be deposited with the State Treasurer (A) moneys and/or Government Obligations in accordance with Section 4.1 hereof; and (B) an Opinion of Counsel to the effect that such actions are permitted hereunder, under the Master Financing Lease and under the Trust Agreement and will not cause interest evidenced and represented by the Certificates to be includable in gross income for federal income tax purposes under the Code; and (iii) for so long as any Base Rent Payments remain unpaid, provision shall have been made satisfactory to the Corporation and the Fiscal Agent for payment of all Additional Rent.

Article V

EMINENT DOMAIN; LOSS OF TITLE; DAMAGE AND DESTRUCTION

Section 5.1 Eminent Domain. If the Property subleased to the Local Agency pursuant to this Financing Lease, or so much thereof so as to render the remainder unsuitable for the purposes for which it was used by the Local Agency at the time of such taking shall be taken under the power of eminent domain (or sold under threat of condemnation), the sublease of such Property pursuant to this Financing Lease shall cease as of the day that the Local Agency is required to vacate such Property. If less than all of such Property is taken under the power of eminent domain (or sold under threat of condemnation), and the remainder is suitable for the purposes for which it was used by the Local Agency at the time of such taking, as reasonably determined by the State Treasurer, then the sublease thereof pursuant to this Financing Lease shall continue in full force and effect as to such remainder, and the Parties waive any benefits of the law to the contrary. In such event, there shall be no abatement of the rental due hereunder or thereunder. So long as any Agency Rent Payments under this Financing Lease remain unpaid, any eminent domain award and any proceeds of sale under threat of condemnation for all or any part of the Property shall be applied to the prepayment of Agency Rent Payments as provided in Section 4.2(a) hereof. Any award or proceeds in excess of the amount necessary to prepay such Agency Rent Payments due hereunder, and thereby to prepay or provide for the payment of the corresponding portion of the Base Rent Payments under the Master Financing Lease, shall be paid to the Corporation, the State and the Local Agency as their respective interests may appear.

Section 5.2 Loss of Title. If there is a loss of title to the Property subleased to the Local Agency pursuant to this Financing Lease which is insured under a policy or policies of title insurance, or so much thereof so as to render the remainder unsuitable for the purposes for which it was used by the Local Agency at the time of such loss, the sublease of such Property pursuant to this Financing Lease shall cease as of the day that the Local Agency is required to vacate such Property. If there is a loss of title to less than all of such Property, and the remainder is suitable for the purposes for which it was used by the Local Agency at the time of such loss, as reasonably determined by the State Treasurer, then the sublease thereof pursuant to this Financing Lease shall continue in full force and effect as to such remainder, and the Parties waive any benefits of the law to the contrary. In such event, there shall be no abatement of the rental due hereunder. So long as any Agency Rent Payments under this Financing Lease remain unpaid, any payments under such title insurance policy or policies with respect to such Property shall be applied to the prepayment of Agency Rent Payments as provided in Section 4.2(a) hereof. Any payment in excess of the amount necessary to prepay such Agency Rent Payments due under this Financing Lease, and thereby to prepay or provide for the payment of the corresponding portion of the Base Rent Payments due under the Master Financing Lease, shall be paid to the Corporation, the State and the Local Agency as their respective interests may appear.

Section 5.3 Damage or Destruction. If all or any portion of the Property subleased to the Local Agency pursuant to this Financing Lease shall be damaged or destroyed by fire or other casualty, the sublease thereof pursuant to this Financing Lease shall not terminate, nor shall there be any abatement of the rent payable hereunder. So long as any Agency Rent Payments under this Financing Lease remain unpaid, any payments under the property insurance policy or

policies with respect to such Property may be applied to the prepayment of Agency Rent Payments as provided in Section 4.2(b) hereof, or may be paid to the State Treasurer and applied as provided in Section 5.03 of the Trust Agreement.

Article VI
REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS

Section 6.1 Representations and Warranties of the Local Agency. The Local Agency represents and warrants as follows:

(a) The Local Agency is a "Local Agency" within the meaning of the Act, duly organized and validly existing under the Constitution and laws of the state of Washington.

(b) The Local Agency is authorized under the laws of the state of Washington and its Charter or other constituent document, if any, to enter into and perform its obligations under this Financing Lease.

(c) Neither the execution and delivery by the Local Agency of this Financing Lease, nor the observance and performance of the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or constitutes a breach of or default under any agreement or instrument to which the Local Agency is a party or by which the Local Agency or its property is bound, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon the Site or the Project, except as expressly provided in this Financing Lease and the Master Financing Lease.

(d) The Local Agency has duly authorized, executed and delivered this Financing Lease.

(e) This Financing Lease is a valid and binding obligation of the Local Agency, enforceable against it in accordance with its terms, except as such enforceability may be affected by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors rights generally, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases.

(f) The Site and the Project thereon to be designed, acquired and/or constructed pursuant to this Financing Lease is essential to the Local Agency's ability to carry out its governmental functions and responsibilities, and the Local Agency expects to make immediate and continuing use of such Property during the term of this Financing Lease.

(g) The useful life of the Property is equal to or exceeds the term hereof.

(h) The obligations of the Local Agency under this Financing Lease, together with all other outstanding indebtedness of the Local Agency, do not exceed any statutory or constitutional debt limit applicable to the Local Agency.

(i) The Local Agency is the owner in fee of the Property.

(j) The Local Agency is not in violation of, or subject to any pending or threatened investigation by, any governmental authority under any federal, State or local law, regulation, or ordinance pertaining to the handling, transportation, storage, treatment, usage or disposal of Toxic or Hazardous Substances, air emissions, other environmental matters or any zoning or land use matters with respect to the Property or the Project.

Section 6.2 Covenants and Agreements of the Local Agency. The Local Agency covenants and agrees as follows:

(a) *Preservation of Existence.* The Local Agency will do or cause to be done all things necessary to preserve its existence as a Local Agency within the meaning of the Act.

(b) *Budget.* The Local Agency shall take such action as may be necessary to include all the Agency Rent Payments and Additional Rent due hereunder in its annual budget and to make the necessary annual appropriations for all such Agency Rent Payments and Additional Rent.

(c) *Tax-Exemption.* The Local Agency shall not make any use of the proceeds of this Financing Lease or the Certificates or of any other amounts, regardless of the source, or of any property, and shall not take or refrain from taking any action, that would cause the Master Financing Lease or the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. The Local Agency shall not use or permit the use of the Property or any part thereof by any Person other than a "governmental unit" as that term is defined in Section 141 of the Code, in such manner or to such extent as would result in the loss of the exclusion from gross income for federal income tax purposes of the Interest Component of the Base Rent Payments under Section 103 of the Code. The Local Agency shall not make any use of the proceeds of this Financing Lease or the Certificates or of any other amounts, and shall not take or refrain from taking any action, that would cause the Master Financing Lease or the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code or "private activity bonds" within the meaning of Section 141 of the Code, or "hedge bonds" within the meaning of Section 149 of the Code. To that end, for so long as any Agency Rent Payments remain unpaid, the Local Agency, with respect to such proceeds and other amounts, will comply with all requirements under such Sections and all applicable regulations of the United States Department of the Treasury promulgated thereunder. The Local Agency will at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the Interest Components of the Agency Rent Payments will not be included in gross income of the Owners of the Certificates for federal income tax purposes under the Code, and will take no action that would result in such interest being so included. The Local Agency shall comply with the applicable provisions of the Tax Certificate.

(d) *Duties Imposed by Law.* To the extent permitted by law, the covenants, agreements and other obligations on the part of the Local Agency contained herein shall be deemed and construed to be ministerial and non-discretionary duties imposed by law, and it shall be the duty of the Local Agency and each and every public official to take such actions and to do such things as are required by law in the performance of the official duties of such officials to enable the Local Agency to observe and perform the covenants, agreements, terms, conditions and other obligations contained herein to be observed and performed by the Local Agency.

(e) *Liens; Assignments and Subleases.* The Local Agency shall not create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property or any part thereof, except for Permitted Encumbrances. The Local Agency shall promptly, at its own expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. The Local Agency shall not grant, sell, transfer, assign, pledge, convey, mortgage, pledge, sublet or otherwise dispose of any of the Property or any interest therein during the term of this Financing Lease, and any such attempted grant, sale, transfer, assignment, pledge, conveyance or disposal shall be void.

(f) *Performance.* The Local Agency shall punctually pay the Agency Rent Payments and Additional Rent in strict conformity with the terms and provisions hereof, and will faithfully observe and perform all the covenants, agreements, terms, conditions and other obligations contained herein required to be observed and performed by the Local Agency. The Local Agency will not suffer or permit any default to occur hereunder, or do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission or refraining from doing anything, would or might be ground for cancellation or termination of this Financing Lease.

(g) *Further Assurances.* The Local Agency will preserve and protect the rights of the State Treasurer hereunder, and will warrant and defend such rights against all claims and demands of all Persons. The Local Agency will promptly execute, make, deliver, file and record any and all further assurances, instruments and agreements, and do or cause to be done such other and further things, as may be necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming to the State Treasurer the rights and benefits provided to it hereunder.

(h) *Pledge of Funds and Credit of Local Agency.* The obligations of the Local Agency under this Financing Lease constitute a debt and a general obligation of the Local Agency, and a contracting of an indebtedness by the Local Agency, to which the full faith and credit of the Local Agency are hereby pledged. If and to the extent authorized by law, the Local Agency hereby covenants and agrees that it will levy taxes in such amounts and at such times as shall be necessary, within and as a part of the tax levy, if any, permitted to the Local Agency without a vote of its electors, to provide funds, together with other legally available moneys, sufficient to make the Agency Rent Payments and the other payments required under this Financing Lease.

(i) *Use of Property.* During the term of this Financing Lease, the Local Agency will use the Property for the purposes of performing one or more of its essential governmental functions or responsibilities.

(j) *Notice of Nonpayment.* The Local Agency shall give written notice to the State Treasurer, the Corporation and the Fiscal Agent, as assignee of the Corporation, prior to any Agency Rent Payment Date if the Local Agency knows prior to such date that it will be unable to make the Agency Rent Payment due on such date, or any portion thereof.

(k) *Financial Statements.* The Local Agency shall prepare annual financial statements and obtain audits thereof as required by law. Upon the Written Request of the State Treasurer, the Local Agency shall provide the State Treasurer with a copy of its most recent audited and unaudited financial statements.

(l) *Maintenance; Repairs.* For so long as the Local Agency is in possession of the Property, the Local Agency shall be solely responsible for the maintenance and repair, both ordinary and extraordinary, thereof. The Local Agency will (i) keep and maintain the Property in good repair and condition, protect the same from deterioration other than normal wear and tear, and pay or cause to be paid all charges for utility services to the Property; (ii) comply with the requirements of applicable laws, ordinances and regulations and the requirements of any insurance or self-insurance program required under Subsection 6.2(n) hereof in connection with the use, occupation and maintenance of the Property; (iii) obtain all permits and licenses, if any, required by law for the use, occupation and maintenance of the Property; and (iv) pay all costs, claims, damages, fees and charges arising out of its possession, use or maintenance of the Property.

(m) *Hazardous Substances.*

(i) *Use.* The Property does not currently violate, and neither the Local Agency nor its officers, agents, employees, contractors, or invitees, shall not use the Property in a manner that violates, any applicable federal, state or local law, regulation or ordinance, including, but not limited to, any such law, regulation or ordinance pertaining to air and water quality, the handling, transportation, storage, treatment, usage and disposal of Toxic or Hazardous Substances, air emissions, other environmental matters, and all zoning and other land use matters. The Local Agency shall not cause or permit the release or disposal of any Toxic or Hazardous Substances on or from the Property.

(ii) *Indemnity.* The Local Agency, to the extent permitted by law, agrees to protect, indemnify, defend (with counsel satisfactory to the Local Agency) and hold the State, the Corporation and the Fiscal Agent, and their respective directors, officers, employees and agents harmless from any claims, judgments, damages, penalties, fines, expenses, liabilities or losses arising out of or in any way relating to the presence, release or disposal of Toxic or Hazardous Substances on or from the Property; *provided, however,* that the Local Agency shall not be obligated to indemnify such parties, in its capacity as Lessor under this Financing Lease, from any such claims, judgments, damages, penalties, fines, expenses, liabilities or losses relating to the presence, release or disposal of Toxic or Hazardous Substances on or from the Property occurring when the Local Agency is not or was not in possession of the Property. Such indemnity shall include, without limitation, costs incurred in connection with:

(A) Toxic or Hazardous Substances present or suspected to be present in the soil, groundwater or soil vapor on or under the Property; or

(B) Toxic or Hazardous Substances that migrate, flow, percolate, diffuse, or in any way move onto or under the Property; or

(C) Toxic or Hazardous Substances present on or under the Property as a result of any discharge, dumping, spilling (accidental or otherwise) onto the Property by any person, corporation, partnership, or entity other than the Local Agency, its officials, officers, employees or agents.

The indemnification provided by this subsection shall also specifically cover, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision or other third party because of the presence or suspected presence of Toxic or Hazardous Substances in the soil, groundwater, or soil vapor on or under the Property. Such costs may include, but not be limited to, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Property, sums paid in settlements of claims, attorneys fees, consultants fees, and expert fees.

(iii) *Notification Requirements.* The Local Agency shall promptly notify the other Parties in writing of all spills or releases of any Toxic or Hazardous Substances, all failures to comply with any federal, state, or local law, regulation or ordinance, all inspections of the Property by any regulatory entity concerning the same, all notices, orders, fines or communications of any kind from any governmental entity or third party that relate to the existence of or potential for environmental pollution of any kind existing on or resulting from the use of the Property or any activity conducted thereon, and all responses or interim cleanup action taken by or proposed to be taken by any government entity or private party on the Property.

Upon request by any Party, the Local Agency shall provide such Party with a written report (A) listing the Toxic or Hazardous Substances that were used or stored on the Property; (B) discussing all releases of Toxic or Hazardous Substances that occurred or were discovered on the Property and all compliance activities related to Toxic or Hazardous Substances, including all contacts with and all requests from third parties for cleanup or compliance; (C) providing copies of all permits, manifests, business plans, consent agreements or other contracts relating to Toxic or Hazardous Substances executed or requested during that time period; and (D) including such other information requested by such Party.

(iv) *Inspection Rights.* The Parties, and their officers, employees and agents, shall have the right, but not the duty, to inspect the Property and the Local Agency's relevant environmental and land use documents at any time and to perform such tests on the Property as are reasonably necessary to determine whether the Local Agency is complying with the terms of this Financing Lease. The Local Agency shall be responsible for paying for any testing that is conducted if the Local Agency is not in compliance with this Financing Lease and such Party has reason to believe such noncompliance is due to the Local Agency's operations or use of the Property. If the Local Agency is not in compliance with this Financing Lease, such Party, without waiving or releasing any right or remedy it may have with respect to such noncompliance, shall have the right to immediately enter upon the Property to remedy any contamination caused by the Local Agency's failure to comply notwithstanding any

other provision of this Financing Lease. The Party shall use reasonable efforts to minimize interference with the Local Agency's business but shall not be liable for any interference caused thereby.

(v) *Corrective Action.* In the event any investigation, site monitoring, containment, cleanup, removal, restoration or other remedial work ("Remedial Work") of any kind is necessary under any applicable federal, state or local laws, regulations or ordinances, or is required by any governmental entity or other third person because of or in connection with the presence or suspected presence of Toxic or Hazardous Substances on or under the Property, the Local Agency shall assume responsibility for all such Remedial Work and shall promptly commence and thereafter diligently prosecute to completion all such Remedial Work. The Local Agency shall pay for all costs and expenses of such Remedial Work, including, without limitation, the Party's reasonable attorneys' fees and costs incurred in connection with monitoring or review of such Remedial Work. In the event the Local Agency shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, such Party may, but shall not be required to, cause such Remedial Work to be performed and all costs and expenses thereof, or incurred in connection therewith, shall become immediately due and payable as Additional Rent due to the State from the Local Agency.

(n) *Insurance.*

(i) The Local Agency shall maintain, or cause to be maintained, in full force and effect, comprehensive general liability insurance with respect to the Property in such amounts as may be reasonably determined by the Local Agency from time to time but in any event not less than \$1,000,000 per occurrence, or such greater amount as the State Treasurer may reasonably require from time to time. Such insurance may be carried under a blanket policy with umbrella coverage. Such insurance shall cover any and all liability of the Local Agency and its officials, officers, employees and volunteers. Such insurance shall include (A) coverage for any accident resulting in personal injury to or death of any person and consequential damages arising therefrom; and (B) comprehensive property damage insurance.

(ii) The Local Agency shall maintain or cause to be maintained in full force and effect fire and extended coverage insurance with respect to the Property in such amounts as the Local Agency may reasonably determine from time to time, but in any event not less than the aggregate of the principal components of Agency Rent Payments due hereunder which remain unpaid. Such insurance may be carried under a policy or policies covering other property of the Local Agency. Such property insurance shall be "all risk" insurance, and shall cover physical loss or damage as a result of fire, lightning, theft, vandalism, malicious mischief, flood, earthquake, and boiler and machinery; provided, that the State Treasurer may waive the requirement for earthquake or flood insurance if it determines, in its reasonable discretion, that the same is not available from reputable insurers and commercially reasonable rates. Such extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as the Local Agency may reasonably determine from time to time. Such policies of insurance shall provide that all

proceeds thereunder shall be payable to the Fiscal Agent, as assignee of the Corporation, pursuant to a lender's loss payable endorsement in a form approved in writing by the State Treasurer, which approval shall not be unreasonably withheld or delayed. The net proceeds of such insurance shall be applied as provided in Section 5.03 of the Trust Agreement. Such insurance may at any time include a deductible of not to exceed \$5,000 for losses in any year, or such greater amount as the State Treasurer may approve in writing.

(iii) The insurance required under paragraphs (i) and (ii) above (A) shall be provided by a financially responsible insurance company authorized to do business in the State; (B) shall name the State and the Fiscal Agent, as assignee of the Corporation, as additional insureds thereunder; (C) shall provide that the same may not be canceled or given notice of non-renewal, nor shall the terms or conditions thereof be altered, amended or modified, without at least 45 days' prior written notice being given by the insurer to the State Treasurer; and (D) may be provided in whole or in part through a funded program of self-insurance reviewed at least annually by an insurance actuary.

(iv) A certificate of insurance with respect to the required coverages shall be provided by the Local Agency to the State Treasurer annually on or prior to December 1 with respect to any required insurance maintained pursuant hereto.

(v) Unless otherwise agreed by the State, the Local Agency shall obtain a policy or policies of title insurance on the Property, subject only to Permitted Encumbrances, in an amount equal to the aggregate amount of Agency Rent Payments to become due hereunder, payable to the State and the Fiscal Agent, in a form and from a provider approved in writing by the State Treasurer, which approval shall not be unreasonably withheld or delayed. The proceeds received under any such policy shall be applied as provided in Section 5.2 hereof.

(vi) The Local Agency will pay or cause to be paid when due the premiums for all insurance policies required under this Subsection 6.2(n).

(o) *State Not Liable.* The State and its officers and employees shall not be liable to the Local Agency or to any other Person whomsoever for any death, injury or damage that may result to any Person or property by or from any cause whatsoever in, on, about or relating to the Property.

Article VII EVENTS OF DEFAULT; REMEDIES

Section 7.1 Agency Event of Default. Each of the following shall constitute an "Agency Event of Default" hereunder:

(a) Failure by the Local Agency to pay or cause to be paid any Agency Rent Payment required to be paid hereunder within ten (10) Business Days of the respective Agency Rent Payment Date;

(b) Failure by the Local Agency to observe or perform any covenant, agreement, term or condition on its part to be observed or performed hereunder, other than as set forth in paragraph (a) above, for a period of thirty (30) days after written notice from the State Treasurer or the Fiscal Agent to the Local Agency specifying such failure and requesting that it be remedied; *provided, however*, that such period shall be extended for not more than sixty (60) days if such failure cannot be corrected within such period, and the corrective action is commenced by the Local Agency within such period and diligently pursued until the failure is corrected;

(c) If any statement, representation, or warranty made by the Local Agency in this Financing Lease or in any writing delivered by the Local Agency pursuant hereto or in connection herewith is false, misleading, or erroneous in any material respect;

(d) If the Local Agency's interest under this Financing Lease or any part hereof shall be assigned, sublet or transferred other than as provided herein, either voluntarily or by operation of law;

(e) If the Local Agency shall abandon or vacate the Property; and

(f) Inability of the Local Agency to generally pay its debts as such debts become due, or admission by the Local Agency, in writing, of its inability to pay its debts generally, or the making by the Local Agency of a general assignment for the benefit of creditors, or the institution of any proceeding by or against the Local Agency seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, reimbursement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or for appointment of a receiver, trustee, or other similar officer of it or any substantial part of its property, or the taking of any action by the Local Agency to authorize any of the actions set forth above in this Section 7.1(d).

(g) If an event of default shall occur under any Additional Financing Lease Agreement.

Notwithstanding the foregoing provisions of this Section 7.1, if by reason of *force majeure* the Local Agency is unable in whole or in part to carry out the covenants, agreements, terms and conditions on its part contained in this Financing Lease, the Local Agency shall not be deemed in default during the continuance of such inability. The term "*force majeure*" means the following: acts of God; strikes; lockouts or other industrial disturbances or disputes; acts of public enemies; orders or restraints of any kind of the government of the United States of America or any of its departments, agencies or officials, or of its civil or military authorities; orders or restraints of the State or of any of its departments, agencies or officials or civil or military authorities of the State; wars, rebellions, insurrections; riots; civil disorders; blockade or embargo; landslides; earthquakes; fires; storms; droughts; floods; explosions; or any other cause or event not within the control of the Local Agency.

The State Treasurer, with the prior written consent of the Fiscal Agent, may, at its election, waive any default or Agency Event of Default and its consequences hereunder and

annul any notice thereof by written notice to the Local Agency to such effect, and thereupon the respective rights of the Parties hereunder shall be as they would have been if such default or Agency Event of Default had not occurred.

Section 7.2 Rights of State Treasurer Following Agency Default Event. Whenever an Agency Event of Default hereunder shall have occurred and be continuing, the State shall have the following rights and remedies:

(a) *Continuation; Reentry and Reletting.* The State may continue this Financing Lease in full force and effect, and (i) collect rent and other amounts as they become due hereunder, (ii) enforce every other term and provision hereof to be observed or performed by the Local Agency, and (iii) exercise any and all rights of entry and reentry upon the Property. In the event that the State does not elect to terminate this Financing Lease in the manner provided pursuant to paragraph (b) of this Section, the Local Agency agrees to observe and perform all terms and provisions herein to be observed or performed by it, and, if the Property is not relet, to pay the full amount of the rent and other amounts due hereunder for the term of this Financing Lease, or, if the Property or any part thereof is relet, to pay any deficiency that results therefrom, in each case at the same time and in the same manner as otherwise provided herein, and notwithstanding any reentry or reletting by the State, or suit in unlawful detainer or otherwise brought by the State for the purpose of effecting such re-entry or obtaining possession of all or any part of the Property. Should the State elect to re-enter or obtain possession of all or any part of the Property, the Local Agency hereby irrevocably appoints the State as the Local Agency's agent and attorney-in-fact (i) to relet the Property, or any part thereof, from time to time, either in the name of the State or otherwise, upon such terms and conditions and for such use and period as the State may determine in its discretion, (ii) to remove all persons in possession thereof and all personal property whatsoever situated upon the Property, and (iii) to place such personal property in storage in any warehouse or other suitable place for the Local Agency in the county in which such personal property is located, for the account of and at the expense of the Local Agency. The Local Agency shall be liable for, and hereby agrees to pay the State, the State's costs and expenses in connection with reentry of the Property, removal and storage of any personal property, and reletting of the Property. The Local Agency hereby agrees that the terms of this Financing Lease constitute full and sufficient notice of the right of the State Treasurer to reenter and relet the Property or any part thereof without effecting a surrender or termination of this Financing Lease. Termination of this Financing Lease upon an Agency Event of Default shall be effected solely as provided in paragraph (b) of this Section. The Local Agency further waives any right to, and releases, any rental obtained by the State upon reletting in excess of the rental and other amounts otherwise due hereunder.

(b) *Termination.* The State may terminate this Financing Lease, but solely upon written notice by the State Treasurer to the Local Agency of such election. No notice to pay rent, notice of default, or notice to deliver possession of the Property or of any part thereof, nor any entry or reentry upon the Property or any part thereof by the State Treasurer, nor any proceeding in unlawful detainer or otherwise brought by the State Treasurer for the purpose of effecting such reentry or obtaining possession, nor any other act shall operate to terminate this Financing Lease, and no termination of this Financing Lease on an account of a Master Financing Lease Event of Default shall be or become effective by operation of law or acts of the

Parties hereto or otherwise, unless and until such notice of termination shall have been given by the State Treasurer. The Local Agency hereby agrees that no surrender of the Property or any part thereof, nor any termination of this Financing Lease by the Local Agency shall be valid or effective in any manner or for any purpose whatsoever unless such notice of termination shall have been given by the State Treasurer. Upon such termination, the State may (i) reenter the Property or any part thereof and remove all persons in possession thereof and all personal property whatsoever situated upon the Property, and (ii) to place such personal property in storage in any warehouse or other suitable place for the Local Agency in the county in which such personal property is located, for the account of and at the expense of the Local Agency. Upon such termination, the Local Agency's right to possession of the Property shall terminate, and the Local Agency shall surrender possession thereof to the State. In the event of such termination, the Local Agency shall remain liable to the State for damages in an amount equal to the rent and other amounts that would have been due hereunder for the balance of the term hereof, less the net proceeds, if any, of any reletting of the Property or any part thereof by the State subsequent to such termination, after deducting the expenses incurred by the State in connection with any such reentry, removal and storage of personal property, and reletting. The State shall be entitled to collect damages from the Local Agency on the respective Agency Rent Payment Dates, or alternatively, the State Treasurer may accelerate the Local Agency's obligations under this Financing Lease and recover from the Local Agency (i) the worth at the time of award of the unpaid rental which had been earned at the time of termination, (ii) the worth at the time of award of the amount by which the unpaid rental which would have been earned after the termination until the time of award exceeds the amount of such rental loss that the Local Agency proves could have been reasonably avoided, (iii) the worth at the time of award by which the unpaid rental for the balance of the term of this Financing Lease after the time of award exceeds the amount of rental loss that the Local Agency proves could reasonably have been avoided, and (iv) any other amount necessary to compensate the State for all the detriment proximately caused by the Local Agency's failure to perform its obligations hereunder, or which in the ordinary course would be likely to result therefrom, including but not limited to the State's expenses in connection with reentry of the Property, removal and storage of any personal property, and reletting of the Property. The worth at the time of award shall be computed using a discount rate equal to the composite Agency Interest Component of the unpaid Agency Rent Payments.

(c) *Other Remedies.* In addition to the other remedies set forth in this Section, upon the occurrence and continuance of an Agency Event of Default, the State shall be entitled to proceed to protect and enforce the rights vested in them by this Financing Lease or by law. The terms and provisions of this Financing Lease and the duties and obligations of the Local Agency hereunder, and the officers and employees thereof, shall be enforceable by the State Treasurer by an action at law or in equity, for damages or for specific performance, or for writ of mandate, or by other appropriate action, suit or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the State shall have the right to bring the following actions:

(i) Accounting. By action or suit in equity to require the Local Agency and its officers and employees to account as the trustee of an express trust;

(ii) Injunction. By action or suit in equity to enjoin the violation of the rights of the State Treasurer.

(iii) Mandate. By writ of mandate or other action, suit or proceeding at law or in equity to enforce the State Treasurer's rights against the Local Agency and its officers and employees, and to compel the Local Agency to perform and carry out its duties and obligations under the law and its covenants and agreements with the State Treasurer as provided herein.

In the event that the State shall prevail in any action, suit or proceeding brought to enforce any of the terms of provisions of this Financing Lease, the Local Agency shall be liable for the reasonable attorneys' fees of the State Treasurer in connection therewith.

The Local Agency hereby waives any and all claims for damages caused or which may be caused by the State Treasurer in reentering and taking possession of the Property or any part thereof as provided herein, and all claims for damages that may result from the destruction of or injury to the Property or any part thereof, and all claims for damages to or loss of any personal property that may be in or upon the Property.

Section 7.3 No Remedy Exclusive; Non-Waiver. No remedy conferred upon or reserved to the State hereunder or under applicable law is intended to or shall be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Financing Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or remedy accruing upon a default or an Agency Event of Default hereunder shall impair any such right or remedy or shall be construed to be a waiver of such default or Agency Event of Default, but any such right or remedy may be exercised from time to time and as often as may be deemed necessary or expedient. In order to exercise any remedy reserved to the State Treasurer hereunder, it shall not be necessary to give any notice, other than such notice as may be required hereunder. A waiver by the State Treasurer of any default or Agency Event of Default hereunder shall not constitute a waiver of any subsequent default or Agency Event of Default hereunder, and shall not affect or impair the rights or remedies of the State Treasurer in connection with any such subsequent default or Agency Event of Default.

No acceptance of less than the full amount of a rental payment due hereunder shall constitute an accord and satisfaction or compromise of any such payment unless the State Treasurer specifically agrees to such accord and satisfaction or compromise in writing.

Section 7.4 Default by State. Anything herein to the contrary notwithstanding, the State shall not be in default in the observance or performance of any of the covenants, agreements, terms or conditions to be observed or performed by it hereunder unless and until the State shall have failed to observe or perform such covenant, agreement, term or condition for a period of sixty (60) days after written notice by the Local Agency to the State Treasurer specifying such failure and requesting that it be remedied; *provided, however*, that such period shall be extended for such additional time as shall be reasonably required to correct such failure if corrective action is commenced by the State within such period and diligently pursued until the failure is corrected.

Article VIII
MISCELLANEOUS PROVISIONS

Section 8.1 Indemnification of State and the Corporation. To the extent permitted by law, the Local Agency hereby releases the State and the Corporation from, agrees that the State and the Corporation shall not be liable for, and agrees to indemnify and hold the State and the Corporation and their respective directors, officers, officials, employees, and agents harmless from, any liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever arising out of the ownership or operation of the Property or the design, acquisition, construction, financing or refinancing thereof. To the extent permitted by law, the Local Agency agrees to indemnify and hold the State and the Corporation and their respective directors, officers, officials, employees, and agents harmless from any losses, costs, charges, expenses (including reasonable attorneys' fees), judgments and liabilities incurred by it or them, as the case may be, in connection with any action, suit or proceeding instituted or threatened in connection with the transactions contemplated by this Financing Lease or the exercise of rights or the performance of duties of the State or the Corporation under this Financing Lease, the Master Financing Lease or the other Series 2016A Agreements, except to the extent caused by the gross negligence or willful misconduct of such indemnified party. The indemnification provided in this Section 8.1 shall survive the final payment of the Agency Rent Payments and the termination of this Financing Lease for any reason.

Section 8.2 Term. If on _____ 1, 20__ (the "Scheduled Termination Date"), all amounts due hereunder shall not have been paid or the payment thereof duly provided for pursuant to Section 4.4 hereof, then the term of this Financing Lease shall be extended until ten (10) days after all amounts due hereunder shall have been paid or the payment thereof so provided for, except that the term of this Financing Lease shall in no event be extended more than five (5) years beyond the Scheduled Termination Date. If prior to the Scheduled Termination Date, all amounts due hereunder shall have been paid or the payment thereof so provided for, the term of this Financing Lease shall end ten (10) days thereafter or ten (10) days after written notice by the Local Agency to the State Treasurer, whichever is earlier. Notwithstanding the foregoing, the payment of all amounts due hereunder shall not result in the termination of this Financing Lease prior to the scheduled termination of the Site Lease.

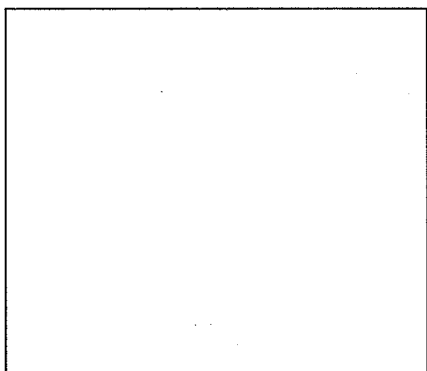
Section 8.3 Termination. The Local Agency agrees, upon the termination or expiration of this Financing Lease, to quit and surrender the Property (i) in the same good order, condition and repair as the same was in at the time of commencement of the term hereunder, except for acts of God and reasonable wear and tear, that affect the condition of the Property; and (ii) free and clear of all leases, occupancies, liens and encumbrances, other than those existing as of the date hereof or subsequently created in accordance herewith. The Local Agency agrees that any permanent improvements and structures existing upon the Property at the time of such termination or expiration of this Financing Lease shall remain thereon. The Local Agency shall thereafter execute, acknowledge and deliver to the State Treasurer such instruments of further assurance as in the reasonable opinion of the State Treasurer are necessary or desirable to confirm the State Treasurer's leasehold right, title and interest in and to the Property.

Section 8.4 Notices to Agency. The notice address for the Local Agency shall be as set forth in the Notice of Intent.

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that ELLEN L. EVANS is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the Deputy State Treasurer Debt Management of the STATE OF WASHINGTON to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____



(Use this space for notarial stamp/seal)

(Signature of Notary)

Print Name _____
(Legibly Print or Stamp Name of Notary)

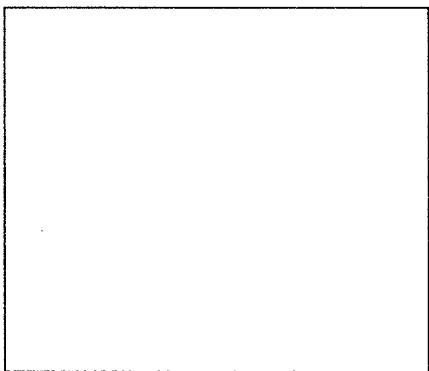
Notary public in and for the state of Washington, residing at _____

My commission expires _____

STATE OF WASHINGTON)
) ss.
COUNTY OF MASON)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that [s]he signed this instrument, on oath stated that [s]he was authorized to execute the instrument and acknowledged it as _____ of MASON COUNTY, WASHINGTON to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____



(Use this space for notarial stamp/seal)

(Signature of Notary)

Print Name _____
(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington, residing at _____

My commission expires _____

EXHIBIT A
NOTICE OF INTENT

EXHIBIT C

LEGAL DESCRIPTION

All that portion of the West Half (W 1/2) of the Northeast Quarter (NE 1/4) of Section Two (2), Township Twenty (20) North, Range Four (4) West, W.M., lying Westerly of a line particularly described as follows:

BEGINNING at a point on the South line of said West Half (W 1/2) of the Northeast Quarter (NE 1/4) which is 890 feet West of the Southeast corner thereof; thence north $2^{\circ}43'$ East, 2250 feet, more or less, to a point on the North line of said West Half (W 1/2) of the Northeast Quarter (NE 1/4) and the terminus of the herein described line.

EXCEPTING therefrom right-of-way for Dayton-airport County Road No. 09900.

EXHIBIT B

CERTIFICATE DESIGNATING AUTHORIZED AGENCY REPRESENTATIVE

EXHIBIT D

AGENCY RENT PAYMENTS

[see attached]

LOCAL AGENCY SITE LEASE, SERIES 2016A

by and between

MASON COUNTY, WASHINGTON, as lessor

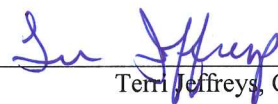
and the

WASHINGTON FINANCE OFFICERS ASSOCIATION, as lessee

Dated as of March 31, 2016

Certificate Designating Authorized Agency Representatives

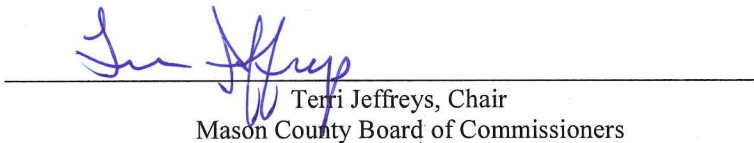
I, Terri Jeffreys, Chair of the Board of County Commissioners of Mason County (the "Local Agency"), hereby certify that, as of the date hereof, pursuant to Resolution No. 12-16, the following individuals are each an "Authorized Agency Representative," as indicated by the title appended to each signature, that the following individuals are duly authorized to execute and deliver the Local Agency Financing Agreement to which this Certificate is attached as Exhibit C, and all documentation in connection therewith, including but not limited to the Personal Property Certificate(s) attached thereto as Exhibit B, that the signatures set forth below are the true and genuine signatures of said Authorized Agency Representatives and that pursuant to such resolution two of the three following signatures are required on each of the aforementioned documents in order to consider such documents executed on behalf of the Local Agency:


Terri Jeffreys, Chair


Frank Pinter, Budget Manager


Jennifer Beierle, Public Works Finance Manager

Dated this 16th day of February, 2016.


Terri Jeffreys, Chair
Mason County Board of Commissioners

SUBSCRIBED AND SWORN TO before me this day of February, 2016.

By: _____
NOTARY PUBLIC in and for the State of
Washington, residing at:

Printed Name: _____
My Commission Expires: _____

OFFICE OF THE
MASON COUNTY PROSECUTING ATTORNEY

MICHAEL K. DORCY
MASON COUNTY PROSECUTOR

P.O. BOX 639
521 N. FOURTH STREET
SHELTON, WASHINGTON 98584
PHONE: (360) 427-9670 ext. 417
FAX: (360) 427-7754

February 11, 2016

Ellen Evans, Deputy State Treasurer
Lease Purchase Program
Office of the State Treasurer
P.O. Box 40200
Olympia, Washington 98504-0200

Re: State of Washington Certificates of Participation, Series _2016A_____

Dear Ms. Evans:

We represent Mason County with respect to the above-referenced financing (the "Certificates"). In connection with the execution and delivery by Mason County of the Local Agency Financing Lease, enclosed herewith is an executed copy of our opinion letter dated as of the date of initial delivery of the Certificates (the "Dated Date"). You are to hold the opinion letter in escrow until the Dated Date, at which time, unless you are otherwise instructed by me in writing, the opinion letter may be considered released and shall become effective.

Please contact me with any question.

Sincerely,



MICHAEL K. DORCY
Mason County Prosecuting Attorney

MICHAEL K. DORCY
Mason County Prosecuting Attorney
521 N. Fourth / P.O. Box 639
Shelton, WA 98584
Ph: 360-427-9670 / Fax: 360-427-7754

Closing Date

Mason County
411 North 5th Street
Shelton, Washington 98584

State of Washington
Office of the State Treasurer
P.O. Box 40200
Olympia, Washington 98504-0200

Washington Finance Officers Association
1200 Fifth Avenue, Suite 1300
Seattle, Washington 98101-115


Re: State of Washington Certificates of Participation, Series 2016A (the "Certificates")

Ladies and Gentlemen:

[I/We] have acted as counsel to Mason County (the "Local Agency") in connection with the execution and delivery by the Local Agency of (i) the Local Agency Site Lease, dated as of the date of initial delivery of the Certificates (the "Local Agency Site Lease"), by and between the Washington Finance Officers Association (the "Corporation") and the Local Agency and (ii) the Local Agency Financing Lease, dated as of the date of initial delivery of the Certificates (the "Local Agency Financing Lease") by and between the state of Washington (the "State") and the Local Agency. As such counsel, [I am/we are] of the following opinions:

1. Resolution number _____, approving the execution and delivery of the Local Agency Site Lease and the Local Agency Financing Lease, was duly adopted by the governing body of the Local Agency on February 16, 2016 at a meeting of such governing body duly called and held in conformity with the law.
2. The Local Agency Site Lease and the Local Agency Financing Lease have been duly authorized, executed and delivered and, assuming the due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding obligations of the Local Agency, enforceable in accordance with their terms, subject only to bankruptcy, insolvency, moratorium, arrangement, reorganization and similar laws affecting creditors' rights, applicable equitable principles and the application of judicial discretion in appropriate cases.

[I/We] understand that agency rent payments to be made by the Local Agency under the Local Agency Financing Lease will constitute a portion of the source of payment and security for base rent payments to be made by the State to the Corporation under a Master Financing Lease between the State and the Corporation and that certificated interests in such base rent payments will be offered to purchasers thereof by means of an official statement prepared by the State. [I/We] have neither reviewed nor participated in the preparation of such official statement and express no opinion regarding the adequacy or accuracy (under federal securities laws or otherwise) of any information presented therein.

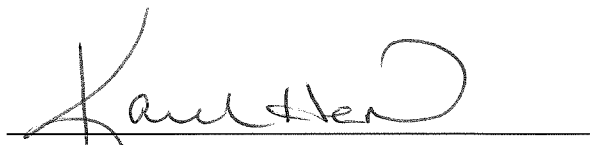

MICHAEL K. DORCY
Mason County Prosecuting Attorney

Incumbency Certificate

I, Karen Herr, County Auditor of the County of Mason, Washington, do hereby certify that the following is a true and correct listing of the Board of County Commissioners of Mason County and their terms of office:

Terri Jeffreys	January 1, 2015-2018
Tim Sheldon	January 1, 2013-2016
Randy Neatherlin	January 1, 2013-2016

Dated this 10th of February, 2016

A handwritten signature in cursive script, appearing to read "Karen Herr", is written over a horizontal line.

Karen Herr, County Auditor