



State of Washington
STATE FINANCE COMMITTEE

JAMES L. McINTIRE, Chairman
State Treasurer

JAY R. INSLEE
Governor

BRAD OWEN
Lieutenant Governor

AGENDA

STATE FINANCE COMMITTEE

October 31, 2016 at 9:00 AM

Office of the State Treasurer
Legislative Building, Room 230
Olympia, Washington

PURSUANT TO STATUTORY PROVISIONS, YOU ARE HEREBY NOTIFIED that the State Finance Committee of the state of Washington will hold a Special Meeting at the Office of the State Treasurer, Legislative Building, Second Floor, Room 230, Olympia, Washington at **9:00 A.M.**, on the **31st day of October, 2016** to consider the following:

I. STATE FINANCE COMMITTEE

1. Approval of minutes of the May 31, 2016 State Finance Committee meeting.
2. Resolution 1190 approving standard forms of the master financing contract, master financing lease, trust agreement, state agency financing contract, state agency financing lease, local agency financing contract, local agency financing lease, state agency site lease, local agency site lease and other related documents, and the execution and delivery thereof, in connection with the issuance by the state of certificates of participation in series from time to time; in accordance with RCW Chapter 39.94, as amended.
3. Informational Item. Update regarding implementing Chapter 45, Laws of 2015, 3rd Sp. Sess. (“Connecting Washington Bond Act”).

If you are a person with a disability and require an accommodation for attendance, please contact the Office of the State Treasurer, (360) 902-9000, 24 hours prior to the meeting date.

Office of the State Treasurer

Legislative Building, P.O. Box 40200 • Olympia, Washington 98504-0200 • (360) 902-9000 • TTY USERS: CALL 711
FAX (360) 902-9045 • Home Page <http://www.tre.wa.gov>

State Finance Committee Meeting Minutes
Olympia, Washington
May 31, 2016
4:45 pm

The State Finance Committee met in a special meeting after notice duly given to the public.

Present: James McIntire, State Treasurer, Chair
Jay Inslee, Governor, by phone
Brad Owen, Lt. Governor, by phone

Also Present: Ellen Evans, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Wolfgang Opitz, Office of the State Treasurer
Rusty Fallis, Office of the Attorney General, by phone
Shad Pruitt, Office of the State Treasurer
Nancy Adams, Office of the State Treasurer
Scott Merriman, Office of Financial Management, by phone
David Schumacher, Office of Financial Management, by phone

Chair McIntire called the meeting to order at 4:51 pm on May 31, 2016.

Item 1: Approval of the Minutes

Treasurer McIntire introduced the motion to approve the minutes from the December 18, 2015 at 2:45 pm State Finance Committee Meeting. The motion was moved by the Governor, seconded by the Treasurer and approved unanimously.

Item 2: Informational Item – June 2016 Bond Sale

Ellen Evans, Deputy Treasurer for Debt Management and State Finance Committee Secretary, provided a report to the committee on the upcoming bond sale.

Lt. Governor Brad Owen joined the meeting by phone.

Treasurer McIntire adjourned the meeting at 4:56 pm.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

By _____
James L. McIntire
State Treasurer and Chairman

By _____
Jay Inslee
Governor and Member

By _____
Brad Owen
Lieutenant Governor and Member

ATTEST:

Ellen Evans, Deputy State Treasurer
and Secretary



State of Washington
STATE FINANCE COMMITTEE

JAMES L. McINTIRE, Chairman
State Treasurer

JAY R. INSLEE
Governor

BRAD OWEN
Lieutenant Governor

October 31, 2016

MEMORANDUM

TO: The Honorable James L. McIntire
The Honorable Jay R. Inslee
The Honorable Brad Owen

FROM: Ellen Evans
Deputy State Treasurer

RE: Proposed Resolution No. 1190 Approves Standard Forms of Financing Documents for the Certificate of Participation Program

Proposed Resolution No. 1190 approves revised standard forms of financing documents for the Certificate of Participation Program. A summary of the proposed revisions is included below.

Summary of Proposed Revisions to COP Legal Documents

The Office of the State Treasurer proposes revising the financing documents for the Certificate of Participation Program ("COP Program") which had initially been prepared in 2003. The proposed revisions are intended to: 1) simplify and reduce redundancy in the financing documents; 2) modify and/or clarify certain key provisions, including those relating to Permitted Termination Events, Events of Default and Remedies, and optional and extraordinary prepayments; 3) more clearly identify the roles and responsibilities of each party to the financing documents; and 4) reflect current administrative policies and procedures of the Office of State Treasurer relating to the COP Program. Wherever possible, the proposed revisions introduce plain English.

Background

Under Chapter 39.94 RCW, the State is authorized to enter into financing contracts for the purpose of financing real and personal property for itself or on behalf of local governments. In addition, the law permits the State Finance Committee to consolidate, or pool, these financings. On behalf of the State Finance Committee, the State Treasurer has established a program for issuing certificates of participation in master financing contracts which consolidate individual financing contracts entered into by state agencies and local governments.

Under the current structure, there are three main parties to the mater financing contract: the State of Washington ("State"), the Washington Finance Officers' Association ("WFOA"), and the State's Fiscal Agent,

Office of the State Treasurer

currently U.S. Bank. Under these agreements, WFOA acts as seller of the property in the case of financing contracts for personal property and as sublessor of the property in the case of financing leases for real property; the State acts as purchaser or sublessee of the personal property and real property, respectively; and the Fiscal Agent functions as the Trustee for each issuance of COPs. Further, WFOA and the Trustee enter into a master assignment which assigns all of WFOA's right, title, and interest in the financing documents and the property to the Trustee.

Proposed Revisions:

1. Simplify and reduce redundancy in the financing documents where possible
 - Modify the recitals to more clearly articulate in plain English the law, the relationship of the parties, and each party's authority to act;
 - Reorder certain paragraphs and/or sentences for clarity, without making substantive changes;
 - Streamline the consolidated documents to minimize repetition.
2. Modify or clarify certain key concepts
 - Permitted Termination Event. The proposed revisions clarify that only the State acting through the State Treasurer may determine whether a Permitted Termination Event has occurred following the enactment of a biennial budget or the issuance of an Executive Order, and when a Permitted Termination Event would be effective. To make this determination, the State shall request a supplemental appropriation by the State Legislature if sufficient appropriation has not been made and/or determine whether the Property and the obligations may be transferred to another agency of the State.
 - Events of Default and Remedies. The proposed revisions clarify that an event of default by an agency under its agency financing contract or agency financing lease is not an event of default under the State's master financing contract or lease. Also, bankruptcy is eliminated as an event of default for state agencies, which are not eligible debtors under the federal Bankruptcy Code. Acceleration is eliminated as a remedy for an event of default because it is legally and practically ineffective as a remedy against governmental agencies.
 - Optional and extraordinary prepayment terms are clarified. The revised provisions allow an optional prepayment by an agency to be used alternatively for an "economic" defeasance of the agency's payment obligations under its financing contract or lease or for a legal defeasance of the State's payment obligations under its master financing contract or lease.
 - Trust Agreement. The Trust Agreement was revised to provide consistency with the bond program, to align terms with the requirements of the Fiscal Agent contract, and to modernize language relating to certificate form, DTC, etc.
3. Clearly identify the roles and responsibilities of each party
 - Clarify the circumstances in which OST is acting on behalf of the State, as an agent of WFOA, as an administrator of the COP Program, or as the entity charged with holding and investing funds.
 - Re-characterize the State's Fiscal Agent as the Trustee to whom WFOA assigns all of its rights and interests.
 - Remove State Agencies as parties to the master financing contracts. Each state agency has an interest in only its agency level financing contract, not the master financing contract.

4. Reflect current administrative policies and procedures of the Office of State Treasurer for the COP Program.
 - Revise language related to account and fund management to align with current State administrative policies and procedures.
 - Modify certain document retention requirements for the Trustee and the State to reflect current practice.

Counsel and Advisors.

Bond Counsel:

William Tonkin, Foster Pepper PLLC

Financial Advisors:

Robert Shelley, Piper Jaffray, Seattle Northwest Division

Chia-Jung Yang, Montague DeRose and Associates LLC

EXECUTION VERSION

STATE FINANCE COMMITTEE

OLYMPIA, WASHINGTON

RESOLUTION NO. 1190

A RESOLUTION APPROVING STANDARD FORMS OF THE MASTER FINANCING CONTRACT, MASTER FINANCING LEASE, TRUST AGREEMENT, STATE AGENCY FINANCING CONTRACT, STATE AGENCY FINANCING LEASE, LOCAL AGENCY FINANCING CONTRACT, LOCAL AGENCY FINANCING LEASE, STATE AGENCY SITE LEASE, LOCAL AGENCY SITE LEASE AND OTHER RELATED DOCUMENTS, AND THE EXECUTION AND DELIVERY THEREOF, IN CONNECTION WITH THE ISSUANCE BY THE STATE OF CERTIFICATES OF PARTICIPATION IN SERIES FROM TIME TO TIME; IN ACCORDANCE WITH RCW CHAPTER 39.94, AS AMENDED.

ADOPTED: OCTOBER 31, 2016

STATE FINANCE COMMITTEE

OLYMPIA, WASHINGTON

RESOLUTION NO. 1190

A RESOLUTION APPROVING STANDARD FORMS OF THE MASTER FINANCING CONTRACT, MASTER FINANCING LEASE, TRUST AGREEMENT, STATE AGENCY FINANCING CONTRACT, STATE AGENCY FINANCING LEASE, LOCAL AGENCY FINANCING CONTRACT, LOCAL AGENCY FINANCING LEASE, STATE AGENCY SITE LEASE, LOCAL AGENCY SITE LEASE AND OTHER RELATED DOCUMENTS, AND THE EXECUTION AND DELIVERY THEREOF, IN CONNECTION WITH THE ISSUANCE BY THE STATE OF CERTIFICATES OF PARTICIPATION IN SERIES FROM TIME TO TIME; IN ACCORDANCE WITH RCW CHAPTER 39.94, AS AMENDED.

RECITALS

WHEREAS, Chapter 39.94 RCW (the "Act") authorizes the State to enter into financing contracts for itself, including for state agencies, departments or instrumentalities, the state board for community and technical colleges, and any state institution of higher education ("State Agencies"), for the use and purchase of real and personal property by the State; and

WHEREAS, the Act also authorizes the State to enter into financing contracts on behalf of certain "other agencies" ("Local Agencies") for the use and acquisition for public purposes of real and personal property by Local Agencies; and

WHEREAS, the Act authorizes the State Finance Committee (the "Committee") to consolidate existing or potential financing contracts into master financing contracts with respect to property acquired by one or more State Agencies or Local Agencies (together, "Agencies"); and

WHEREAS, Chapter 43.33 RCW provides that the State Treasurer (the "Treasurer") shall act as chair of the Committee and provide administrative assistance for the Committee, and the Treasurer on behalf of the Committee has established a consolidated program for the execution and delivery of certificates of participation in master financing contracts in series from time to time ("Certificates of Participation") in order to provide financing or refinancing for the costs of acquisition of real and personal property by Agencies (the "COP Program"); and

WHEREAS, the Act requires that the Committee approve the standard format for all financing contracts entered into pursuant to the Act, and the execution and delivery of Certificates of Participation therein and agreements with trustees relating thereto; and

WHEREAS, the Committee by Resolution No. 987 previously approved certain forms of financing contracts and related documents for use in connection with the State's COP Program; and

WHEREAS, the Treasurer has caused to be prepared revised forms of financing contracts and related documents for use in connection with the State's COP Program in order, among other things, to simplify and reduce redundancy in the financing documents; clarify the roles of the various parties to the financing documents; clarify the operation of certain key provisions of the financing documents; and align certain provisions of the financing documents with current administrative policies and procedures of the Office of State Treasurer; and

WHEREAS, the Committee finds that it is necessary and desirable to approve the revised standard forms for financing contracts, master financing contracts and other documents relating to the COP Program, and to approve the execution and delivery of Certificates of Participation and agreements relating thereto;

NOW, THEREFORE, BE IT RESOLVED BY THE STATE FINANCE COMMITTEE OF THE STATE OF WASHINGTON, as follows:

Section 1. Approval of Forms. The Committee approves the forms of the following revised documents (collectively, the "COP Documents," copies of which are attached to this resolution), in accordance with the Act (including without limitation RCW 39.94.040), in connection with the COP Program:

1. Master Financing Contract;
2. Master Financing Lease;
3. Master Assignment (Personal Property);
4. Master Assignment (Real Property);
5. Trust Agreement;
6. State Agency Financing Contract;
7. Local Agency Financing Contract;
8. State Agency Financing Lease;
9. Local Agency Financing Lease;
10. State Agency Site Lease; and
11. Local Agency Site Lease.

Section 2. Execution of COP Documents. The Treasurer and his or her designee (the "Treasurer Representative") are authorized to execute and deliver the COP Documents on behalf

of the State in connection with each series of Certificates of Participation to be executed and delivered pursuant to the COP Program.

Section 3. Modification of COP Documents. The COP Documents executed by the State shall be in substantially the forms approved by this resolution, with such changes and additions as shall be approved by the Treasurer or Treasurer Representative, which shall not materially reduce the rights or increase the obligations of the State in connection with the COP Program, which approval shall be conclusively evidenced by the execution and delivery thereof by the Treasurer or the Treasurer Representative.

Section 4. Approval of Certificates of Participation. The Committee authorizes and approves the execution and delivery of Certificates of Participation in series from time to time in payments to be made by the State pursuant to the respective Master Financing Contracts and Master Financing Leases. The Certificates of Participation shall be executed and delivered pursuant to and in accordance with the respective Trust Agreements and the related Master Financing Contract and Master Financing Lease, as appropriate.

Section 5. Sale of Certificates of Participation. The Treasurer is authorized to sell the Certificates of Participation of each series from time to time by competitive sale or negotiated sale. The Certificates of Participation of each series shall be delivered to the purchaser on the date specified by the Treasurer upon receipt of the purchase price therefor.

The Treasurer Representative is authorized to determine, for each series of Certificates of Participation, whether such Certificates of Participation will be sold competitively at public sale or whether such series will be sold by means of a negotiated sale to one or more underwriters.

If the Treasurer Representative determines to sell Certificates of Participation at a public sale, [s]he shall: (i) establish the date of the public sale; (ii) establish the criteria by which the successful bidder will be determined; (iii) determine the amount, form and method of delivery of a good faith deposit to the State; (iv) cause notice of the public sale to be given; and (v) provide for such other matters pertaining to the public sale as [s]he deems necessary or desirable.

If the Treasurer Representative determines to sell Certificates of Participation by means of a negotiated sale, [s]he is authorized: (i) to solicit proposals for the selection of firms to serve as underwriters for such Certificates of Participation; (ii) to negotiate the terms of a purchase contract for the sale of those Certificates of Participation; and (iii) to execute the purchase contract on behalf of the State so long as its terms are consistent with the provisions of this resolution.

Section 6. Limited Obligation. The Certificates of Participation, the Master Financing Contract, the Master Financing Lease, the State Agency Financing Contract and the State Agency Financing Lease shall not constitute a debt or a general obligation of the State or of any State Agency, the contracting of an indebtedness by the State or any State Agency, or a pledge of the faith and credit of the State or of any State Agency for purposes of any statutory or constitutional limitation upon debt or the contracting of indebtedness.

Section 7. Official Statement. To allow the initial underwriters of the Certificates of Participation of each series to comply with Section (b)(1) of Securities and Exchange

Commission Rule 15c2-12 (“Rule 15c2-12”), the Committee hereby authorizes the Treasurer or Treasurer Representative to execute a certificate “deeming final,” as of its date, the preliminary official statement to be prepared by the State in connection with the offering of each series of Certificates of Participation. A preliminary official statement may be deemed final even though it omits information as to offering prices, interest rates, selling compensation, aggregate principal amounts, principal amount per maturity, maturity dates, options of redemption, delivery date, ratings and other terms of the Certificates of Participation that are dependent on such matters.

The Committee authorizes and approves the preparation, execution by the Treasurer or Treasurer Representative and delivery to the underwriter of a final official statement for the Certificates of Participation of each series, in the form of the preliminary official statement, with such modifications and amendments thereto as shall be deemed necessary or desirable by the Treasurer or Treasurer Representative. The Committee authorizes and approves the distribution by the underwriters of the preliminary official statement to potential purchasers of the Certificates of Participation and the final official statement to purchasers of the Certificates of Participation.

Section 8. Continuing Disclosure. In order to assist the purchaser of a series of Certificates of Participation in complying with the requirements of Rule 15c2-12, the Treasurer and Treasurer Representative are authorized to provide certain financial information and operating data of the State annually, and notices of certain events, if material, and to undertake an obligation for the benefit of the beneficial owners of the Certificates of Participation to provide such continuing disclosure, in connection with the execution and delivery of each series of Certificates of Participation, in such form as the Treasurer or Treasurer Representative shall approve, which approval shall be conclusively evidenced by the execution and delivery thereof by the Treasurer or the Treasurer Representative.

Section 9. General Authorization. The Treasurer and the Treasurer Representative, are authorized to take all actions, and to make and execute all agreements, certificates, consents, notices and other documents and instruments which the Treasurer deems necessary or appropriate to cause the execution and delivery of each series of Certificates of Participation, and of the related financing documents, the proper application and use of the proceeds thereof, and to otherwise carry out the purposes and intent of this resolution.

Section 10. Application of Resolution. This resolution shall supersede Resolution No. 987 of the Committee only in respect of COP Documents entered into by the State after the date of adoption of this resolution and shall apply in respect of all COP Documents entered into by the State after the date of adoption of this resolution.

ADOPTED at an open meeting of the State Finance Committee after notice thereof was duly given as required by law, this 31st day of October, 2016.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

By _____
James L. McIntire
State Treasurer and Chair

By _____
Jay Inslee
Governor and Member

By _____
Brad Owen
Lieutenant Governor and Member

ATTEST:

Ellen L. Evans, Deputy State Treasurer
and Secretary

MASTER FINANCING CONTRACT, SERIES #1#
(Personal Property)

by and between the

WASHINGTON FINANCE OFFICERS ASSOCIATION

and the

STATE OF WASHINGTON

Relating to

\$ _____
State of Washington
Certificates of Participation, Series #1#
(_____)

Dated as of _____, 20__

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MASTER FINANCING CONTRACT, SERIES #1#
(Personal Property)

THIS MASTER FINANCING CONTRACT, SERIES #1#, dated as of _____, 20__ (the “Master Financing Contract”), is entered into by and among the Washington Finance Officers Association, a Washington nonprofit corporation (the “Corporation”), and the state of Washington (the “State”), acting by and through the State Treasurer (the “State Treasurer”).

RECITALS

The Parties are entering into this Master Financing Contract based upon the following facts and expectations:

1. Chapter 39.94 RCW (the “Act”) authorizes the State to enter into financing contracts for itself, including for state agencies, departments or instrumentalities, the state board for community and technical colleges, and any state institution of higher education (defined in Appendix 1 as “State Agencies”), for the use and purchase of real and personal property by the State; and

2. the Act also authorizes the State to enter into financing contracts on behalf of certain “other agencies” (defined in Appendix 1 as “Local Agencies”) for the use and acquisition for public purposes of real and personal property by such Local Agencies; and

3. the Act authorizes the State Finance Committee to consolidate existing or potential financing contracts into master financing contracts with respect to property acquired by one or more State Agencies or Local Agencies (together, “Agencies”); and

4. Chapter 43.33 RCW provides that the State Treasurer shall act as chair of the State Finance Committee and provide administrative assistance for the State Finance Committee, and the State Treasurer on behalf of the State Finance Committee has established a consolidated program for the execution and delivery of certificates of participation in master financing contracts in series from time to time in order to provide financing or refinancing for the costs of acquisition of such real and personal property by Agencies; and

5. the State Finance Committee has approved the form of this Master Financing Contract by Resolution No. ____ adopted on _____, 20__; and

6. the State has determined that it is necessary and desirable to enter into this Master Financing Contract to provide financing or refinancing for the acquisition of certain items of personal property for and on behalf of certain Agencies as set forth in Exhibit B which is incorporated herein by this reference (the “Property”); and

7. the Corporation will assign to the Trustee without recourse its right to receive the Installment Payments (as defined in Appendix 1) scheduled to be made by the State under this Master Financing Contract, together with all of the Corporation’s remaining right, title and interest in, to and under this Master Financing Contract, the Agency Financing Contracts and the Property, pursuant to a Master Assignment (Personal Property), Series #1#, dated as of the Dated

Date (the "Master Assignment"), by and between the Corporation and U.S. Bank National Association, as Trustee (the "Trustee"); and

8. in consideration of such assignment and pursuant to the Trust Agreement, Series #1# (the "Trust Agreement"), dated as of the Dated Date, by and among the Trustee, the State Treasurer and the Corporation, the Trustee has agreed to execute and deliver the State of Washington Certificates of Participation, Series #1# (_____), in an aggregate principal amount of \$_____ (the "Certificates") that evidence and represent the Principal Components and Interest Components of Installment Payments payable by the State under the Master Financing Contract to generate proceeds to be used to finance or refinance the Acquisition Costs of the Property;

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

ARTICLE I

DEFINITIONS; CONSTRUCTION; MISCELLANEOUS PROVISIONS; SUPPLEMENTS

Section 1.1 Definitions, Construction, Miscellaneous Provisions and Supplements. Appendix 1 is incorporated as part of this Master Financing Contract by this reference. Appendix 1 provides (i) definitions for the capitalized terms used and not otherwise defined in this Master Financing Contract; (ii) certain rules for interpreting this Master Financing Contract; (iii) miscellaneous technical provisions that apply to this Master Financing Contract; and (iv) rules on how this Master Financing Contract may be amended or supplemented.

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

Section 1.3 Agency Financing Contracts Consolidated with Master Financing Contract. Pursuant to RCW 39.94.040(1)(a), each State Agency Financing Contract and Local Agency Financing Contract is consolidated with this Master Financing Contract. The execution by the Corporation of this Master Financing Contract also shall be deemed to be the execution by the Corporation of each State Agency Financing Contract that is consolidated with this Master Financing Contract.

ARTICLE II

SALE AND PURCHASE OF PROPERTY

Section 2.1 Installment Sale and Purchase of Property.

(a) *Conditional Sales Contract.* This Master Financing Contract shall constitute a "conditional sales contract," a "financing contract" and a "master financing contract," each within the meaning of the Act.

(b) *Sale and Purchase of Property.* The Corporation agrees to sell to the State, and the State agrees to purchase from the Corporation, upon the terms and conditions set forth in this Master Financing Contract, all of the Corporation's right, title and interest in and to the Property and all proceeds and profits from the Property, subject to the security interest granted pursuant to Section 2.5, and the State agrees to pay the Purchase Price of the Property and interest thereon and the Additional Costs in accordance with Section 3.1.

Section 2.2 Appointment of Agents; Acquisition of Property; Revision and Substitution of Property.

(a) *Appointment of Agents.* The Corporation hereby appoints the State Treasurer as its agent in connection with the disbursement of proceeds of the Certificates and appoints the respective Agencies pursuant to the Notices of Intent as its agents in connection with the acquisition of the respective items of Property, respectively, and the State Treasurer hereby accepts such appointment. These appointments are made and conferred irrevocably by the Corporation, and shall not be terminated by any act of the State Treasurer, any Agency or the Corporation or otherwise.

(b) *Acquisition of Property.* The State agrees that it will pay or cause to be paid the Acquisition Costs of the Property to be acquired by the respective Agencies, as agents for the Corporation, with all reasonable dispatch solely from funds available to it pursuant to this Master Financing Contract, the Trust Agreement and the Agency Financing Contracts. The Trustee shall have no responsibility, liability or obligation under this Master Financing Contract or otherwise with respect to the acquisition of the Property or payment of its Acquisition Costs.

(c) *Revision and Substitution of Property.* The State may revise or consent to the revision of any item of Property to be acquired with proceeds of the Certificates, or the description thereof; provided, that (i) such item of Property as so revised shall satisfy the requirements under this Master Financing Contract with respect to the substitution of Property previously acquired; (ii) the Costs of Acquisition of such item of Property shall not be materially reduced thereby; and (iii) any such revision shall not relieve the State or any Agency of its obligation to acquire the Property in accordance herewith and with the Agency Financing Contract with respect thereto.

After acquisition of an item of Property, the State may consent to the substitution for an item of Property acquired for and on behalf of an Agency other personal property if the State Treasurer, as agent for the Corporation, obtains a certificate of such Agency stating that such substitute Property (i) has a remaining useful life equal to or greater than the Property for which it is being substituted; (ii) has a fair market value equal to or greater than the fair market value of the item of Property for which it is being substituted; (iii) is free and clear of all liens and encumbrances except a first priority security interest in favor of the Corporation under this Master Financing Contract; (iv) is essential to the Agency's ability to carry out its governmental functions and responsibilities; and (v) is expected to be used by such Agency for the term of its Agency Financing Contract. The State Treasurer's consent to any such substitution as agent for the Corporation will be conditioned upon receipt by the State Treasurer of an Opinion of Counsel to the effect that such substitution will not cause interest evidenced and represented by the Certificates to be includable in gross income for federal income tax purposes under the Code.

The State Treasurer also may require the Agency to reimburse the State Treasurer for all costs incurred, if any, to obtain such Opinion of Counsel.

Section 2.3 Acquisition Fund. The Corporation and the State shall enter into a Trust Agreement concurrently with the execution and delivery of this Master Financing Contract under which the Corporation authorizes and directs the State Treasurer as agent for the Corporation to establish the Acquisition Fund and to make disbursements therefrom to pay the Acquisition Costs of the Property on behalf of the Corporation. The proceeds of the sale of the Certificates shall be deposited in the Acquisition Fund. Money on deposit in the Acquisition Fund shall be invested by the State Treasurer as provided in the Trust Agreement. Disbursements from the Acquisition Fund shall be made as provided in the Trust Agreement. The amount allocable to each Agency shall be established by the State Treasurer and shall be an amount not to exceed the Acquisition Costs of its respective Property. Each Agency shall file requisitions with the State Treasurer for the Acquisition Costs of the Property or reimbursement therefor in such form as the State Treasurer may reasonably require.

Section 2.4 Title to the Property. All right, title and interest in and to the Property shall transfer to and vest in the State from the Corporation, without any further action by the State or the Corporation, immediately upon the acquisition thereof by the Agency (as agent for the Corporation) or reimbursement to the Agency for the Acquisition Costs thereof; *provided*, that the State and the Corporation shall take such action and execute such documents (including without limitation bills of sale and other title documents) as may be deemed necessary or desirable by the State or the Corporation to evidence and confirm such transfer of title pursuant to this Master Financing Contract.

The Corporation assigns to the State during the term of this Master Financing Contract, for so long as no Agency Event of Default, Event of Default or other event permitting termination of this Master Financing Contract has occurred and is continuing hereunder, all representations, warranties and guaranties, if any, express or implied, with respect to the Property from the manufacturers, suppliers and vendors thereof, subject, however, to a reservation by the Corporation of a right to independently enforce such warranties and guaranties.

Title to any additions, modifications, improvements, repairs or replacements to any Property shall be vested in the State, subject to the security interest of the Corporation until payment of all amounts due and owing with respect to such Property under this Master Financing Contract.

Any Property constituting a motor vehicle subject to registration with the State Department of Licensing shall be registered with the Agency as the registered and legal owner thereof.

Section 2.5 Security Interest. In order to secure the payment and performance by the State of its obligations under this Master Financing Contract, the State grants to the Corporation a lien on and security interest in all right, title and interest of the State, whether now owned or hereafter acquired, in and to the Property and the Agency Financing Contracts, including without limitation the Agency Installment Payments and all proceeds thereof. Accordingly, this Master

Financing Contract constitutes a security agreement. The State agrees that each provision of this Master Financing Contract is also a provision of the security agreement and that an Agency Event of Default is also a default under the security agreement.

If required by the Corporation, the State will execute and deliver to the Corporation, in form satisfactory to the Corporation, such security agreements, financing statements and/or other instruments covering the Property and all accessions thereto.

Section 2.6 Disclaimer of Warranties. The State acknowledges and agrees that the Property is of a nature, size, design and capacity selected by the respective Agencies pursuant to their own specifications, and not by the Corporation, and that the Corporation is not a manufacturer, supplier or a vendor of such personal property.

The Corporation makes no warranty or representation, either express or implied, and assumes no responsibility, liability or obligation, as to the value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the Property, or as to the title thereto, or for the enforcement of the manufacturers', suppliers' or vendors' representations or warranties or guaranties, or any other representation or warranty with respect to the Property. In no event shall the Corporation be liable or responsible for any incidental, indirect, special or consequential damages in connection with or arising out of this Master Financing Contract or the use by any Agency of any item of Property.

ARTICLE III

INSTALLMENT PAYMENTS; AGENCY INSTALLMENT PAYMENTS; PAYMENTS ON BEHALF OF LOCAL AGENCIES; LIMITED OBLIGATION

Section 3.1 Installment Payments. In consideration of the covenants and agreements of the Corporation in this Master Financing Contract, the State promises to pay to the Corporation the following amounts at the following times:

(a) On each Installment Payment Date, the Installment Payment set forth in Exhibit A, consisting of a Principal Component and/or an Interest Component as set forth in Exhibit A; and

(b) All Additional Costs incurred by the Corporation in connection with the sale of the Property to the State, the execution and delivery of the Certificates, and the observance and performance of the Series #1# Agreements, within 30 days following receipt of an invoice from the Corporation that includes (i) a brief description of each Additional Cost, (ii) the party to whom payment is due, (iii) the amount thereof, and (iv) such additional information as the State may reasonably request.

Each Installment Payment shall consist of a Principal Component and/or an Interest Component as set forth in Exhibit A to this Master Financing Contract. Interest shall accrue and be calculated as provided in the Trust Agreement. Each Installment Payment shall consist of the aggregate of the Agency Installment Payments payable by each Agency pursuant to its Agency Financing Contract. Payments of Additional Costs shall be made to or upon the order of the

Corporation. Each Installment Payment shall be applied first to the Interest Component, and then to the Principal Component.

The State shall make all Installment Payments directly to the Trustee by electronic funds transfer in lawful money of the United States of America from the sources set forth herein and subject to the terms and conditions hereof.

Section 3.2 Sources of Payment of Installment Payments.

(a) *State Agency Financing Contracts.* The State is acquiring the State Agency Property for and on behalf of the respective State Agencies set forth in Exhibit B, each of which State Agencies has executed and delivered a State Agency Financing Contract pursuant to which each State Agency agrees to acquire its respective Property and to make Agency Installment Payments at such times and in such amounts as will be sufficient in the aggregate to pay the Purchase Price of the Property to be acquired by the State for and on behalf of such State Agency and interest thereon.

The Installment Payments allocable to the Purchase Price of State Agency Property and interest thereon shall be payable by the State solely from Agency Installment Payments to be made by the respective State Agencies except as otherwise provided by Section 5.1. The obligation of each State Agency to make its Agency Installment Payments is subject to appropriation by the State Legislature and Executive Order reduction by the Governor. The State shall not be obligated to pay the Installment Payments allocable to the Purchase Price of State Agency Property and interest thereon other than from appropriated funds or other funds of the respective State Agencies that are not subject to appropriation by the State Legislature and are not derived, directly or indirectly, from General State Revenues.

(b) *Local Agency Financing Contracts.* The State is acquiring the Local Agency Property for and on behalf of the respective Local Agencies set forth in Exhibit B, each of which Local Agencies has executed and delivered a Local Agency Financing Contract pursuant to which such Local Agency agrees to acquire its respective Property and to make Agency Installment Payments at such times and in such amounts as will be sufficient in the aggregate to pay, on each Installment Payment Date, the Purchase Price of the Property to be acquired by the State for and on behalf of such Local Agency, and interest thereon.

The Installment Payments allocable to the Purchase Price of Local Agency Property and interest thereon shall be payable by the State solely from Agency Installment Payments to be made by the respective Local Agencies, and the State shall not be obligated to pay the Installment Payments allocable to the Purchase Price of Local Agency Property and interest thereon other than from Agency Installment Payments paid by the respective Local Agencies, except as otherwise provided in subsections (c) and (d) of this Section 3.2.

Pursuant to each Local Agency Financing Contract, the obligation of each Local Agency to make its Agency Installment Payments is a direct and general obligation of the Local Agency to which the full faith and credit of such Local Agency is pledged.

(c) *Intercept of Local Agency Share of State Revenues.* In the event that any Local Agency fails to make any payment due under its Local Agency Financing Contract, pursuant to

RCW 39.94.030(1), 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 such Local Agency; but (i) only if the use of any such revenues or amounts to make such payments is otherwise authorized or permitted by State law, and (ii) only to the extent such Local Agency is otherwise entitled to receive such share of State revenues or other amounts. Such withholding shall continue until all such payments due thereunder have been made. Amounts withheld by the State Treasurer pursuant to this Subsection 3.2(c) shall be applied to make any such payment due under the Local Agency Financing Contract on behalf of the Local Agency, or to reimburse the State for any such payment made pursuant to Subsection 3.2(d). The State makes no representation or warranty regarding whether or in what amounts any Local Agency may be entitled to receive distributions of State revenues or other amounts described in this Subsection 3.2(c).

(d) *Conditional Payment of Local Agency Installment Payments.* Upon the failure of any Local Agency to make any Agency Installment Payment at such time and in such amount as required pursuant to its Local Agency Financing Contract, the State shall, to the extent of legally available appropriated funds and subject to any Executive Order reduction, make such payment into the Agency Installment Payment Fund on behalf of such Local Agency within 15 Business Days after such Agency Installment Payment was due. The State shall be entitled to reimbursement for any such payments made on behalf of the Local Agency as provided in the Local Agency Financing Contract.

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

Section 3.4 No Set-Off. The obligation of the State to make Installment Payments from the sources set forth herein and to perform its other obligations hereunder shall be absolute and unconditional, subject, however, to the right of any State Agency to cease making Agency Installment Payments upon the occurrence of a Permitted Termination Event. The State shall make Installment Payments when due without diminution, reduction, postponement, abatement, counterclaim, defense or set-off as a result of any dispute, claim or right of action by, against or diminution, among the State, the Corporation, the Trustee, any Agency, 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 Corporation from the observance or performance of its obligations hereunder. If the Corporation shall fail to observe or perform any such obligation, the State may institute such legal action and pursue such other remedies against the Corporation as the State deems necessary or desirable, including, but not limited to actions for specific performance, injunction and/or the recovery of damages.

Section 3.5 Limited Obligation. THIS MASTER FINANCING CONTRACT SHALL CONSTITUTE A SPECIAL, LIMITED OBLIGATION OF THE STATE PAYABLE SOLELY FROM THE SOURCES AND SUBJECT TO THE LIMITATIONS SET FORTH HEREIN. THIS MASTER FINANCING CONTRACT SHALL NOT CONSTITUTE A DEBT OR A GENERAL OBLIGATION OF THE STATE, THE CONTRACTING OF AN INDEBTEDNESS BY THE STATE, OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE, FOR PURPOSES OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION UPON DEBT OR THE CONTRACTING OF INDEBTEDNESS. THE OBLIGATION OF THE STATE TO MAKE INSTALLMENT PAYMENTS, BOTH FOR STATE AGENCY PROPERTY AND ON BEHALF OF LOCAL AGENCIES FOR LOCAL AGENCY PROPERTY, IS SUBJECT TO APPROPRIATION AND TO EMERGENCY REDUCTION IN FUNDING UNDER CERTAIN CIRCUMSTANCES, ALL AS SET FORTH IN SECTION 5.1 OF THIS MASTER FINANCING CONTRACT.

Section 3.6 Assignments by the Corporation. Concurrently with the execution and delivery of this Master Financing Contract, the Corporation will unconditionally assign to the Trustee pursuant to the Master Assignment, without recourse, (i) all of its rights to receive the Installment Payments, (ii) all of its remaining right, title and interest in, to and under this Master Financing Contract and the Agency Financing Contracts, and in and to the Property (including any security interest therein), in consideration for the payment by the Trustee to the State Treasurer, as agent of the Corporation, of the proceeds of the sale of the Certificates. The State and the Corporation hereby acknowledge and agree that such assignment by the Corporation is intended to be a true sale of the Corporation's right, title and interest, and that upon such assignment the Corporation shall cease to have any rights or obligations under this Master Financing Contract or with respect to the Property, and the Trustee shall thereafter have all the rights and obligations of the Corporation hereunder as if the Trustee had been the original party hereto. Except where the context otherwise requires (such as in Section 6.1), every reference in this Master Financing Contract to the Corporation shall be deemed to be a reference to the Trustee in its capacity as assignee of the Corporation.

ARTICLE IV

OPTIONAL PREPAYMENT OF INSTALLMENT PAYMENTS

Section 4.1 Optional Prepayment.

(a) The State may at its option, and shall upon the optional prepayment of Agency Installment Payments by any Agency pursuant to Section 4.1(a) of its Agency Financing Contract, make provision in the Agency Installment Payment Fund for the payment of Principal Components and associated Interest Components then unpaid, in whole or in part from any

source of available funds, on their Principal Payment Dates and Interest Payment Dates, respectively.

(b) Alternatively, if Agency Principal Components are in Authorized Denominations, the State may at its option, and shall upon the optional prepayment of Agency Installment Payments by any Agency pursuant to Section 4.1(a) of its Agency Financing Contract, make provision in the Certificate Fund for the defeasance of the State's obligation to pay the Principal Components and associated Interest Components then unpaid, in whole or in part in Authorized Denominations from any source of available funds, on their Principal Payment Dates and Interest Payment Dates, respectively, up to and including the Prepayment Date, if any, for the Certificates evidencing such Principal Components and Interest Components, and on any such Prepayment Date for the Certificates, the prepayment of the remaining Principal Components then unpaid, in whole or in part in Authorized Denominations from any source of available funds, at a Prepayment Price equal to the sum of the Principal Components so prepaid, plus accrued interest, if any, to the Prepayment Date, by causing to be deposited with the Corporation, (i) money and/or Government Obligations in accordance with Section 10.01 of the Trust Agreement; and (ii) an Opinion of Counsel to the effect such actions are permitted hereunder 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.

Section 4.2 Revision of Installment Payments upon Optional Prepayment. The Principal Components and Interest Components of the Installment Payments due on each Installment Payment Date on and after any Prepayment Date pursuant to Section 4.1, as set forth in Exhibit A, shall be reduced by the Trustee to reflect such prepayment, in Authorized Denominations, in such amounts and on such Installment Payment Dates as the State shall elect in a written notice to the Trustee; *provided*, that the aggregate reduction in such Principal Components shall be equal to the aggregate Principal Components prepaid by the State; and *provided further*, that the reduction in Principal Components and Interest Components due on each Installment Payment Date shall be equal to the corresponding reduction in the Agency Installment Payments due on each Agency Installment Payment Date.

Section 4.3 Discharge of Master Financing Contract. All right, title and interest of the Corporation and all obligations of the State under this Master Financing Contract shall terminate and be completely discharged and satisfied (except for the right of the Corporation and the obligation of the State to have the money and Government Obligations set aside pursuant to Section 4.3(b) applied to make the remaining Installment Payments) when either:

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

(b) (i) the State shall have delivered a written notice to the Corporation of its intention to prepay all of the Installment Payments remaining unpaid; (ii) the State shall cause to be deposited with the Corporation (A) money and/or Government Obligations in accordance with Section 10.01 of the Trust Agreement; and (B) an Opinion of Counsel to the effect that such actions are permitted hereunder 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 Installment Payments remain unpaid, provision shall have been made

satisfactory to the Corporation and the Trustee for payment of all Additional Costs, including but not limited to the fees and expenses of the Trustee.

ARTICLE V

PERMITTED TERMINATION EVENTS; REMEDIES

Section 5.1 Permitted Termination Event. Each of the following events shall constitute a “Permitted Termination Event” hereunder, but only with respect to the State Agency Financing Contract with respect to which the event has occurred and the related obligation of the State under this Master Financing Contract:

(a) The State Legislature elects not to appropriate sufficient funds within any biennial budget in a manner that precludes the State from making Installment Payments due under this Master Financing Contract during the next occurring Biennium; or

(b) The Governor of the State issues an Executive Order mandating an emergency reduction in State funding as a result of which sufficient funds will not be available to the State for the purpose of paying the scheduled Installment Payments due under this Master Financing Contract.

Upon the State’s determination of the occurrence of a Permitted Termination Event as provided in Section 6.3(i), the State Treasurer shall immediately deliver written notice to the Corporation and the affected State Agency in the form of a Certificate of the State Treasurer stating (i) the election by the State Legislature not to appropriate the necessary funds or the Executive Order reduction in State funding as the reason for termination of the affected State Agency Financing Contract and the related obligation of the State under this Master Financing Contract, (ii) that no other agency or department of the State authorized under the Act to enter into financing contracts is legally permitted and willing and able to assume the rights and obligations of the State Agency under the affected State Agency Financing Contract, and (iii) the Permitted Termination Date.

Section 5.2 Remedies of the Corporation Upon a Permitted Termination Event. Upon the State’s determination of the occurrence of a Permitted Termination Event and upon the Written Request of the State Treasurer, the director or other chief administrator of the State Agency shall return the Property to the Corporation, and the State thereupon shall be released of its obligations to make all further Installment Payments under this Master Financing Contract with respect to the Property, but only if the State Agency delivers the Property in good repair, working order and condition, ordinary wear and tear excepted, and its unencumbered title to the Corporation at a location in the United States designated by the Corporation. Upon the State’s determination of the occurrence of a Permitted Termination Event, the Corporation shall be entitled to retain all sums previously transmitted to the Corporation by the State for the benefit of the Owners of the Certificates.

The occurrence of a Permitted Termination Event with respect to one State Agency Financing Contract shall not affect any rights, duties or obligations with respect to any other State Agency Financing Contract with respect to which no Permitted Termination Event has occurred. The occurrence of a Permitted Termination Event shall not constitute an Agency

Event of Default, a Master Contract Event of Default or an Event of Default, and the remedies set forth in this Section relating to the return of the Property are the sole remedies available to the Corporation upon such occurrence. If the State Legislature provides a supplemental appropriation or the Executive Order is withdrawn prior to the Permitted Termination Date and the Corporation has not yet sold, relet or otherwise disposed of the Property, the State may, by written notice to the Corporation in the form of a Certificate of the State Treasurer, revoke its notice of termination and continue its obligations under this Master Financing Contract.

ARTICLE VI

REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS

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

(a) The Corporation is a Washington nonprofit corporation duly organized and validly existing under the laws of the State.

(b) The Corporation is authorized under the laws of the State and its Articles of Incorporation to enter into and perform its obligations under this Master Financing Contract and the other Series #1# Agreements to which it is a party.

(c) Neither the execution and delivery by the Corporation of this Master Financing Contract or the other Series #1# Agreements to which it is a party, nor the observance and performance of the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or constitutes a breach of or default under any agreement or instrument to which the Corporation is a party or by which the Corporation or its property is bound, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon the Property, except as expressly provided in this Master Financing Contract and the Series #1# Agreements.

(d) The Corporation has duly authorized, executed and delivered this Master Financing Contract and the other Series #1# Agreements to which it is a party.

(e) This Master Financing Contract and the other Series #1# Agreements to which the Corporation is a party are valid and binding obligations of the Corporation, enforceable against it in accordance with their respective 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.

Section 6.2 Representations and Warranties of the State.

(a) The State Finance Committee has duly approved and authorized the execution and delivery of the forms of this Master Financing Contract and the other Series #1# Agreements to which the State is a party pursuant to Resolution No. ____ adopted on _____, 20__.

(b) There is a sufficient appropriation for the current Biennium for the State to make any scheduled Local Agency Installment Payments that may be required during such Biennium pursuant to Section 3.2(d).

(c) Each Agency has represented and warranted that the Property to be acquired pursuant to this Master Financing Contract for and on behalf of such Agency is essential to the Agency's ability to carry out its governmental functions and responsibilities, and each such Agency has further represented and warranted that it expects to make immediate and continuing use of such Property during the term of its Agency Financing Contract.

(d) The State makes no representation or warranty regarding the perfection of any security interest in the Property, this Master Financing Contract or any of the Agency Financing Contracts for the benefit of the Corporation or the Trustee, as assignee of the Corporation.

Section 6.3 Covenants and Agreements of the State.

(a) *Budget.* The State Treasurer shall use its best efforts to obtain appropriations by the State Legislature in amounts sufficient to make any payments on behalf of Local Agencies as may be required pursuant to Section 3.2(d).

(b) *Agency Financing Contracts.* Concurrently with the execution and delivery of this Master Financing Contract, the State shall enter into a Local Agency Financing Contract with each Local Agency set forth in Exhibit B with respect to the acquisition of the item or items of Property set forth therein substantially in the form set forth in Exhibit C. Concurrently with the execution and delivery of this Master Financing Contract, the State acting by and through each State Agency shall enter into a State Agency Financing Contract with the Corporation set forth in Exhibit B with respect to the acquisition of the item or items of Property set forth therein substantially in the form set forth in Exhibit D.

(c) *Tax Exemption.* The State shall not make any use of the proceeds of this Master Financing Contract 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 this Master Financing Contract or the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. The State 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 Installment Payments under Section 103 of the Code. The State shall not make any use of the proceeds of this Master Agency Financing Contract or the Certificates or of any other amounts, and shall not take or refrain from taking any action, that would cause this Master Financing Contract 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 Installment Payments remain unpaid, the State, 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 State 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 Installment 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 State shall comply with the provisions of the Tax Certificate.

The State Treasurer may establish and maintain a separate account designated as the "State of Washington Certificates of Participation, Series #1# Rebate Fund" (the "Rebate Fund"). The State shall deposit in the Rebate Fund the Rebate Requirement as provided in the Tax Certificate. Subject to the other provisions of this subsection (c), money held in the Rebate Fund are hereby pledged to secure the rebate payments to the United States, and the State, the Agencies, the Corporation, the Trustee and the Owners shall have no rights in or claim to such money.

Without limiting the generality of the foregoing, the State agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code. This covenant shall survive the discharge of this Master Financing Contract and the payment in full or defeasance of the Certificates. The State specifically covenants to pay or cause to be paid to the United States at the times and in the amounts determined under this subsection (c), the Rebate Requirement as provided by the Tax Certificate.

Notwithstanding any provision of this subsection (c), if the State shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under this subsection (c) is no longer required or that some further or different action is required to maintain the tax-exempt status of interest evidenced and represented by the Certificates, the Trustee may conclusively rely on such opinion, and the covenants of the State hereunder shall be deemed to be modified to that extent.

(d) *Liens; Sale or Disposal.* The State shall not create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, except the rights of the Corporation and the respective Agencies as provided herein and in the Agency Financing Contracts. The State 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 State shall not (and shall not permit any Agency) to grant, sell, transfer, assign, pledge, convey or otherwise dispose of any of the Property other than to the respective Agencies pursuant to the Agency Financing Contracts or as otherwise provided herein, and any such attempted grant, sale, transfer, assignment, pledge, conveyance or disposal shall be void.

(e) *Performance.* The State shall punctually pay the Installment Payments in conformity with the terms and provisions hereof, and will faithfully observe and perform all the covenants, terms and other obligations contained herein required to be observed and performed by the State. Except for Permitted Termination Events, the State 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 grounds for cancellation or termination of this Master Financing Contract. Except for Permitted Termination Events, the State will not terminate this Master Financing Contract for any cause, including but not limited to any acts or

circumstances that may constitute failure of consideration, destruction of or damage to the Property, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of the State, or any failure by the Corporation to observe or perform any covenant, agreement, term, condition or other obligation contained herein required to be observed and performed by it, whether express or implied, or the bankruptcy, insolvency, liquidation or reorganization of the Corporation. The State assumes the entire risk of loss, from any and every cause whatsoever, to the Property.

(f) *Accounting Records and Report.* The State Treasurer will keep or cause to be kept proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, deposit, application and disbursement of the Agency Installment Payments, and such accounting records shall be available for inspection by the Trustee, as assignee of the Corporation, or its agent duly authorized in writing at reasonable hours and under reasonable conditions.

(g) *Further Assurances.* The State will preserve and protect the rights of the Corporation hereunder, and will warrant and defend such rights against all claims and demands of all Persons. The State Treasurer will promptly execute, make and deliver 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 Corporation the rights and benefits provided to it hereunder.

(h) *Disclosure Agreement.* Concurrently with the execution and delivery hereof, the State Treasurer will execute and deliver the Disclosure Agreement in order to assist the Underwriter in complying with the requirements under the Rule. The State shall comply with the requirements of the Disclosure Agreement; *provided*, that failure to so comply shall not constitute a default hereunder.

(i) *Determination of Occurrence of Permitted Termination Event.* Not later than 30 days following the receipt by the State Treasurer of written notice from a State Agency, pursuant to Section 6.2(d) of its State Agency Financing Contract, that the State Agency has preliminarily determined, as a result of the enactment of a biennial budget by the State Legislature or the issuance of an Executive Order reduction in funding, that the State Agency expects that sufficient funds will not be available to the State Agency to make its scheduled Agency Installment Payments for the Property during the Biennium covered by such enacted budget or during the Biennium affected by such Executive Order, the State Treasurer shall review such written notice and the State shall determine whether a Permitted Termination Event has occurred. For the purposes of making this determination, the State shall (i) if practicable, request a supplemental appropriation by the State Legislature in the event that a sufficient appropriation has not been made to the State Agency in the enacted biennial budget, and/or (ii) determine whether or not the Property and the obligations of the State Agency under the affected State Agency Financing Contract may be transferred to another agency or department of the State authorized under the Act to enter into financing contracts.

ARTICLE VII

EVENTS OF DEFAULT; REMEDIES

Section 7.1 Events of Default. Each of the following shall constitute an “Event of Default” hereunder:

(a) Failure by the State (other than as a result of a Permitted Termination Event) to pay or cause to be paid any Installment Payment required to be paid hereunder at the time set forth herein; and

(b) Failure by the State (other than as a result of a Permitted Termination Event) 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 30 days after written notice from the Corporation, or from the Owners of not less than 25% in aggregate Principal Component evidenced and represented by the Certificates then Outstanding, to the State Treasurer specifying such failure and requesting that it be remedied; *provided, however*, that such period shall be extended for not more than 60 days if such failure cannot be corrected within such period, and corrective action is commenced by the State within such period and diligently pursued until the failure is corrected.

Notwithstanding the foregoing provisions of this Section, if by reason of *force majeure* the State is unable in whole or in part to carry out the covenants, agreements, terms and conditions on its part contained in this Master Financing Contract, the State 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 State.

The Corporation may, at its election, waive any default or Event of Default and its consequences hereunder and annul any notice thereof by written notice to the State Treasurer to such effect, and thereupon the respective rights of the Parties hereunder shall be as they would have been if such default or Event of Default had not occurred. A waiver of any default or Event of Default by the Corporation shall not affect any subsequent default or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Corporation to exercise any right or remedy upon any default shall impair any such right or remedy or shall be construed to be a waiver of any such default and every right conferred upon the Corporation by law or by this Article may be exercised from time to time and as often as shall be deemed expedient by the Corporation.

If any action to enforce any right or to exercise any remedy is abandoned or determined adversely to the Corporation, the Corporation and the State shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

ANYTHING HEREIN TO THE CONTRARY NOTWITHSTANDING, A PERMITTED TERMINATION EVENT SHALL NOT CONSTITUTE AN EVENT OF DEFAULT HEREUNDER.

Section 7.2 Remedies. Whenever an Event of Default under Section 7.1 hereof shall have occurred and be continuing, the Corporation has the right, without any further demand or notice, to:

(a) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due and thereafter becoming due, or to enforce the observance or performance of any covenant, agreement or obligation of the State under this Master Financing Contract;

(b) by written notice to the State, request the State to (and the State agrees that it shall), at the State's expense, promptly return the item or items of Property with respect to which such default occurred in good condition (ordinary wear and tear excepted) to any location in the United States specified by the Corporation;

(c) exercise all rights of a secured party under the State Uniform Commercial Code with respect to the item or items of Property with respect to which such default occurred; and

(d) exercise any other rights or remedies it may have hereunder or under applicable law.

Section 7.3 No Remedy Exclusive; Non-Waiver. No remedy conferred upon or reserved to the Corporation 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 Master Financing Contract 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 Event of Default hereunder shall impair any such right or remedy or shall be construed to be a waiver of such default or 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 Corporation hereunder, it shall not be necessary to give any notice, other than such notice as may be required hereunder. A waiver by the Corporation of any default or Event of Default hereunder shall not constitute a waiver of any subsequent default or Event of Default hereunder, and shall not affect or impair the rights or remedies of the Corporation in connection with any such subsequent default or Event of Default.

ARTICLE VIII

TERM

Section 8.1 Term. This Master Financing Contract shall terminate on the date on which all amounts due hereunder shall have been paid or the payment thereof duly provided for pursuant to Section 4.3.

IN WITNESS WHEREOF, the Corporation has caused this Master Financing Contract to be executed in its name by its duly authorized officers, and the State has caused this Master

Financing Contract to be executed in its name by its duly authorized officials, all as of the day and year first written above.

WASHINGTON FINANCE OFFICERS
ASSOCIATION

Authorized Corporation Representative

STATE OF WASHINGTON
OFFICE OF THE STATE TREASURER

Treasurer Representative

EXHIBIT A

INSTALLMENT PAYMENT SCHEDULE

<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Installment Payment</u>
Totals	<hr/> \$	<hr/> \$	<hr/> \$

EXHIBIT B

PARTICIPATING AGENCIES AND DESCRIPTION OF PROPERTY

<u>Transaction No.</u>	<u>Agency</u>	<u>Equipment</u>
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EXHIBIT C

FORM OF LOCAL AGENCY FINANCING CONTRACT

See form of Local Agency Financing Contract,
approved by Resolution No. ____ of the State Finance Committee,
adopted _____, 20__, on file with the Office of the State Treasurer

EXHIBIT D

FORM OF STATE AGENCY FINANCING CONTRACT

See form of State Agency Financing Contract,
approved by Resolution No. ____ of the State Finance Committee,
adopted _____, 20__, on file with the Office of the State Treasurer

MASTER FINANCING LEASE, SERIES #1#
(Real Property)

by and between the

WASHINGTON FINANCE OFFICERS ASSOCIATION

and the

STATE OF WASHINGTON

Relating to

\$ _____

State of Washington

Certificates of Participation, Series #1#

(_____)

Dated as of _____, 200_

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MASTER FINANCING LEASE, SERIES #1#
(Real Property)

THIS MASTER FINANCING LEASE, SERIES #1#, dated as of _____, 20__ (the “Master Financing Lease”), is entered into by and among the Washington Finance Officers Association (the “Corporation”), a Washington nonprofit corporation, and the state of Washington (the “State”), acting by and through the State Treasurer (the “State Treasurer”).

RECITALS

The Parties are entering into this Master Financing Lease based upon the following facts and expectations:

1. Chapter 39.94 RCW (the “Act”) authorizes the State to enter into financing contracts for itself, including for state agencies, departments or instrumentalities, the state board for community and technical colleges, and any state institution of higher education (defined in Appendix 1 as “State Agencies”), for the use and purchase of real and personal property by the State; and

2. the Act also authorizes the State to enter into financing contracts on behalf of certain “other agencies” (defined in Appendix 1 as “Local Agencies”), including the Local Agency, for the use and acquisition for public purposes of real and personal property by such Local Agencies; and

3. the Act authorizes the State Finance Committee to consolidate existing or potential financing contracts into master financing contracts with respect to property acquired by one or more State Agencies or Local Agencies (together, “Agencies”); and

4. Chapter 43.33 RCW provides that the State Treasurer shall act as chair of the State Finance Committee and provide administrative assistance for the State Finance Committee, and the State Treasurer on behalf of the State Finance Committee has established a consolidated program for the execution and delivery of certificates of participation in master financing contracts in series from time to time in order to provide financing or refinancing for the costs of acquisition of such real and personal property by Agencies; and

5. the State Finance Committee has approved the form of this Master Financing Lease by Resolution No. ____ adopted on _____, 20__; and

6. the Corporation and certain Agencies as set forth herein each have entered into a Site Lease, Series #1#, dated as of the Dated Date (the “Site Leases”), for the lease of certain parcels of real property (the “Sites”) to the Corporation for the sole purpose of enabling the Corporation to sublease the Sites to the State in order to permit the State to finance or refinance the acquisition or construction of improvements on the Sites (the “Projects,” and, together with the Sites, the “Property”); and

7. the State has determined that it is necessary and desirable to enter into this Master Financing Lease to provide financing or refinancing for the Projects on behalf of such Agencies through the sublease of the Property by the State from the Corporation; and

8. the Corporation will assign to the Trustee without recourse its right to receive the Rent Payments (as defined in Appendix 1) scheduled to be made by the State under this Master Financing Lease, together with all of the Corporation's remaining right, title and interest in, to and under the Site Leases, this Master Financing Lease, the Agency Financing Leases and the Property, pursuant to a Master Assignment (Real Property), Series #1#, dated as of the Dated Date (the "Master Assignment"), by and between the Corporation and U.S. Bank National Association, as Trustee (the "Trustee"); and

9. in consideration of such assignment and pursuant to the Trust Agreement (the "Trust Agreement"), dated as of the Dated Date, by and among the Trustee, the State and the Corporation, the Trustee has agreed to execute and deliver the State of Washington Certificates of Participation, Series #1# (_____), in the aggregate principal amount of \$_____ (the "Certificates"), a portion of the proceeds of which will be used to finance or refinance the Project Costs;

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

ARTICLE I

DEFINITIONS; CONSTRUCTION; MISCELLANEOUS PROVISIONS; SUPPLEMENTS

Section 1.1 Definitions; Construction; Miscellaneous Provisions; Supplements. Appendix 1 to this Master Financing Lease is incorporated in and made a part of this Master Financing Lease by this reference. Appendix 1 provides (i) definitions for the capitalized terms used and not otherwise defined in this Master Financing Lease; (ii) certain rules for interpreting this Master Financing Lease; (iii) miscellaneous technical provisions that apply to this Master Financing Lease; and (iv) rules on how this Master Financing Lease may be amended or supplemented.

Section 1.2 Performance by Representatives. Any authority granted or duty imposed upon the State hereunder may be undertaken and performed by the State Treasurer or the Treasurer Representative. Any authority or duty imposed upon an Agency (as defined in Appendix 1 hereto) hereunder may be undertaken and performed by the Authorized Agency Representative.

Section 1.3 Agency Financing Leases Consolidated with Master Financing Lease. Pursuant to RCW 39.94.040(1)(a), each State Agency Financing Lease and Local Agency Financing Lease is consolidated with this Master Financing Lease.

ARTICLE II

SUBLEASE OF PROPERTY; ACQUISITION AND CONSTRUCTION OF PROJECTS

Section 2.1 Sublease of Property.

(a) *Master Financing Lease.* This Master Financing Lease shall constitute a “financing lease,” a “financing contract” and a “master financing contract,” each within the meaning of the Act.

(b) *Sublease of Property.* The Corporation subleases to the State, upon the terms and conditions set forth in this Master Financing Lease, the Sites described in Exhibit A, together with all improvements, if any, to be constructed on the Sites, including but not limited to the Projects (collectively, the “Property”), subject to all easements, covenants, conditions and restrictions existing as of the Dated Date. The State agrees to pay the Rent Payments and Additional Rent for the Property in accordance with Section 3.1.

(c) *Right of Entry.* The Corporation 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 Corporation’s rights and obligations hereunder.

(d) *Quiet Enjoyment.* The State and its authorized assignees and sublessees at all times during the term of this Master Financing Lease, subject to the provisions of Article VII hereof, shall peaceably and quietly have, hold and enjoy all of the Property without suit, trouble or hindrance from the Corporation.

Section 2.2 Appointment of Agents; Acquisition and Construction of Projects; Additions to Property; Release of Property.

(a) *Appointment of Agents.* The Corporation hereby appoints the State Treasurer as its agent in connection with the disbursement of the proceeds of the Certificates and appoints the respective Agencies pursuant to the Notices of Intent as its agents in connection with the design, acquisition and/or construction and financing or refinancing of the Projects, respectively, and the State Treasurer hereby accepts such appointment. These appointments are made and conferred irrevocably by the Corporation, and shall not be terminated by any act of the State, any Agency or the Corporation or otherwise.

(b) *Acquisition and Construction of Projects.* The State has caused or will cause each Project to be designed, acquired and/or constructed and financed or refinanced with all reasonable dispatch by the respective Agency, as agent for the Corporation, in accordance with the plans, specifications, bidding documents, and construction and other contracts approved by such Agency, and in accordance with applicable laws and regulations. The State agrees that it will pay or cause to be paid the Project Costs solely from funds available to it pursuant to this Master Financing Lease, the Trust Agreement and the Agency Financing Leases. The Trustee, as assignee of the Corporation, shall have no responsibility, liability or obligation under this

Master Financing Lease or otherwise with respect to the acquisition or construction of the Projects or payment of the Project Costs.

(c) *Additions to Property.* The State shall have the right during the term of this Master Financing Lease, at the cost and expense of the respective Agency, to make or permit 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 State also shall have the right during the term of this Master Financing Lease, without the consent of any Owners, to enter into Additional Master Financing 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 this Master Financing Lease, including without limitation its obligation to make Rent Payments, and will not, in an Opinion of Counsel, adversely affect the tax-exempt status of the Interest Component of Rent Payments evidenced and represented by the Certificates. If the State enters into any Additional Master 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 Trustee for the benefit of owners of certificates of participation in such Additional Master Financing Lease. The occurrence of an Event of Default or Permitted Termination Event with respect to this Master Financing Lease shall constitute a like event under any Additional Master Financing Lease, and the occurrence of any such like event under any Additional Master Financing Lease shall constitute an Event of Default or Permitted Termination Event, as the case may be, under this Master 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 Trustee with respect to the Property following the occurrence of an Event of Default or Permitted Termination Event.

(d) *Release of Property.* After acquisition, construction, financing or refinancing of any Project, the State may release and consent to the release of a portion of the Property leased under any Site Lease, and subleased under and pursuant to this Master Financing Lease and the related Agency Financing Lease, by first filing with the Trustee, as assignee of the Corporation, (i) an Opinion of Counsel to the effect that such release (A) is permitted under this Master Financing Lease, and (B) in and of itself, will not adversely affect the exclusion from gross income for federal income tax purposes of the Interest Component of the Certificates; (ii) an appraisal or other written evidence from an independent, disinterested real property appraiser acceptable to the State Treasurer to the effect that the remaining portion of the Property has an estimated fair rental value for the remaining term of the respective Agency Financing Lease equal to or greater than the Agency Rent Payments due from time to time thereunder; and (iii) provision by such Agency of 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 Trustee, as assignee of the Corporation, and the Agency shall execute, deliver and record such amendments and modifications to the Site Lease, the Master Financing Lease, the Master Assignment or the applicable Agency Financing

Lease, and such other documents, agreements and instruments, as the State Treasurer shall deem necessary or desirable in connection with such release.

Section 2.3 Project Fund. The Corporation and the State shall enter into a Trust Agreement concurrently with the execution and delivery of this Master Financing Lease under which the Corporation authorizes and directs the State Treasurer as agent for the Corporation to establish the Project Fund and to make disbursements therefrom to pay the Project Costs on behalf of the Corporation. The proceeds of the sale of the Certificates shall be deposited in the Project Fund. Money on deposit in the Project Fund shall be invested by the State Treasurer as provided in the Trust Agreement. Disbursements from the Project Fund shall be made as provided in the Trust Agreement. The amount allocable to each Agency shall be established by the State Treasurer and shall be an amount not to exceed the Project Costs of its respective Project. Each Agency shall file requisitions with the State Treasurer for the Project Costs of the Project or reimbursement therefor in such form as the State Treasurer may reasonably require.

Section 2.4 Title to the Property. Fee title to [or ownership of a leasehold interest in] the Property, subject to Permitted Encumbrances, and all additions, modifications, repairs and improvements thereto, shall remain and vest in the respective Agencies, subject to the respective leasehold estates under the Site Leases, this Master Financing Lease and the Agency Financing Leases, without any further action by the State, the respective Agencies or the Corporation.

Section 2.5 Assignment; Attornment. The State hereby assigns and transfers to the Corporation the State's interest in the Agency Financing Leases and all rentals, income and profits therefrom, including without limitation the Agency Rent Payments; *provided*, that until an Event of Default shall occur and be continuing hereunder, the State may receive, collect, enjoy and apply the rents accruing under the Agency Financing Leases as otherwise provided therein and herein. Upon the occurrence and continuance of an Event of Default hereunder, the Corporation may, at its option, either (i) terminate the respective Agency Financing Lease; (ii) elect to receive and collect, directly from the Agencies, the Agency Rent Payments and other amounts due and to become due under the Agency Financing Leases, or (iii) elect to succeed to the State's interest in the Agency Financing Leases and cause the Agencies to attorn to the Corporation, as sublessor. The Corporation shall credit the State with any Agency Rent Payments received as a result of such assignment; *provided*, that the acceptance by the Corporation of any such payment shall not be deemed to be (A) an attornment by the Corporation to the Agency, or by the Agency to the Corporation, or (B) a waiver by the Corporation of any provision of this Master Financing Lease or (C) a release of the State from any obligation or liability hereunder.

Section 2.6 Disclaimer of Warranties. The State 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 State in its present condition. The State subleases the Property from the Corporation in its present condition, "as is." The Corporation 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, 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 or codes, or as to compliance with applicable covenants, conditions or restrictions, or any other representation or warranty with respect to the Property. In no event shall the Corporation be liable or responsible for any incidental, indirect, special or consequential damages in connection with or arising out of this Master Financing Lease or the construction or use by any Agency of any Property.

ARTICLE III

RENT PAYMENTS; AGENCY RENT PAYMENTS; PAYMENTS ON BEHALF OF LOCAL AGENCIES; LIMITED OBLIGATION

Section 3.1 Rent Payments. The State promises to pay to the Corporation, as rental for the use and occupancy of the Property, the following amounts at the following times:

(a) *Rent Payments*. On each Rent Payment Date, the Rent Payment set forth in Exhibit B, consisting of a Principal Component and/or an Interest Component as set forth in Exhibit B; and

(b) *Additional Rent*. All Additional Rent incurred by the Corporation in connection with the lease of the Sites from the Agencies, the sublease of the Property to the State, the execution and delivery of the Certificates, and the observance and performance of the agreements entered into between the parties hereto (the "Series #1# Agreements"), within 30 days following receipt of an invoice from the Corporation that includes (i) a brief description of each item of Additional Rent, (ii) the party to whom payment is due, (iii) the amount thereof, and (iv) such additional information as the State may reasonably request.

Such payments of Rent Payments and Additional Rent for each rental payment period during the term of this Master 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 Master Financing Lease. Anything herein to the contrary notwithstanding, the State 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 State of the Property or any portion thereof as a result of material damage, destruction or condemnation.

Interest evidenced by Interest Components shall accrue and be calculated as provided in the Trust Agreement. Each Rent Payment shall consist of the aggregate of the Agency Rent Payments payable by each Agency pursuant to its Agency Financing Lease. Payments of Additional Rent shall be made to or upon the order of the Corporation. Each Rent Payment shall be applied first to the Interest Component, and then to the Principal Component.

The State shall make all Rent Payments directly to the Trustee by electronic funds transfer in lawful money of the United States of America from the sources set forth herein and subject to the terms and conditions hereof.

Section 3.2 Sources of Payment of Rent Payments.

(a) *State Agency Financing Leases.* The State is subleasing the Property for and on behalf of the respective State Agencies set forth in Exhibit A hereto, each of which State Agencies has executed and delivered a State Agency Financing Lease pursuant to which such State Agency agrees to sublease its respective Property and to make Agency Rent Payments therefor at such times and in such amounts as will be sufficient in the aggregate to pay, on each Rent Payment Date, the Rent Payment for the Property subleased hereunder by the State from the Corporation for and on behalf of such State Agency.

The Rent Payments allocable to Project Costs of State Agency Projects shall be payable by the State solely from the Agency Rent Payments to be made by the respective State Agencies. The obligation of each State Agency to make its Agency Rent Payments is subject to appropriation by the State Legislature and Executive Order reduction by the Governor. The State shall not be obligated to pay the Rent Payments allocable to Project Costs of State Agency Projects other than from appropriated funds of the respective State Agencies or other funds of the respective State Agencies that are not subject to appropriation by the State Legislature and are not derived, directly or indirectly, from General State Revenues.

(b) *Local Agency Financing Leases.* The State is subleasing the Property for and on behalf of the respective Local Agencies set forth in Exhibit A, each of which Local Agencies has executed and delivered a Local Agency Financing Lease pursuant to which such Local Agency agrees to sublease its respective Property and to make Agency Rent Payments therefor at such times and in such amounts as will be sufficient in the aggregate to pay, on each Rent Payment Date, the Rent Payment for the Property subleased hereunder by the State from the Corporation for and on behalf of such Local Agency.

The Rent Payments allocable to Agency Rent Payments of Local Agencies shall be payable by the State solely from the Agency Rent Payments to be made by the respective Local Agencies, except as otherwise provided in subsections (c) and (d) of this Section 3.2. Pursuant to each Local Agency Financing Lease, the obligation of each Local Agency to make its Agency Rent Payments is 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 Rent Payments allocable to Project Costs of Local Agency Projects other than from Agency Rent Payments paid by the respective Local Agencies, except as otherwise provided in subsections (c) and (d) of this Section 3.2.

(c) *Intercept of Local Agency Share of State Revenues.* In the event that any Local Agency fails to make any payment due under its Local Agency Financing Lease, pursuant to RCW 39.94.030(1), 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 such Local Agency; but (i) only if the use of any such revenues or amounts to make such payments is otherwise authorized or permitted by State law, and (ii) only to the extent such Local Agency is otherwise entitled to receive such share of State revenues or other amounts. Such withholding shall continue until all such payments due thereunder have been made. Amounts withheld by the State Treasurer pursuant to this Subsection 3.2(c) shall be applied to make any such payment due under the Local Agency

Financing Lease on behalf of the Local Agency, or to reimburse the State for any such payment made pursuant to Subsection 3.2(d). The State makes no representation or warranty regarding whether or in what amounts any Local Agency may be entitled to receive distributions of state revenues or other amounts described in this Section 3.2(c).

(d) *Conditional Payment of Local Agency Rent Payments.* Upon the failure of any Local Agency to make any Agency Rent Payment at such time and in such amount as required pursuant to its Local Agency Financing Lease, the State 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 on behalf of such Local Agency within 15 Business Days after such Agency Rent Payment was due. The State shall be entitled to reimbursement for any such payments made on behalf of the Local Agency as provided in the Local Agency Financing Lease.

Section 3.3 Agency Rent Payments; Deposit and Investment. Agency Rent Payments received on each Agency Rent Payment Date shall be deposited in a special fund or funds maintained by the State Treasurer (the “Agency Rent Payment Fund”) outside of the State treasury. Agency Rent Payments received from State Agencies shall be accounted for separately from Agency Rent Payments received from Local Agencies. The Agency Rent Payments due on each Agency Rent Payment Date shall be at least sufficient, in the aggregate, to make the Rent Payment next coming due hereunder. Amounts in the Agency Rent Payment Fund, including investment earnings thereon, shall be used and applied, *first*, to make the 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 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 Qualified Investments, and shall be separately accounted for, but may be commingled with other money on deposit with the State Treasurer solely for investment purposes. The Agencies 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. This Master Financing Lease shall be deemed and construed to be a “triple net lease” with respect to the Corporation. The State shall pay the Rent Payments, Additional Rent and all other amounts when due, without notice or demand 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 State, the Corporation, the Trustee, any Agency, 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 Corporation from the observance or performance of its obligations hereunder. If the Corporation shall fail to observe or perform any such obligation, the State may institute such legal action and pursue such other remedies against the Corporation as the State deems necessary or desirable, including, but not limited to actions for specific performance, injunction and/or the recovery of damages.

Section 3.5 Limited Obligation. THIS MASTER FINANCING LEASE SHALL CONSTITUTE A SPECIAL, LIMITED OBLIGATION OF THE STATE PAYABLE SOLELY FROM THE SOURCES AND SUBJECT TO THE LIMITATIONS SET FORTH HEREIN. THIS MASTER FINANCING LEASE SHALL NOT CONSTITUTE A DEBT OR A GENERAL OBLIGATION OF THE STATE, THE CONTRACTING OF AN INDEBTEDNESS

BY THE STATE, OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE, FOR PURPOSES OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION UPON DEBT OR THE CONTRACTING OF INDEBTEDNESS. THE OBLIGATION OF THE STATE TO MAKE AGENCY RENT PAYMENTS, BOTH FOR STATE AGENCY PROPERTY AND ON BEHALF OF LOCAL AGENCIES FOR LOCAL AGENCY PROPERTY IS SUBJECT TO APPROPRIATION AND TO EMERGENCY REDUCTION IN FUNDING UNDER CERTAIN CIRCUMSTANCES, ALL AS SET FORTH IN SECTION 6.1 OF THIS MASTER FINANCING LEASE.

Section 3.6 Assignments by the Corporation. Concurrently with the execution and delivery of this Master Financing Lease, the Corporation will unconditionally assign to the Trustee pursuant to the Master Assignment, without recourse, (i) all of its rights to the Sites pursuant to the Site Leases, (ii) all of its rights to receive the Rent Payments and any Additional Rent under and pursuant to this 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 this Master Financing Lease; (iv) all of its remaining right, title and interest in, to and under the Site Leases, this Master Financing Lease and the Agency Financing Leases, and in and to the Property and any rents or profits generated therefrom; and (v) its right of access more particularly described in this Master Financing Lease, all in consideration for the Trustee's causing to be paid to the State Treasurer, as agent of the Corporation, of the proceeds of the sale of the Certificates. The State and the Corporation hereby acknowledge and agree that such assignment by the Corporation is intended to be a true sale of the Corporation's right, title and interest, and that upon such assignment the Corporation shall cease to have any rights, duties or obligations under the Site Leases, this Master Financing Lease and the Agency Financing Leases, or with respect to the Property, and the Trustee shall thereafter have all the rights, duties and obligations of the Corporation thereunder and hereunder as if the Trustee had been the original party thereto and hereto. Except where the context otherwise requires (such as in Section 7.1), every reference in this Master Financing Lease to the Corporation shall be deemed and construed to refer to the Trustee in its capacity as assignee of the Corporation.

ARTICLE IV

OPTIONAL AND EXTRAORDINARY PREPAYMENT OF RENT PAYMENTS

Section 4.1 Optional Prepayment.

(a) The State may at its option, and shall upon the optional prepayment of Agency Rent Payments by any Agency pursuant to Section 4.1(a) of its Agency Financing Lease, make provision in the Agency Rent Payment Fund for the payment of Principal Components and associated Interest Components then unpaid, in whole or in part in Authorized Denominations from any source of available funds, on their Principal Payment Dates and Interest Payment Dates, respectively.

(b) Alternatively, the State may at its option, and shall upon the optional prepayment of Agency Rent Payments by any Agency pursuant to Section 4.1(a) of its Agency Financing Lease, make provision in the Certificate Fund for the defeasance of the State's obligation to pay the Principal Components and associated Interest Components then unpaid, in whole or in part in

Authorized Denominations from any source of available funds, on their Principal Payment Dates and Interest Payment Dates, respectively, up to and including the Prepayment Date, if any, for the Certificates evidencing such Principal Components and Interest Components, and on any such Prepayment Date for the Certificates, the prepayment of the remaining Principal Components then unpaid, in whole or in part in Authorized Denominations from any source of available funds, at a Prepayment Price equal to the sum of the Principal Components so prepaid, plus accrued interest, if any, to the Prepayment Date, by causing to be deposited with the Corporation, (i) money and/or Government Obligations in accordance with Section 10.01 of the Trust Agreement; and (ii) an Opinion of Counsel to the effect such actions are permitted hereunder 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.

Section 4.2 Extraordinary Prepayments.

(a) *Eminent Domain; Loss of Title.* The State shall, upon the extraordinary mandatory prepayment of Agency Rent Payments by any Agency pursuant to Section 4.2(a) of its Agency Financing Lease, prepay or cause to be prepaid from eminent domain awards or sale proceeds received pursuant to Section 5.1, and from the net proceeds of title insurance pursuant to Section 5.2, Principal Components then unpaid, in whole or in part on any date, in Authorized Denominations, at a Prepayment Price equal to the sum of the Principal Components so prepaid, plus accrued interest to the Prepayment Date. The aggregate remaining annual Rent Payments for the related Property from and after such Prepayment Date shall be in approximately equal amounts.

(b) *Insurance Proceeds.* The State shall, upon the extraordinary optional prepayment of Agency Rent Payments by any Agency pursuant to Section 4.2(b) of its Agency Financing Lease, prepay or cause to be prepaid from net insurance proceeds received pursuant to Section 5.3, Principal Components then unpaid, in whole or in part on any date, in Authorized Denominations, at a Prepayment Price equal to the sum of the Principal Components so prepaid, plus accrued interest to the Prepayment Date. The aggregate remaining annual Rent Payments for the related Property from and after such Prepayment Date shall be in approximately equal amounts.

(c) *Provisions for Payment in Accordance with Trust Agreement.* To the extent such award, sale proceeds or net proceeds are not sufficient, in whole or in part, to prepay or cause the prepayment of Principal Components of Rent Payments in Authorized Denominations, such amounts shall be applied by the State Treasurer to provide for the payment thereof pursuant to Section 4.1(b).

Section 4.3 Notice to Trustee. The State shall provide the Trustee with not less than 45 days' prior written notice of its intention (i) to prepay any Principal Components, which notice shall specify the reason for such prepayment, the Prepayment Date, and the amount and the Principal Payment Dates of the Principal Components to be prepaid, and (ii) to provide for the payment of any Rent Payments pursuant to Section 4.1(b).

Section 4.4 Revision of Rent Payments upon Prepayment. The Principal Components and Interest Components due on each Rent Payment Date on and after a Prepayment Date

pursuant to Section 4.1 or Section 4.2, as set forth in Exhibit B, shall be reduced by the Trustee to reflect such prepayment, in Authorized Denominations, in such amounts and on such Rent Payment Dates as the State Treasurer shall elect in a written notice to the Corporation; *provided*, that the aggregate reduction in such Principal Components shall be equal to the aggregate Principal Components prepaid by the State; and *provided further*, that the reduction in Principal Components and Interest Components due on each Rent Payment Date shall be equal to the corresponding reduction in the Agency Rent Payments due on each Agency Rent Payment Date.

Section 4.5 Discharge of Master Financing Lease. All right, title and interest of the Corporation and all obligations of the State under this Master Financing Lease shall terminate and be completely discharged and satisfied (except for the right of the Corporation and the obligation of the State to have the money and Government Obligations set aside pursuant to Section 4.5(b) applied to make the remaining Rent Payments) when either:

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

(b) (i) the State shall have delivered a written notice to the Corporation of its intention to prepay all of the Rent Payments remaining unpaid; (ii) the State shall cause to be deposited with the Corporation (A) money and/or Government Obligations in accordance with Section 10.01 of the Trust Agreement; and (B) an Opinion of Counsel to the effect that such actions are permitted hereunder 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 Rent Payments remain unpaid, provision shall have been made satisfactory to the Corporation for payment of all Additional Rent.

ARTICLE V

EMINENT DOMAIN; LOSS OF TITLE; DAMAGE AND DESTRUCTION

Section 5.1 Eminent Domain. If all of the Property subleased to the State pursuant to this Master Financing Lease and to any Agency pursuant to an Agency Financing Lease, or so much of it that the remainder becomes unsuitable for the Agency's then-existing needs, is taken under the power of eminent domain (or sold under threat of condemnation), the sublease of such Property pursuant to this Master Financing Lease and the Agency Financing Lease shall cease as of the day that the State and the Agency are required to vacate the 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 Agency's then-existing needs, as reasonably determined by the State, then this Master Financing Lease and the Agency Financing Lease shall continue in effect as to the remainder, and the Parties waive any benefits of the law to the contrary. In that event, there shall be no abatement of the rental due from the State or the Agency. So long as any Agency Rent Payments under the related Agency 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 and Rent Payments as provided in Section 4.2(a) of the applicable Agency Financing Lease and Section 4.2(a) of this Master Financing Lease. Any award or proceeds in excess of the amount necessary to prepay Agency Rent Payments, and thereby to prepay or

provide for the payment of the corresponding portion of the Rent Payments, shall be paid to the Corporation, the State and the 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 State pursuant to this Master Financing Lease and to any Agency pursuant to an Agency Financing Lease which is insured under a policy or policies of title insurance, or so much of it that the remainder becomes unsuitable for the Agency's then-existing needs, the sublease of the Property pursuant to this Master Financing Lease and the Agency Financing Lease shall cease as of the day that the State and the Agency are required to vacate the Property. If there is a loss of title to less than all of the Property, and the remainder is suitable for the Agency's then-existing needs, as reasonably determined by the State, then Master Financing Lease and the Agency Financing Lease shall continue in effect as to the remainder, and the Parties waive any benefits of the law to the contrary. In that event, there shall be no abatement of the rental due from the State or the Agency. So long as any Agency Rent Payments under the related Agency Financing Lease remain unpaid, any payments under any title insurance policy or policies with respect to such Property shall be applied to the prepayment of Agency Rent Payments and Rent Payments as provided in Section 4.2(a) of the Agency Financing Lease and Section 4.2(a) of this Master Financing Lease. Any payment in excess of the amount necessary to prepay Agency Rent Payments, and thereby to prepay or provide for the payment of the corresponding portion of the Rent Payments, shall be paid to the Corporation, the State and the Agency as their respective interests may appear.

Section 5.3 Damage or Destruction. If all or any portion of the Property subleased to the State pursuant to this Master Financing Lease and to any Agency pursuant to an Agency Financing Lease shall be damaged or destroyed by fire or other casualty, the sublease thereof pursuant to this Master Financing Lease and the Agency Financing Lease shall not terminate, and there shall be no abatement of the rent due from the State or the Agency. So long as any Agency Rent Payments under the related Agency Financing Lease remain unpaid, any payments under the property insurance policy or policies with respect to the Property may be applied to the prepayment of Agency Rent Payments and Rent Payments as provided in Section 4.2(b) of the Agency Financing Lease and Section 4.2(b) of this Master Financing Lease, or may be paid to the State Treasurer and applied as provided in Section 5.03 of the Trust Agreement.

[USE FOLLOWING ARTICLE VI ONLY IF STATE AGENCIES ARE INVOLVED]

ARTICLE VI

PERMITTED TERMINATION EVENTS; REMEDIES

Section 6.1 Permitted Termination Events. Each of the following events shall constitute a "Permitted Termination Event" under this Master Financing Lease, but only with respect to the State Agency Financing Lease with respect to which the event has occurred and the related obligation of the State under this Master Financing Lease:

(a) The State Legislature elects not to appropriate sufficient funds within any biennial budget in a manner that precludes the State from making Rent Payments due under this Master Financing Lease during the next occurring Biennium; or

(b) The Governor of the State issues an Executive Order mandating an emergency reduction in State funding as a result of which sufficient funds will not be available to the State for the purpose of paying the scheduled Rent Payments due under this Master Financing Lease;

Upon the State's determination of the occurrence of a Permitted Termination Event as provided in Section 7.3(k), the State Treasurer shall immediately deliver written notice to the Corporation and the affected State Agency in the form of a Certificate of the State Treasurer stating (i) the election by the State Legislature not to appropriate the necessary funds or the Executive Order reduction in State funding as the reason for termination of the affected State Agency Financing Lease and the related obligation of the State under this Master Financing Lease, (ii) that no other agency or department of the State authorized under the Act to enter into financing contracts is legally permitted and willing and able to assume the rights and obligations of the State Agency under the affected State Agency Financing Lease, and (iii) the Permitted Termination Date.

Section 6.2 Remedies of the Corporation Upon a Permitted Termination Event. Upon the State's determination of the occurrence of a Permitted Termination Event, the State Agency shall vacate said Property and deliver possession and control of the Property to the Corporation for the remaining term of the Site Lease, and the State Agency thereupon shall be released of its obligations to make payments in an amount equal to the then unpaid balance of Agency Rent Payments with respect to the Property; but only if (i) the State Agency delivers the Property in good repair, working order and condition, ordinary wear and tear excepted, and (ii) written notice is provided by the State Agency to the State Treasurer as set forth in Section 7.2(d) of the State Agency Financing Lease. Upon the occurrence of a Permitted Termination Event, the Corporation shall be entitled to retain all sums previously transmitted to the Corporation, by or on behalf of the State Agency for the benefit of the Owners of the Certificates (including, without limitation, for use in administering the Property for the benefit of the Owners of the Certificates, including expenses of retaining accountants, consultants, attorneys, appraisers or other experts), and thereafter take possession of and relet the Property for the remaining term of the related Site Lease or assign its leasehold interest in the Property under the related Site Lease for the benefit of the Owners of the Certificates.

The occurrence of a Permitted Termination Event with respect to one State Agency Financing Lease shall not affect any rights, duties or obligations with respect to any other State Agency Financing Lease with respect to which no Permitted Termination Event has occurred. The occurrence of a Permitted Termination Event shall not constitute an Event of Default, and the remedies set forth in this Section 6.2 relating to the return of the Property are the sole remedies available to the Corporation upon such occurrence. If the State Legislature provides a supplemental appropriation or the Executive Order is withdrawn prior to the Permitted Termination Date and the Corporation has not yet relet or otherwise disposed of the Property, the State Agency may, by written notice to the Corporation, revoke the notice of termination and continue its obligations under the State Agency Financing Lease.

ARTICLE VII

REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS

Section 7.1 Representations and Warranties of the Corporation. The Corporation represents and warrants as follows:

(a) The Corporation is a Washington nonprofit corporation duly organized and validly existing under the laws of the State.

(b) The Corporation is authorized under the laws of the State and its Articles of Incorporation to enter into and perform its obligations under this Master Financing Lease and the other Series #1# Agreements to which it is a party.

(c) Neither the execution and delivery by the Corporation of this Master Financing Lease or the other Series #1# Agreements to which it is a party, nor the observance and performance of the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or constitutes a breach of or default under any agreement or instrument to which the Corporation is a party or by which the Corporation or its property is bound, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon the Property, except as expressly provided in this Master Financing Lease and the Series #1# Agreements.

(d) The Corporation has duly authorized, executed and delivered this Master Financing Lease and the other Series #1# Agreements to which it is a party.

(e) This Master Financing Lease and the other Series #1# Agreements to which the Corporation is a party are valid and binding obligations of the Corporation, enforceable against it in accordance with their respective 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.

Section 7.2 Representations and Warranties of the State.

(a) The State Finance Committee has duly approved and authorized the execution and delivery of the forms of this Master Financing Lease and the other Series #1# Agreements to which the State is a party pursuant to Resolution No. ____ adopted on _____, 20__.

(b) **[USE FOLLOWING ONLY IF LOCAL AGENCIES ARE INVOLVED]**
There is a sufficient appropriation authority for the current Biennium for the State to make any Local Agency Rent Payments that may be required during such Biennium pursuant to Section 3.2(d).

(c) Each Agency has represented and warranted that the Site and the Project to be acquired or constructed on the Site pursuant to this Master Financing Lease for and on behalf of such Agency is essential to the Agency's ability to carry out its governmental functions and responsibilities, and each such Agency has further represented and warranted that it expects to

make immediate and continuing use of such Property during the term of its Agency Financing Lease.

Section 7.3 Covenants and Agreements of the State.

(a) *Budget.* The State Treasurer shall **[USE (i) ONLY IF LOCAL AGENCIES ARE INVOLVED]** use its best efforts to obtain appropriations by the State Legislature in each biennial budget in amounts sufficient to make any payments on behalf of Local Agencies as may be required pursuant to Section 3.2(d).

(b) *Agency Financing Leases.* Concurrently with the execution and delivery of this Master Financing Lease, the State shall enter into a Local Agency Financing Lease with each Local Agency set forth in Exhibit A with respect to the sublease of the respective Property and the acquisition and/or construction of the related Project substantially in the form set forth in Exhibit C. **[USE FOLLOWING ONLY IF STATE AGENCIES ARE INVOLVED]** Concurrently with the execution and delivery of this Master Financing Lease, the State acting by and through each State Agency set forth in Exhibit A shall enter into a State Agency Financing Lease with the Corporation with respect to the sublease of the respective Property and the acquisition and/or construction of the related Project substantially in the form set forth in Exhibit D.

(c) *Tax-Exemption.* The State shall not make any use of the proceeds of this Master 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 this Master Financing Lease or the Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Code. The State 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 Rent Payments under Section 103 of the Code. The State shall not make any use of the proceeds of this Master Financing Lease or the Certificates or of any other amounts, and shall not take or refrain from taking any action, that would cause this 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 Rent Payments remain unpaid, the State, 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 State 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 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 State shall comply with the provisions of the Tax Certificate.

The State Treasurer may establish and maintain a separate account designated as the “State of Washington Certificates of Participation, Series #1# Rebate Fund” (the “Rebate Fund”). The State shall deposit in the Rebate Fund the Rebate Requirement as provided in the Tax Certificate. Subject to the other provisions of this subsection (c), money held in the Rebate Fund

are hereby pledged to secure the rebate payments to the United States, and the State, the Agencies, the Corporation, the Trustee and the Owners shall have no rights in or claim to such money.

Without limiting the generality of the foregoing, the State agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code. This covenant shall survive the discharge of this Master Financing Lease and the payment in full or defeasance of the Certificates. The State specifically covenants to pay or cause to be paid to the United States at the times and in the amounts determined under this subsection (c), the Rebate Requirement as provided by the Tax Certificate.

Notwithstanding any provision of this subsection (c), if the State shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under this subsection (c) is no longer required or that some further or different action is required to maintain the tax-exempt status of interest evidenced and represented by the Certificates, the Trustee may conclusively rely on such opinion, and the covenants of the State hereunder shall be deemed to be modified to that extent.

(d) *Liens.* The State shall not create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property or any part thereof, except for Permitted Encumbrances. The State 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.

(e) *Assignments and Subleases.* The State shall not (and shall not permit any Agency to) grant, sell, assign, pledge, transfer, convey, mortgage, sublet or otherwise dispose any of its right, title or interest in, to or under this Master Financing Lease or the Property other than to the respective Agencies pursuant to the Agency Financing Leases or as otherwise provided herein or therein, and any such attempted grant, sale, assignment, pledge, transfer, conveyance, mortgage, sublease or disposal shall be void. The Corporation consents to the sublease of the Property pursuant to the Agency Financing Leases. Such subleases shall be subject and subordinate to this Master Financing Lease. Such subleases shall not release or alter the obligations or liability of the State under this Master Financing Lease. Upon the occurrence and continuance of an Agency Event of Default with respect to any Property, the State Treasurer shall have the right, pursuant to the Agency Financing Lease, to sublease all or any portion of such Property.

(f) *Performance.* Unless a Permitted Termination Event has occurred, the State shall punctually pay the Rent Payments and Additional Rent in conformity with the terms and provisions of this Master Financing Lease, and will faithfully observe and perform all the covenants, terms and other obligations contained herein required to be observed and performed by the State. Except for Permitted Termination Events, the State 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 grounds for cancellation or termination of this Master Financing Lease. Except as the result of the occurrence of a Permitted Termination Event, the State will not terminate this Master Financing Lease for any cause, including but not limited to any acts or circumstances that may constitute failure of consideration, destruction of or

damage to the Property, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of the State, or any failure by the Corporation to observe or perform any covenant, agreement, term, condition or other obligation contained herein required to be observed and performed by it, whether express or implied, or the bankruptcy, insolvency, liquidation or reorganization of the Corporation. The State assumes the entire risk of loss, from any and every cause whatsoever, to the Property.

(g) *Corporation Not Liable.* The Corporation and its directors, officers and employees shall not be liable to the State or to any other Person 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.

(h) *Accounting Records.* The State Treasurer will keep or cause to be kept proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, deposit, application and disbursement of the Agency Rent Payments, and such accounting records shall be available for inspection by the Trustee, as assignee of the Corporation, or its agent duly authorized in writing at reasonable hours and under reasonable conditions.

(i) *Further Assurances.* The State will preserve and protect the rights of the Corporation and the Trustee, as assignee of the Corporation, hereunder, and will warrant and defend such rights against all claims and demands of all Persons. The State 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 Corporation the rights and benefits provided to it hereunder.

(j) *Disclosure Agreement.* Concurrently with the execution and delivery hereof, the State Treasurer will execute and deliver the Disclosure Agreement in order to assist the Underwriter in complying with the requirements under the Rule. The State Treasurer shall comply with the requirements of the Disclosure Agreement; *provided*, that failure to so comply shall not constitute a default hereunder.

(k) *Determination of Occurrence of Permitted Termination Event.* Not later than 30 days following the receipt by the State Treasurer of written notice from a State Agency, pursuant to Section 7.2(d) of its State Agency Financing Lease, that the State Agency has preliminarily determined, as a result of the enactment of a biennial budget by the State Legislature or the issuance of an Executive Order reduction in funding, that the State Agency expects that sufficient funds will not be available to the State Agency to make its scheduled Agency Rent Payments for the Property during the Biennium covered by such enacted budget or during the Biennium affected by such Executive Order, the State Treasurer shall review such written notice and the State shall determine whether a Permitted Termination Event has occurred. For the purposes of making this determination, the State shall (i) if practicable, request a supplemental appropriation by the State Legislature in the event that a sufficient appropriation has not been made to the State Agency in the enacted biennial budget, and/or (ii) determine whether or not the Property and the obligations of the State Agency under the affected State Agency Financing

Lease may be transferred to another agency or department of the State authorized under the Act to enter into financing contracts.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.1 Events of Default. Each of the following shall constitute an “Event of Default” hereunder:

(a) Failure by the State (other than as a result of a Permitted Termination Event) to pay or cause to be paid any Rent Payment required to be paid hereunder at the time set forth herein; and

(b) Failure by the State (other than as a result of a Permitted Termination Event) 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 30 days after written notice from the Corporation to the State specifying such failure and requesting that it be remedied; *provided, however*, that such period shall be extended for an additional 60 days if such failure cannot be corrected within such period, and corrective action is commenced by the State within such period and diligently pursued until the failure is corrected.

Notwithstanding the foregoing provisions of this Section, if by reason of *force majeure* the State is unable in whole or in part to carry out the covenants, agreements, terms and conditions on its part contained in this Master Financing Lease, the State 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 State.

The Corporation may, at its election, waive any default or Event of Default and its consequences hereunder and annul any notice thereof by written notice to the State to such effect, and thereupon the respective rights of the Parties hereunder shall be as they would have been if such default or Event of Default had not occurred.

ANYTHING HEREIN TO THE CONTRARY NOTWITHSTANDING, A PERMITTED TERMINATION EVENT SHALL NOT CONSTITUTE AN EVENT OF DEFAULT HEREUNDER.

Section 8.2 Remedies. Whenever an Event of Default under Section 8.1 hereof shall have occurred and be continuing, the Corporation shall have the following rights and remedies:

(a) *Continuation; Reentry and Reletting*. The Corporation may continue this Master 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 State, and (iii) exercise any and all rights of entry and reentry upon the Property. In the event that the Corporation does not elect to terminate this Master Financing Lease in the manner provided pursuant to paragraph (b) of this Section, the State 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 Master 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 Corporation, or suit in unlawful detainer or otherwise brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of all or any part of the Property. Should the Corporation elect to re-enter or obtain possession of all or any part of the Property, the State irrevocably appoints the Corporation as the State'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 Corporation or otherwise, upon such terms and conditions and for such use and period as the Corporation 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 State in the county in which such personal property is located, for the account of and at the expense of the State. The State shall be liable for, and agrees to pay the Corporation, the Corporation's costs and expenses in connection with reentry of the Property, removal and storage of any personal property, and reletting of the Property. The State agrees that the terms of this Master Financing Lease constitute full and sufficient notice of the right of the Corporation to reenter and relet the Property or any part thereof without effecting a surrender or termination of this Master Financing Lease. Termination of this Master Financing Lease upon an Event of Default shall be effected solely as provided in paragraph (b) of this Section. The State further waives any right to, and releases, any rental obtained by the Corporation upon reletting in excess of the rental and other amounts otherwise due hereunder.

(b) *Termination.* The Corporation may terminate this Master Financing Lease, but solely upon written notice by the Corporation to the State 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 Corporation, nor any proceeding in unlawful detainer or otherwise brought by the Corporation for the purpose of effecting such reentry or obtaining possession, nor any surrender of the Property or any part thereof by the State, nor any other act shall operate to terminate this Master Financing Lease, and no termination of this Master Financing Lease on account of an 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 Corporation. Upon such termination, the Corporation 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) place such personal property in storage in any warehouse or other suitable place for the State in the county in which such personal property is located, for the account of and at the expense of the State. Upon such termination, the State's right to possession of the Property shall terminate, and the State shall surrender possession thereof to the Corporation. In the event of such termination, the State shall remain liable to the Corporation 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 Corporation

subsequent to such termination, after deducting the expenses incurred by the Corporation in connection with any such reentry, removal and storage of personal property, and reletting. The Corporation shall be entitled to collect damages from the State on the respective Rent Payment Dates.

(c) *Other Remedies.* In addition to the other remedies set forth in this Section, upon the occurrence and continuance of an Event of Default, the Corporation shall be entitled to proceed to protect and enforce the rights vested in them by this Master Financing Lease or by law. The terms and provisions of this Master Financing Lease and the duties and obligations of the State hereunder, and the officers and employees thereof, shall be enforceable by the Corporation 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 Corporation shall have the right to bring the following actions:

(i) Accounting. By action or suit in equity to require the State or any 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 Corporation; and

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

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

The State hereby waives any and all claims for damages caused or which may be caused by the Corporation 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 8.3 No Remedy Exclusive; Non-Waiver. No remedy conferred upon or reserved to the Corporation 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 Master 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 Event of Default hereunder shall impair any such right or remedy or shall be construed to be a waiver of such default or 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 Corporation hereunder, it shall not be necessary to give any notice, other than such notice as may be required hereunder. A waiver by the Corporation of any default or Event

of Default hereunder shall not constitute a waiver of any subsequent default or Event of Default hereunder, and shall not affect or impair the rights or remedies of the Corporation in connection with any such subsequent default or 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 Corporation specifically agrees to such accord and satisfaction or compromise in writing.

Section 8.4 Default by the Corporation. Anything herein to the contrary notwithstanding, the Corporation 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 Corporation shall have failed to observe or perform such covenant, agreement, term or condition for a period of 60 days after written notice by the State to the Corporation 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 Corporation within such period and diligently pursued until the failure is corrected.

ARTICLE IX

TERM AND TERMINATION

Section 9.1 Term. The term of this Master Financing Lease shall commence on the Dated Date, and shall end on _____, 20__, unless such term is extended or sooner terminated as hereinafter provided. If on such date, all amounts due hereunder shall not have been paid or the payment thereof duly provided for pursuant to Section 4.5 hereof, then the term of this Master Financing Lease shall be extended until 10 days after all amounts due hereunder shall have been paid or the payment thereof so provided for, except that the term of this Master Financing Lease shall in no event be extended beyond _____, 20_. If prior to _____, 20_, all amounts due hereunder shall have been paid or the payment thereof so provided for, the term of this Master Financing Lease shall end 10 days thereafter or 10 days after written notice by the State Treasurer to the Corporation, whichever is earlier.

Anything herein to the contrary notwithstanding, the lease of any parcel of Property pursuant to this Master Financing Lease shall terminate when all Agency Rent Payments and other amounts due under the respective Agency Financing Lease have been paid or the payment thereof duly provided for pursuant thereto.

Section 9.2 Termination. The State agrees, upon the termination of this Master Financing Lease as to any parcel of Property, to quit and surrender such Property 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 any Agency in accordance herewith and with any Agency Financing Lease that affects the condition of such Property. The State agrees that any permanent improvements and structures existing upon the Property at the time of such termination or expiration of this Master Financing Lease shall remain thereon. The State shall thereafter execute, acknowledge and deliver to the Corporation

such instruments of further assurance as are necessary or desirable to confirm the Corporation's leasehold right, title and interest in and to such Property.

IN WITNESS WHEREOF, the Corporation has caused this Master Financing Lease to be executed in its name by its duly authorized officers, and the State has caused this Master Financing Lease to be executed in its name by its duly authorized officials, all as of the day and year first written above.

WASHINGTON FINANCE OFFICERS
ASSOCIATION

Authorized Corporation Representative

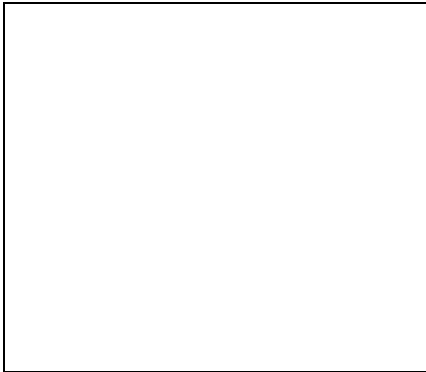
STATE OF WASHINGTON
OFFICE OF THE STATE TREASURER

Treasurer Representative

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

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 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 _____
(Legibly Print or Stamp Name of Notary)

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

My commission expires _____

EXHIBIT A

PARTICIPATING AGENCIES AND DESCRIPTION OF PROPERTY

Agencies

Agency

Transaction No.

Exhibit A (continued)

Full Legal Description

[Agency Name, Transaction No.]

[Agency Name, Transaction No.]

EXHIBIT B
RENT PAYMENT SCHEDULE

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Installment Payment</u>
---------------------	----------------------------	---------------------------	--------------------------------------

Totals

EXHIBIT C

FORM OF LOCAL AGENCY FINANCING LEASE

See form of Local Agency Financing Lease,
approved by Resolution No.____ of the State Finance Committee,
adopted _____, 20__, on file with the Office of the State Treasurer

EXHIBIT D

FORM OF STATE AGENCY FINANCING LEASE

See form of State Agency Financing Lease,
approved by Resolution No. ____ of the State Finance Committee,
adopted _____, 20__, on file with the Office of the State Treasurer

**MASTER ASSIGNMENT, SERIES #1#
(Personal Property)**

by and between the

WASHINGTON FINANCE OFFICERS ASSOCIATION

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

Relating to

**\$ _____
State of Washington
Certificates of Participation, Series #1#
(_____)**

Dated as of _____, 20__

**MASTER ASSIGNMENT, SERIES #1#
(Personal Property)**

This Master Assignment, Series #1# (Personal Property) (the “Master Assignment”), is entered into as of _____, 20__ (the “Dated Date”), by and between the Washington Finance Officers Association, a Washington nonprofit corporation (the “Corporation”), and U.S. Bank National Association (the “Trustee”), a national banking association duly organized and existing under the laws of the United States, as Trustee under the Trust Agreement (as defined below).

RECITALS

The Parties are entering into this Master Assignment based upon the following facts and expectations:

1. Chapter 39.94 RCW (the “Act”) authorizes the State to enter into financing contracts for itself, including for state agencies, departments or instrumentalities, the state board for community and technical colleges, and any state institution of higher education (defined in Appendix 1 as “State Agencies”), for the use and purchase of real and personal property by the State; and

2. the Act also authorizes the State to enter into financing contracts on behalf of certain “other agencies” (defined in Appendix 1 as “Local Agencies,” and, together with State Agencies, the “Agencies”) for the use and acquisition for public purposes of real and personal property by such Local Agencies; and

3. the State Treasurer on behalf of the State Finance Committee has established a consolidated program for the execution and delivery of certificates of participation in master financing contracts in series from time to time in order to provide financing or refinancing for the costs of acquisition of such real and personal property by Agencies; and

4. the Corporation and the State, acting by and through the State Treasurer, have entered into a Master Financing Contract, Series #1#, dated as of the Dated Date (the “Master Financing Contract”), pursuant to which the Corporation has sold certain personal property more particularly described in the Master Financing Contract (the “Property”) to the State; and

5. pursuant to the Master Financing Contract, the State is obligated to make Installment Payments to the Corporation for the purchase of the Property; and

6. simultaneously with the execution of the Master Financing Contract, the State is entering into Agency Financing Contracts with certain Agencies to provide financing or refinancing for the costs of acquisition of certain items of the Property for such Agencies; and

7. the Corporation desires to grant, sell, assign, transfer and convey without recourse to the Trustee all of its rights to receive the Installment Payments scheduled to be made by the State under and pursuant to the Master Financing Contract, and all of its remaining right, title and interest in, to and under the Master Financing Contract, the Agency Financing Contracts and the Property; and

8. in consideration of such assignment and pursuant to the Trust Agreement, Series #1# (the "Trust Agreement"), dated as of the Dated Date, by and among the Trustee, the State Treasurer and the Corporation, the Trustee has agreed to execute and deliver the State of Washington Certificates of Participation, Series #1# (_____), in an aggregate principal amount of \$_____ (the "Certificates") that evidence and represent the Principal Components and Interest Components of Installment Payments payable by the State under the Master Financing Contract to generate proceeds to be used to finance or refinance the Acquisition Costs of the Property;

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

SECTION 1. Definitions; Construction; Miscellaneous Provisions; Supplements. Appendix 1 is incorporated as part of this Master Assignment by this reference. Appendix 1 provides (i) definitions for the capitalized terms used and not otherwise defined in this Master Assignment; (ii) certain rules for interpreting this Master Assignment; (iii) miscellaneous technical provisions that apply to this Master Assignment; and (iv) rules on how this Master Assignment may be amended or supplemented.

SECTION 2. Assignment. The Corporation, for good and valuable consideration, the receipt of which is acknowledged, unconditionally grants, sells, assigns, transfers and conveys to the Trustee, without recourse, (i) all of its rights to receive the Installment Payments under the Master Financing Contract and Agency Installment Payments under the Agency Financing Contracts, (ii) all of its remaining right, title and interest in, to and under the Master Financing Contract, the Agency Financing Contracts and the Property (including any security interest therein), including but not limited to its right to take all actions and exercise all remedies under and pursuant to the Master Financing Contract and the Agency Financing Contracts.

SECTION 3. Acceptance. The Trustee accepts the foregoing grant, sale, assignment, transfer and conveyance for the benefit of the Owners of the Certificates, subject to the conditions and terms of the Trust Agreement, and all such Installment Payments shall be applied and all of such right, title and interest shall be exercised by the Trustee as provided in the Trust Agreement. The Trustee agrees to perform and observe all of the terms, conditions, covenants and agreements under the Master Financing Contract from and after the Dated Date.

SECTION 4. Acknowledgement. The Trustee and the Corporation acknowledge and agree that (i) this grant, sale, assignment, transfer and conveyance by the Corporation is intended to be a true sale of the Corporation's right, title and interest in, to and under the Master Financing Contract, the Agency Financing Contract and in and to the Property; (ii) the Corporation shall hereafter cease to have any rights, duties or obligations under the Master Financing Contract or with respect to the Property; (iii) the Trustee shall hereafter have all the rights, duties and obligations of the Corporation thereunder as if the Trustee had been the original party thereto; and (iv) every reference in the Master Financing Contract to the Corporation shall be deemed and construed to refer to the Trustee, except where the context otherwise requires.

SECTION 5. Conditions. This Master Assignment shall confer no rights and shall impose no obligations upon the Trustee other than those expressly provided in the Trust Agreement.

IN WITNESS WHEREOF, the Parties have executed and entered into this Master Assignment by their duly authorized officers as of the Dated Date.

WASHINGTON FINANCE OFFICERS
ASSOCIATION

By _____
Authorized Corporation Representative

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Its _____

Recording Requested by and Return To:
WASHINGTON FINANCE OFFICERS ASSOCIATION
c/o Foster Pepper PLLC
1111 Third Avenue, Suite 3000
Seattle, Washington 98101
Attn: William G. Tonkin

**Document Title(s)
(or transactions contained therein):** MASTER ASSIGNMENT, SERIES #1#
(Real Property)

Assignor: Washington Finance Officers Association

Assignee: U.S. Bank National Association

Abbreviated Legal Description:

Full Legal Description See Exhibit B

Assessor's Tax Parcel ID No.

**Reference number(s) of related/
assigned/released/document(s):**

**MASTER ASSIGNMENT, SERIES #1#
(Real Property)**

by and between the

WASHINGTON FINANCE OFFICERS ASSOCIATION

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

Relating to

**\$ _____
State of Washington
Certificates of Participation, Series #1#
(_____)**

Dated as of _____, 20__

**MASTER ASSIGNMENT, SERIES #1#
(Real Property)**

THIS MASTER ASSIGNMENT, SERIES #1# (the “Master Assignment”), is entered into as of _____, 20__ (the “Dated Date”), by and between the Washington Finance Officers Association, a Washington nonprofit corporation (the “Corporation”), and U.S. Bank National Association (the “Trustee”), a national banking association duly organized and existing under the laws of the United States, as Trustee under the Trust Agreement (as defined below).

RECITALS

The Parties are entering into this Master Assignment based upon the following facts and expectations:

1. Chapter 39.94 RCW (the “Act”) authorizes the State to enter into financing contracts for itself, including for state agencies, departments or instrumentalities, the state board for community and technical colleges, and any state institution of higher education (defined in Appendix 1 as “State Agencies”), for the use and purchase of real and personal property by the State; and

2. the Act also authorizes the State to enter into financing contracts on behalf of certain “other agencies” (defined in Appendix 1 as “Local Agencies,” and, together with State Agencies, the “Agencies”) for the use and acquisition for public purposes of real and personal property by such Local Agencies; and

3. the State Treasurer on behalf of the State Finance Committee has established a consolidated program for the execution and delivery of certificates of participation in master financing contracts in series from time to time in order to provide financing or refinancing for the costs of acquisition of such real and personal property by Agencies; and

4. the Corporation intends to assist the Agencies set forth in Exhibit A in the financing or refinancing of the acquisition or construction of improvements (collectively, the “Projects”) of certain parcels of real property as set forth in Exhibit B (collectively, the “Sites”), pursuant to the Act, by entering into Site Leases with those Agencies (collectively, the “Site Leases”) for the sole purpose of enabling the Corporation to sublease the Sites and the Projects (together, the “Property”) to the State; and

5. the Corporation and the State, acting by and through the State Treasurer, have entered into a Master Financing Lease, Series #1#, dated as of the Dated Date (the “Master Financing Lease”), pursuant to which the Corporation has subleased the Property to the State; and

6. pursuant to the Master Financing Lease, the State is obligated to make Rent Payments (as defined in Appendix 1) to the Corporation for the sublease of the Property; and

7. simultaneously with the execution of the Master Financing Lease, the State is entering into Agency Financing Leases with the Agencies, pursuant to which the Agencies have further subleased the Property from the Corporation or the State; and

8. the Corporation desires to grant, sell, assign, transfer and convey without recourse to the Trustee all of its rights to receive the Rent Payments scheduled to be made by the State under and pursuant to the Master Financing Lease, and all of its remaining right, title and interest in, to and under the Site Leases, the Master Financing Lease, the Agency Financing Leases and the Property; and

9. in consideration of such assignment and pursuant to the Trust Agreement, Series #1# (the "Trust Agreement"), dated as of the Dated Date, by and among the Trustee, the State Treasurer and the Corporation, the Trustee has agreed to execute and deliver the State of Washington Certificates of Participation, Series #1# (_____), in an aggregate principal amount of \$_____ (the "Certificates"), evidencing and representing the Principal Components and Interest Components of Rent Payments payable by the State under the Master Financing Lease, for the purpose of generating proceeds to be used to finance or refinance the Project Costs of the Projects;

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

SECTION 1. Definitions; Construction; Miscellaneous Provisions; Supplements. Appendix 1 is incorporated as part of this Master Assignment by this reference. Appendix 1 provides (i) definitions for the capitalized terms used and not otherwise defined in this Master Assignment; (ii) certain rules for interpreting this Master Assignment; (iii) miscellaneous technical provisions that apply to this Master Assignment; and (iv) rules on how this Master Assignment may be amended or supplemented.

SECTION 2. Assignment. The Corporation, for good and valuable consideration, the receipt of which is acknowledged, unconditionally grants, sells, assigns, transfers and conveys to the Trustee, without recourse (i) all of its rights to the Sites under the Site Leases; (ii) all of its rights to receive the Rent Payments and any Additional Rent under the Master Financing Lease and Agency Rent Payments and Additional Rent under the Agency Financing Leases; (iii) its right to take all actions, exercise all remedies, and give all consents under and pursuant to the Site Leases, the Master Financing Lease and the Agency Financing Leases; (iv) all of its remaining right, title and interest in, to and under the Site Leases, the Master Financing Lease, the Agency Financing Leases and the

Property and any rents or profits generated therefrom; and (v) its right of access more particularly described in the Master Financing Lease.

SECTION 3. Acceptance. The Trustee accepts the foregoing grant, sale, assignment, transfer and conveyance for the benefit of the Owners of the Certificates, subject to the conditions and terms of the Trust Agreement, and all such Rent Payments and Additional Rent shall be applied and all of such right, title and interest shall be exercised by the Trustee as provided in the Trust Agreement. The Trustee agrees to perform and observe all of the terms, conditions, covenants and agreements under the Site Leases, the Master Financing Lease and the Agency Financing Leases from and after the Dated Date.

SECTION 4. Acknowledgement. The Trustee and the Corporation acknowledge and agree that (i) this grant, sale, assignment, transfer and conveyance by the Corporation is intended to be a true sale of the Corporation's right, title and interest in, to and under the Site Leases, the Master Financing Lease, the Agency Financing Leases and in and to the Property; (ii) the Corporation shall hereafter cease to have any rights, duties or obligations under the Site Leases, the Master Financing Lease, the Agency Financing Leases or with respect to the Property; (iii) the Trustee shall hereafter have all the rights, duties and obligations of the Corporation thereunder as if the Trustee had been the original party thereto; and (iv) except where the context otherwise requires, every reference in the Site Leases, the Master Financing Lease and the Agency Financing Leases to the Corporation shall be deemed and construed to refer to the Trustee.

SECTION 5. Conditions. This Master Assignment shall confer no rights and shall impose no obligations upon the Trustee other than those expressly provided in the Trust Agreement.

IN WITNESS WHEREOF, the Parties have executed and entered into this Master Assignment by their duly authorized officers as of the Dated Date.

WASHINGTON FINANCE OFFICERS
ASSOCIATION

By _____
Authorized Corporation Representative

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Its _____

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

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 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 _____
(Legibly Print or Stamp Name of Notary)

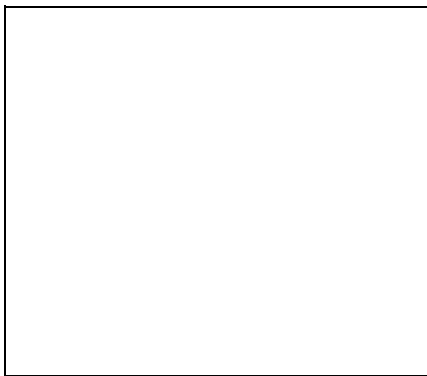
Notary public in and for the state of Washington, residing at

My commission expires _____

STATE OF _____)
) ss.
COUNTY OF _____)

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 the _____ of U.S. BANK NATIONAL 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 _____
(Legibly Print or Stamp Name of Notary)

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

My commission expires _____

Exhibit A

Agencies

Agency

Transaction No.

Exhibit B

Full Legal Description

[Agency name], Transaction No. _____

[legal description]

[Agency name], Transaction No. _____

[legal description]

TRUST AGREEMENT, SERIES #1#

by and among the

WASHINGTON FINANCE OFFICERS ASSOCIATION

and the

STATE OF WASHINGTON

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

Dated _____, 20__

Relating to

\$ _____

State of Washington

Certificates of Participation, Series #1# (_____)

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TRUST AGREEMENT, SERIES #1#

THIS TRUST AGREEMENT, SERIES #1# (the “Trust Agreement”), dated as of _____, 20__, is entered into by and among the State of Washington (the “State”), acting by and through the State Treasurer (the “State Treasurer”), U.S. Bank National Association (the “Trustee”), and the Washington Finance Officers Association, a Washington nonprofit corporation (the “Corporation”).

RECITALS

The Parties are entering into this Trust Agreement based upon the following facts and expectations:

1. Chapter 39.94 RCW (the “Act”) authorizes the State to enter into financing contracts for itself, including for state agencies, departments or instrumentalities, the state board for community and technical colleges, and any state institution of higher education (“State Agencies”), for the use and purchase of real and personal property by the State; and

2. the State Treasurer has established a consolidated program providing for the execution and the issuance of certificates of participation in such financing contracts, or in master financing contracts to provide financing or refinancing for the costs of acquisition or improvement of real and personal property by such State Agencies and Local Agencies; and

[USE WITH R/E] 3. the Corporation and certain Agencies each have entered into a Site Lease, Series #1#, dated the Dated Date (the “Site Leases”), for the lease of certain parcels of real property (the “Site”) to the Corporation, which will sublease such Site to the State in order to finance or refinance the acquisition or improvement thereof (the “Projects”); and

[USE WITH R/E] 4. the Corporation and the State have entered into a Master Financing Lease, Series #1#, dated the Dated Date (the “Master Financing Lease”), pursuant to which the Corporation has subleased the Sites and the Projects thereon (collectively, the “Property”), as more particularly described in the Master Financing Lease, to the State; and

[USE WITH R/E] 5. under the Master Financing Lease, the State is obligated to make Rent Payments to the Corporation for the sublease of the Property described therein; and

[USE WITH EQUIPMENT] 6. the Corporation and the State have entered into a Master Financing Contract, Series #1#, dated as of the Dated Date (the “Master Financing Contract” **and together with the Master Financing Lease, the “Master Financing Agreements”**), to provide financing or refinancing for the acquisition of certain items of personal property on behalf of certain Agencies (collectively with the Sites and the Projects, the “Property”); and

[USE WITH EQUIPMENT] 7. under the Master Financing Contract, the State is obligated to make Installment Payments to the Corporation for the acquisition of the Property described therein; and

8. the State Finance Committee has approved the form of this Trust Agreement pursuant to Resolution No. ____ adopted on _____; and

9. the Corporation has assigned to the Trustee without recourse its right to receive the **Rent Payments and Installment Payments (collectively, the “State Payments”)** scheduled to be made by the State under the respective Master Financing Agreement, together with its remaining interest in the Agency Financing Agreements, the **Site Leases, the Master Financing Agreements** and the Property, pursuant to the Master Assignment[s], Series #1#, each dated the Dated Date, between the Corporation and the Trustee (the “Master Assignment[s]”);

NOW, THEREFORE, the parties agree as follows:

ARTICLE I

DEFINITIONS; CONSTRUCTION; MISCELLANEOUS PROVISIONS; SUPPLEMENTS; EQUAL SECURITY

Section 1.01 Definitions; Construction; Miscellaneous Provisions; Supplements. Appendix 1 is incorporated as part of this Trust Agreement by this reference. Appendix 1 provides (i) definitions for the capitalized terms used and not otherwise defined in this Trust Agreement; (ii) certain rules for interpreting this Trust Agreement; (iii) miscellaneous technical provisions that apply to this Trust Agreement; and (iv) together with Article IX, rules on how this Trust Agreement may be amended or supplemented.

Section 1.02 Equal Security. This Trust Agreement shall be a contract between the Trustee and the Owners to secure the payment of the principal, Prepayment Price, if any, and interest evidenced and represented by the Certificates delivered hereunder, and all covenants and terms to be observed or performed by or on behalf of the Trustee shall be for the equal benefit and security of all Owners without preference or priority as to security or otherwise of any Certificates over any other Certificates, except as expressly provided herein. All Outstanding Certificates executed and delivered hereunder shall be equally and ratably secured with all other Outstanding Certificates, with the same right, lien, preference and priority with respect to State Payments, the Property and otherwise, except as expressly provided herein.

ARTICLE II

THE CERTIFICATES

Section 2.01 Authorization of Certificates; Terms of Certificates.

(a) Authorization and Description of Certificates. The Trustee is authorized to execute and deliver the Certificates in an Initial Principal Amount of \$_____, representing the aggregate of the Principal Components, and each evidencing and representing an undivided proportionate interest in the State Payments. The Certificates shall be designated the “State of Washington Certificates of Participation, Series #1# (_____),” shall be in fully registered form and shall be substantially in the form set forth in Exhibit A, with appropriate insertions and variations, and shall be numbered in such manner as the Trustee shall determine. “CUSIP” numbers may be printed on the Certificates.

The Certificates shall be dated the Dated Date, shall be payable in lawful money of the United States of America and shall only be in Authorized Denominations.

The Principal Components evidenced by the Certificates shall be payable on the Principal Payment Dates and shall evidence interest at the following rates:

<u>Principal Payment Date (____ 1)</u>	<u>Principal Component</u>	<u>Interest Rate</u>
--	--------------------------------	----------------------

The Interest Components evidenced by the Certificates shall be payable on each Interest Payment Date, commencing _____, 20___. Interest evidenced by the Certificates shall be computed on the basis of a 360-day year, consisting of twelve 30-day months.

Each Certificate shall evidence interest from its Dated Date and from the most recent Interest Payment Date to which interest has been paid in full or duly provided for, whichever is later. If any Certificate is duly presented for payment and not paid on such applicable date, then interest shall continue to accrue at the interest rate stated on such Certificate until it is paid.

If the Certificates are in fully immobilized form and held by DTC, such payments of Principal Components and Interest Components shall be made as provided in the operational arrangements of DTC as referred to in the Letter of Representations.

If the Certificates are no longer in fully immobilized form, interest on the Certificates shall be paid by check or draft mailed by first class mail (or, if agreed to by the State, by wire transfer to an Owner of such Certificate to the Owners of the Certificates at the addresses for such Owners appearing on the Certificate Register on the Record Date. The Principal Component or Prepayment Price shall be payable upon presentation and surrender of such Certificates by the Owners to the Trustee.

(b) Execution of Certificates. The Certificates shall be executed by the Trustee by the manual signature of an authorized signatory of the Trustee.

Section 2.02 Certificate of Registrar; Registrar of Certificates.

(a) Registration Covenant. The Certificates shall be issued only in registered form as to both principal and interest and shall be recorded on the Certificate Register.

(b) Trustee. The Trustee shall keep, or cause to be kept, the Certificate Register at its principal corporate trust office, which shall be open to inspection by the State at all times during regular business hours. The Certificate Register shall contain the name and mailing address of the Owner of each Certificate and the principal amount and number of each of the Certificates held by each Owner. The Trustee may become either an Owner of Certificates with the same rights it would have if it were not the Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Beneficial Owners.

(c) Ownership. The Trustee and the State may treat the Owner of each Certificate as the absolute owner thereof for all purposes.

(d) DTC Acceptance/Letter of Representations. To induce DTC to accept each Series of Certificates as eligible for deposit at DTC, the State has executed and delivered to DTC the Letter of Representations.

Neither the State nor the Trustee will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Certificates in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on any Certificate, any notice which is permitted or required to be given to the Owners under this Trust Agreement (except such notices as shall be required to be given by the State to the Trustee or to DTC (or any successor depository), or any consent given or other action taken by DTC (or any successor depository) as the Owner. For so long as any Certificates are held in fully immobilized form, DTC or its successor depository shall be deemed to be the Owner of such Certificates for all purposes hereunder, and all reference herein to the Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Certificates.

(e) Use of Depository.

(i) The Certificates shall be registered initially in the name of “Cede & Co.,” as nominee of DTC, with all Certificates maturing on the same maturity date and bearing the same interest rate in the form of a single certificate. Ownership of such immobilized Certificates, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Committee pursuant to subsection (ii) below or such substitute depository’s successor; or (C) to any person as provided in subsection (iv) below.

(ii) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Committee to discontinue the system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the Committee may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(iii) In the case of any transfer pursuant to clause (A) or (B) of subsection (i) above, the Trustee shall, upon receipt of all outstanding Certificates, together with a written request on behalf of the Committee, issue a single new Certificate for each maturity of the immobilized Certificates then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request.

(iv) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the State determines that it is in the best interest of the Beneficial Owners of any Certificates that Owners of Certificates be able to obtain those certificates in the form of the Certificates, the ownership of the Certificates may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. The State shall deliver a written request to the Trustee, together with a supply of definitive Certificates for that Series to issue Certificates as herein provided in any Authorized Denomination. Upon receipt by the Trustee of all then outstanding Certificates of that Series, together with a written request on behalf of the State to the Trustee, new Certificates of the same Series shall be issued in the appropriate denominations and registered in the names of those persons as are identified in such written request.

(f) Registration of Transfer of Ownership or Exchange; Change in Denominations. The transfer of any Certificate may be registered and Certificates may be exchanged, but no transfer of any Certificate shall be valid unless such Certificate is surrendered to the Trustee, with the assignment form appearing on such Certificate duly executed by the Owner or its duly authorized agent in a manner satisfactory to the Trustee. Upon surrender of a Certificate for transfer or exchange, the Trustee shall cancel the surrendered Certificate and shall authenticate and deliver, without charge to the Owner or transferee, a new Certificate or Certificates (at the option of the new Owner) of the same series, date, maturity and interest rate and for the same aggregate principal amount of the surrendered Certificate, in any Authorized Denomination, naming as Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Certificate, in exchange for the surrendered and canceled Certificate. Any Certificate may be surrendered to the Trustee and exchanged, without charge, for an equal aggregate principal amount of Certificates, as appropriate, of the same series, date, maturity and interest rate, in any Authorized Denomination. The Trustee shall not be obligated to transfer or exchange any Certificate during the 15 days preceding any Interest Payment Date, Principal Payment Date or Prepayment Date.

(g) Mutilated, Lost, Stolen or Destroyed Certificates. If any Certificate becomes mutilated, lost, stolen or destroyed, the Trustee shall, upon request of the State, authenticate and deliver a new Certificate, as appropriate, of the same series, date, interest rate and maturity and of like tenor and effect in substitution therefor, all in accordance with applicable law. If the lost, stolen or destroyed Certificate has matured, the State, at its option, may pay the same without its surrender, in accordance with applicable law. No substitution or payment, however, shall be made unless and until the applicant shall furnish (a) evidence satisfactory to the Trustee of the destruction or loss of the original Certificate and of its ownership and (b) such additional security, indemnity or evidence as may be required by the State. No substitute Certificate shall be furnished until the applicant shall reimburse the State and the Trustee for their respective expenses.

ARTICLE III

DELIVERY OF CERTIFICATES; CREATION OF FUNDS

Section 3.01 Delivery of Certificates. The Trustee shall deliver the Certificates to the Underwriter upon receipt of the proceeds of sale thereof.

Section 3.02 Project Fund and Acquisition Fund.

(a) **[USE WITH R/E]** Project Fund. The State Treasurer, as agent for the Corporation, shall establish the “State of Washington Certificates of Participation, Series #1# Project Fund” (the “Project Fund”). The money in the Project Fund shall be held by the State Treasurer and applied to the payment of the Project Costs. Money in the Project Fund shall be invested by the State Treasurer in Qualified Investments. Disbursements by the State Treasurer from the Project Fund to pay or reimburse the Project Costs of the related Property or the Projects to be financed or refinanced by each Agency shall not exceed the amount in the Project Fund allocable to such Agency, as determined by the State Treasurer. When the Projects and the related Property have been financed, or refinanced and all of the Project Costs have been paid, the State Treasurer shall transfer any remaining balance in the Project Fund to the Agency Rent Payment Fund.

(b) **[USE WITH EQUIPMENT]** Acquisition Fund. The State Treasurer, as agent for the Corporation, shall establish the “State of Washington Certificates of Participation, Series #1# Acquisition Fund” (the “Acquisition Fund”). The money in the Acquisition Fund shall be held by the State Treasurer and applied to the payment of the Acquisition Costs of the Property. Money in the Acquisition Fund shall be invested by the State Treasurer in Qualified Investments. Disbursements by the State Treasurer from the Acquisition Fund to pay or reimburse the Acquisition Costs of Property to be acquired by each Agency shall not exceed the amount in the Acquisition Fund allocable to such Agency, as determined by the State Treasurer. When the Property has been financed or refinanced and all of the Acquisition Costs have been paid, the State Treasurer shall transfer any remaining balance in the Acquisition Fund to the Agency Installment Payment Fund.

Section 3.03 Application of Proceeds of Certificates. The State Treasurer shall determine the amount of proceeds from the sale of the Certificates to be deposited into the Project Fund and the Acquisition Fund to be used to pay Project Costs and Acquisition Costs, respectively.

[Section 3.04 Refunding Escrow Account.

(a) Deposit, Investment and Expenditure of Money. Solely for the benefit of the owners of the Refunded Certificates, the Trustee shall establish a separate account named the “State of Washington Certificates of Participation, Series 20__ Refunding Escrow Account,” which consists of the accounts shown in Exhibits B-1 through B-__ (collectively, the “Refunding Escrow Account”), and shall carry out the Refunding Plan in accordance with this Section 3.04. On the Closing Date, the Trustee shall deposit in the Refunding Escrow Account proceeds of the Certificates received from the State Treasurer and use such proceeds to establish the cash

balances and to purchase the Government Obligations described in Exhibits B-1 through B-___. Such deposit, all proceeds therefrom, and all cash balances on deposit therein (a) shall be the property of the Refunding Escrow Account, (b) shall be applied only in strict conformity with the terms of this Trust Agreement, and (c) are hereby irrevocably pledged to the payment of the Refunded Certificates on the applicable payment and prepayment dates as set forth in the Refunding Plan. When the Refunded Certificates have been paid in accordance with the Refunding Plan, any balance then remaining in the Refunding Escrow Account shall be transferred to the State Treasurer and the Trustee shall thereupon be discharged from any further duties with respect to the Refunding Escrow Account. Upon receipt thereof, the Trustee shall deliver to the State copies of the documents evidencing its purchase of and payment for the Government Obligations.

(b) Limitation on Investments. Except for the initial investment in the Government Obligations, the Trustee shall not have any power or duty to invest or reinvest any money held in the Refunding Escrow Account, or to make substitutions of the Government Obligations, or to sell, transfer, or otherwise dispose of the Government Obligations.

(c) Sufficiency of Escrow. The State represents, based upon the Certification, that the cash and Government Obligations shall be sufficient to make when due the payments required by the Refunding Plan.

(d) Collection of Proceeds of Government Obligations and Application of Such Proceeds and Money. The Trustee shall present for payment and shall collect and receive on the due dates thereof the maturing installments of the principal of and interest on the Government Obligations and use such proceeds to carry out the Refunding Plan.

(e) Notices of Prepayment/Defeasance. The Trustee agrees to give a Notice of Defeasance of the Refunded Certificates in substantially the form attached as Exhibit C, immediately following execution of this Trust Agreement, and to give the Notice of Prepayment of the Refunded Certificates in substantially the forms attached as Exhibit D-1 through D-___, not less than [30] nor more than 60 days prior to their respective prepayment dates. Notices given to the MSRB shall be in the electronic format prescribed by the MSRB and accompanied by the identifying information prescribed by the MSRB. The cost of publication of the notices will be paid by the State.

(f) All Government Obligations and Money and Proceeds Thereof Held in Trust. The Trustee irrevocably agrees to hold the Government Obligations, the principal thereof and interest thereon and any other money which it may receive pursuant to this Section 3.04 in trust and separate at all times from all other funds and investments held by it, solely for the purpose of making the payments required by the Refunding Plan and not for the benefit of the Owners of the Certificates. The State irrevocably conveys, transfers and assigns to the Trustee the Government Obligations, the principal thereof and interest thereon and any other money and investments deposited with the Trustee pursuant to this Section 3.04 for the purpose of making such payments. The Trustee shall not sell, transfer, assign or hypothecate any Government Obligations.

(g) Remittance of Funds when Refunded Certificates Paid in Full. When all of the payments required to carry out the Refunding Plan have been made, the Trustee shall remit to the State Treasurer any remaining Governmental Obligations and money held by it pursuant to this Section 3.04.]

ARTICLE IV

PREPAYMENT OF CERTIFICATES

Section 4.01 Prepayment of Certificates.

(a) Optional Prepayment. The Certificates with Principal Payment Dates on and after _____, 20__ are subject to prepayment prior to their respective stated Principal Payment Dates, as a whole or in part in Authorized Denominations on any date on or after _____, 20__, upon the exercise by the State, at the direction of any Agency, of its option to prepay the Principal Components evidenced and represented by such Certificates, at the Prepayment Prices (expressed as a percentage of the Principal Components prepaid) of 100% plus accrued interest, if any, evidenced and represented thereby to the Prepayment Date.

(b) Mandatory Prepayment. The Certificates with a Principal Payment Date of _____, 20__ are subject to mandatory prepayment prior to their stated Principal Payment Date, in part in Authorized Denominations, from State Payments on the Principal Payment Dates on and after _____, 20__, in the amount of the Principal Component evidenced and represented thereby being prepaid, plus accrued interest evidenced and represented thereby to the Prepayment Date, without premium, as follows:

Mandatory Prepayment Date	Principal Component
_____	_____

*Final Maturity.

The Certificates with a Principal Payment Date of _____, 20__ are subject to mandatory prepayment prior to their stated Principal Payment Date, in part in Authorized Denominations, from State Payments on the Principal Payment Dates on and after _____, 20__, in the amount of the Principal Component evidenced and represented thereby being prepaid, plus accrued interest evidenced and represented thereby to the Prepayment Date, without premium, as follows:

Mandatory
Prepayment Date

Principal
Component

*Final Maturity.

The Certificates with a Principal Payment Date of _____, 20__ are subject to mandatory prepayment prior to their stated Principal Payment Date, in part in Authorized Denominations, from State Payments on the Principal Payment Dates on and after _____, 20__, in the amount of the Principal Component evidenced and represented thereby being prepaid, plus accrued interest evidenced and represented thereby to the Prepayment Date, without premium, as follows:

Mandatory
Prepayment Date

Principal
Component

*Final Maturity.

(c) Extraordinary Mandatory Prepayment. [USE WITH/ R/E] The Certificates are subject to prepayment on any date prior to their respective Principal Payment Dates, as a whole, or in part in Authorized Denominations, upon certain governmental takings, loss of title, and casualty loss, from amounts deposited in the Certificate Fund pursuant to Section 5.03, in the amount of the Principal Component evidenced and represented thereby being prepaid, plus accrued interest to the Prepayment Date, without premium.

(d) Purchase. The State reserves the right to purchase any Certificate offered for sale to the State at any time at any price.

(e) Partial Prepayment. If the Certificates are in book-entry form at the time of prepayment, and less than all of the Certificates are being prepaid, the selection of Certificates for prepayment shall be made in accordance with the operational arrangements in effect at DTC. If the Certificates are not then in book-entry form at the time of prepayment, the Trustee shall select such Certificates for prepayment in a random method determined by the Trustee.

(f) Notice of Prepayment. After receipt of the notice specified in Section 4.1 of the Master Financing Contract and Section 4.3 of the Master Financing Lease, notice of prepayment pursuant to this Section 4.01 shall be given by the Trustee, not less than 20 nor more than 60 days prior to the Prepayment Date, to (i) the State Treasurer, (ii) the Owner of each Certificate affected at the address shown on the Certificate Register on the date such notice is mailed, (iii) the Securities Depositories, and (iv) the MSRB. Each notice of prepayment shall state the date of such notice, the Dated Date of the Certificates, the Prepayment Date, the

Prepayment Prices, the place or places of prepayment (including the name and address of the Trustee), the CUSIP number of the Certificates being prepaid, the Principal Component due evidenced and represented by the Certificates, the numbers of the Certificates or portions thereof to be prepaid and the Principal Payment Dates of the Certificates to be prepaid. Such notice also shall state that the interest evidenced and represented by the Certificates designated for prepayment shall cease to accrue from and after such Prepayment Date, and that on such date there will become due and payable with respect to each of such Certificates the Prepayment Price of such Certificate to be prepaid, and interest, if any, accrued thereon to the Prepayment Date. Such notice shall require that such Certificates be then surrendered at the address or addresses of the Trustee specified in the prepayment notice.

In the case of an optional or extraordinary prepayment, such prepayment is conditioned on the receipt by the Trustee of sufficient funds for such prepayment. If the Trustee does not receive funds sufficient to carry out a prepayment, the prepayment notice may be rescinded by further notice given to the Owners of the affected Certificates. A notice of optional or extraordinary prepayment may state that the State retains the right to rescind the notice and the related prepayment by giving a notice of rescission to the affected Owners at any time prior to the scheduled prepayment date.

(g) Effect of Prepayment. If notice of prepayment has been duly given as aforesaid, and money sufficient for the payment of the Prepayment Price is held by the Trustee, the Certificates so called for prepayment shall, on the Prepayment Date designated in such notice, become due and payable at the Prepayment Price specified in such notice. From and after such date interest on the Certificates so called for prepayment shall cease to accrue, such Certificates shall cease to be entitled to any lien, benefit or security hereunder or under the applicable Master Financing Agreement, and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the Prepayment Price evidenced thereby, which money is hereby pledged to such payment.

ARTICLE V

STATE PAYMENTS; FUNDS AND ACCOUNTS; INVESTMENTS

Section 5.01 State Payments Held in Trust. The State Payments are hereby irrevocably pledged and shall be applied to pay the Principal Component and Interest Component evidenced and represented by the Certificates when due, and shall not be used or applied for any other purpose while any of the Certificates remain Outstanding. This pledge shall constitute a first and exclusive lien on and security interest in the State Payments for the benefit of the Owners of the Certificates.

All State Payments shall be paid directly by the State Treasurer to the Trustee. All State Payments shall be immediately deposited by the Trustee in the Certificate Fund as provided in Section 5.02, whereupon they shall be applied to the payment or prepayment, as appropriate, of Certificates, but if for any reason not so applied, held in trust by the Trustee in such fund for the benefit of the Owners.

Section 5.02 Deposit of State Payments. The Trustee agrees to establish, maintain and hold in trust the “State of Washington Certificates of Participation, Series #1# Certificate Fund” (the “Certificate Fund”) for so long as any Certificates remain Outstanding. The Trustee may create subaccounts within the Certificate Fund. The Trustee shall deposit all State Payments in the Certificate Fund, and the money in each such fund shall be disbursed only for the authorized purposes in the order of priority as set forth below.

(a) Interest. On each Interest Payment Date, the amount evidencing the Interest Component due on such Interest Payment Date, shall be used to pay the interest evidenced and represented by the Certificates on such Interest Payment Date.

(b) Principal. On each Principal Payment Date, the amount evidencing the Principal Component due on such Principal Payment Date shall be used to pay the principal evidenced and represented by the Certificates on such Principal Payment Date.

(c) Prepayment. The Principal Component at the Prepayment Price (and related payments of the Interest Component, if any) shall be used to pay the Prepayment Price evidenced and represented by Certificates prepaid on a Prepayment Date pursuant to Section 4.01.

Section 5.03 Application of Insurance Proceeds and Eminent Domain Awards. Under the terms of the Agency Financing Leases, the net proceeds of any casualty insurance with respect to any of the Property, if received by the State or any Agency, are required to be immediately paid to the Trustee and applied as provided in this Section 5.03. Not later than 90 days after payment of such proceeds to the Trustee, the respective Agency shall notify the Trustee in writing as to whether or not it elects to repair or replace such Property. If the Agency elects to repair or replace such Property, such amounts shall be disbursed by the Trustee, at the written direction of the respective Agency, to pay the costs of such repair or replacement. The Trustee has no duty or obligation to confirm that such requested disbursements are for a permitted purpose. If the Agency elects not to repair or replace the property damaged, destroyed or taken, or if the Agency fails to so notify the Trustee as to whether or not the Agency elects to repair or replace such Property, the Trustee shall transfer all such amounts to the Certificate Fund and apply such amounts to the prepayment of Outstanding Certificates pursuant to Section 4.01 at the earliest Prepayment Date. Any eminent domain award, the proceeds of any sale under threat of condemnation, and the net proceeds of any title insurance in connection with a loss of title with respect to any Property, if received by the State or any Agency, shall immediately be paid to the Trustee. The Trustee shall transfer all such amounts to the Certificate Fund and apply such amounts to the prepayment of Outstanding Certificates pursuant to Section 4.01(c) at the earliest Prepayment Date. To the extent that such amounts are not sufficient, in whole or in part, to prepay Principal Components evidenced and represented by the Certificates in Authorized Denominations, such amounts shall be applied to provide for the payment thereof pursuant to Section 10.01(b).

Section 5.04 Investment of Money. All money in the Certificate Fund shall be held by the Trustee uninvested or, at the written direction of the State Treasurer, in Qualified Investments, maturing not later than the date on which such money will be required for the purposes specified in this Trust Agreement. The Trustee may rely on the investment instructions

of the State Treasurer as to the suitability and legality of the instructed investments, and the Trustee shall not be responsible for losses incurred in making investments in accordance with the State Treasurer's investment instructions.

The State Treasurer and the Corporation acknowledge that to the extent that regulations of the Comptroller of the Currency, or any other regulatory entity, grant the State Treasurer and the Corporation the right to receive brokerage confirmations of the security transactions as they occur, the State Treasurer and the Corporation specifically waive receipt of such confirmations to the extent permitted by law.

All interest and other income received from the investment of money in the Certificate Fund shall be deposited in such fund. For the purpose of determining the amount in any fund or account, all Qualified Investments shall be valued at the lesser of cost or par value.

The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell or present for redemption any Qualified Investments so purchased whenever it shall be necessary to provide money to meet any required payment or disbursement from the fund or account to which such Qualified Investment is credited.

The Trustee may elect, but shall not be obligated, to credit the Certificate Fund with money representing income or principal payments due on, or sale proceeds due in respect of, Qualified Investments in the Certificate Fund, or to credit to Qualified Investments intended to be purchased with such money, in each case before actually receiving the requisite money from the payment sources, or to otherwise advance funds for account transactions. The State Treasurer and the Corporation acknowledge that the legal obligation to pay the purchase price of any Qualified Investments arises immediately at the time of purchase. Notwithstanding anything else in this Trust Agreement, (i) any such crediting of funds or assets shall be provisional in nature, and the Trustee shall be authorized to reverse any such transactions or advances of funds in the event that it does not receive good funds with respect thereto, and (ii) nothing in this Trust Agreement shall constitute a waiver of any of Trustee's rights as a securities intermediary under RCW 62A.9A-206.

Section 5.05 Non-Presentation of Certificates. In the event that any Certificates shall not be presented for payment when the principal or Prepayment Price evidenced and represented thereby becomes due, either at a Principal Payment Date, Prepayment Date or otherwise, if money sufficient to pay such principal or Prepayment Price shall have been deposited in the Certificate Fund, as applicable, all liability of the Trustee and the State to the Owner thereof for payment with respect to such Certificate shall cease and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such money, subject to Section 10.02, without liability for interest thereon, for the benefit of the Owner of such Certificate who shall thereafter be restricted exclusively to such money.

Section 5.06 Repayment to State Treasurer. When there are no longer any Certificates Outstanding, and all fees and expenses of the Trustee have been paid or provided for, the Trustee shall pay to the State Treasurer any amounts remaining in the Certificate Fund.

ARTICLE VI

COVENANTS OF THE CORPORATION, THE STATE AND THE TRUSTEE; LIMITED LIABILITY

Section 6.01 Compliance with and Amendment of Master Financing Agreements. The Corporation, the State and the Trustee will comply with and perform the covenants and terms contained in the Master Financing Agreements required to be complied with and performed by each of them, and the Trustee will, to the extent required hereunder, enforce such agreement against the State in accordance with its terms.

The State will not amend the Master Financing Agreements without the prior written consent of the Trustee. Such consent of the Trustee shall be given only (i) if the Trustee receives an Opinion of Counsel to the effect that such amendments will not have a material adverse effect on the interests of the Owners of the Certificates or (ii) if the Trustee first obtains the written consent of the Owners of a majority in aggregate Principal Component evidenced and represented by the Certificates then Outstanding to such amendments; provided, that no such amendment shall reduce the amount or extend the time for payment of any State Payment without the prior written consent of the Owners of the Certificates evidencing and representing any portion thereof.

Section 6.02 Other Liens. The Corporation, the State and the Trustee will not create any pledge of, lien on or security interest in the State Payments other than the pledge and lien hereof and security interest hereunder.

Section 6.03 Accounting Records and Statements. The Trustee shall permit representatives of the State Treasurer, an auditor selected by the State, or the State Auditor or their authorized agents to examine the records of the Trustee relating to the services rendered under this Trust Agreement.

Any audits conducted under this Section 6.03 that do not necessitate the compilation of records in addition to those which are otherwise required by other sections of this Trust Agreement may be conducted without notice. Any audits conducted under this Section 6.03 that require the compilation of records in addition to those which are otherwise required by this Trust Agreement may be conducted upon 10 Business Days' written notice from the State to the Trustee. The State shall bear the cost of conducting audits conducted under this Section 6.03, except that the Trustee shall bear all costs and expenses of any audits conducted as a result of the Trustee's breach of any provision of this Trust Agreement.

The provisions of this Section 6.03 shall remain in effect for three years after the expiration, or sooner termination, of the term of this Trust Agreement. If any litigation, claim or audit is started before the expiration of the three year period, the records shall be retained until one year following the termination of such litigation, claim, or audit, including any appeals thereto.

The Trustee shall maintain all books, records, documents, data and other evidence relating to this Trust Agreement and performance of the services described herein. The Trustee

shall retain such records for a period of six years following the date of final payment. If any litigation, claim or audit is started before the expiration of the six year period, the records shall be retained the longer of either one year following the termination of said litigation, claim or audit, including all appeals or six years from the date of final payment under this Trust Agreement.

At least semiannually and otherwise upon request, the Trustee shall provide to the State Treasurer a statement showing the receipts, investment, deposits, application and disbursements of the amounts in the Certificate Fund.

Section 6.04 Recording and Filing. The Trustee, upon receipt of a written request of the State, shall execute, and the State shall file, record, register, renew, refile and rerecord, all such documents, including but not limited to the Site Leases, the Master Financing Agreements, the Agency Financing Agreements and the Master Assignment[s], **[CHANGE DEPENDING ON IF EQUIPMENT, RE OR COMBINED]** as may be required by law in order to maintain a security interest in the State Payments, all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to fully perfect, preserve and protect the security of the Owners and the rights and interests of the Trustee; *provided, however*, that the Trustee will not be required to execute a special or general consent to service of process, or to qualify as a foreign corporation in connection with any such filing, recording, registration, refiling or rerecording in any jurisdiction in which it is not now so subject, nor will the Trustee be responsible for determining sufficiency of such filing, recording, registration, refiling or rerecording.

Section 6.05 No Liability by the Corporation to the Owners. Except for the observance and performance of the agreements and covenants required to be observed and performed by it contained herein, the Corporation shall not have any obligation or liability to the Owners with respect to this Trust Agreement, or the payment when due of the State Payments by the State, or with respect to the observance or performance by the State of the other agreements and covenants required to be observed and performed by the State contained in the Master Financing Agreements or herein, or with respect to the delivery or transfer of the Certificates or the disbursement of the State Payments by the Trustee to the Owners, or with respect to the observance or performance by the Trustee of any covenants, terms or obligations required to be performed or observed by it in this Trust Agreement.

Section 6.06 No Liability by the State to the Owners. Except for the payment when due of the State Payments and the observance and performance of the other agreements and covenants required to be observed and performed by it contained in the Master Financing Agreements and herein, the State shall not have any obligation or liability to the Owners with respect to this Trust Agreement, or the delivery or transfer of the Certificates or the disbursement of the State Payments by the Trustee to the Owners, or with respect to the observance or performance by the Trustee of any agreements, covenants, terms or obligations required to be observed or performed by it in this Trust Agreement.

Section 6.07 No Liability by the Trustee to the Owners. Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the State Payments by the State, with respect to the observance or

performance by the State of the other agreements and covenants required to be observed and performed by it contained in the Master Financing Agreements or herein or with respect to the observance or performance by the Corporation of the agreements and covenants required to be observed and performed by it contained in this Trust Agreement.

ARTICLE VII

EVENTS OF DEFAULT; REMEDIES

Section 7.01 Events of Default; Remedies; Waiver. If an Event of Default shall occur and be continuing, then such Event of Default shall constitute a default hereunder, and during the continuance of such Event of Default, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate Principal Component evidenced and represented by the Certificates then Outstanding and receipt of indemnity against anticipated expenses and liability to its satisfaction (which indemnity is a condition precedent to its duties hereunder), shall, in its own name and as the Trustee of an express trust take any or all of the following actions:

(a) by mandamus or other action or proceeding or suit, action or proceeding at law or in equity, enforce all rights against the State and to compel the State to perform its duties under the Master Financing Agreements, the Agency Financing Agreements and this Trust Agreement;

(b) by suit in equity upon the happening of any Event of Default to require the State or any Agency and its officers and employees to account as the trustee of an express trust; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Trustee or Owners of Certificates.

In no event shall the Trustee have the right to accelerate the Certificates or the State Payments.

The Trustee may, in its discretion, waive any Event of Default and its consequences and annul any notice thereof by written notice to the State Treasurer to such effect, and thereupon the respective rights of the Parties hereunder shall be as they would have been if such Event of Default had not occurred. A waiver of any Event of Default by the Trustee shall not affect any subsequent default or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy upon any default shall impair any such right or remedy or shall be construed to be a waiver of any such default and every right conferred upon the Trustee by law or by this Article may be exercised from time to time and as often as shall be deemed expedient by the Trustee.

If any action to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Trustee, the Corporation and the State Treasurer shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Certificates or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Section 7.02 Application of Money. If an Event of Default shall have occurred and be continuing, all money received by the Trustee shall be applied, first, to the payment of the reasonable fees, costs and expenses incurred by the Trustee in connection with such default (including but not limited to the reasonable fees and expenses of its counsel and agents) and the creation of a reasonable reserve for anticipated fees, costs and expenses; second, to the payment of the Interest Components evidenced and represented by the Certificates accrued to the date of application thereof pro rata among the Owners entitled thereto; third, to the payment of the Principal Components evidenced and represented by the Certificates and the Prepayment Price, if any, then due pro rata among the Owners entitled thereto; and fourth, when no Certificates remain Outstanding, to pay or reimburse the State for its costs and expenses, including reasonable attorneys' fees, incurred in connection with the Certificates, the Master Financing Agreements, the Agency Financing Agreements and this Trust Agreement.

Section 7.03 Trustee May Enforce Claims Without Possession of Certificates. All rights of action and claims under this Trust Agreement or the Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust.

Section 7.04 Limitation on Actions by Owners. The Owners of not less than a majority in aggregate Principal Component evidenced and represented by the Certificates then Outstanding shall have the right to direct the method and place of conducting any proceeding or remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, hereunder or under the Master Financing Agreement in connection with the enforcement of the covenants, agreements, terms and conditions hereof and thereof; provided, that any such direction shall not be contrary to law, this Trust Agreement or the Master Financing Agreement, and is not unduly prejudicial to the interest of the Owners not joining in such direction; and *provided further*, that the Trustee may take any other action which it deems necessary or appropriate and not inconsistent with such direction.

No Owner shall have the right to institute any action, suit or proceeding for the enforcement hereof or the Master Financing Agreements, or to pursue any remedy available hereunder or under the Master Financing Agreements unless:

- (a) the Trustee shall have been given written notice of an Event of Default by such Owner;
- (b) the Owners of at least a majority in aggregate Principal Component evidenced and represented by the Certificates then Outstanding respecting which there has been an Event of Default shall have requested the Trustee, in writing, to exercise the powers granted

by this Trust Agreement or the Master Financing Agreements, or to institute such action, suit or proceeding, or to pursue such remedy in it or their name or names;

(c) the Trustee shall have been offered indemnity satisfactory to it against its costs, expenses and liabilities in connection therewith; and

(d) the Trustee shall have failed to comply with such request within 60 days, or such shorter period as shall be reasonable under the circumstances.

ARTICLE VIII

THE TRUSTEE

Section 8.01 Appointment of Trustee; Duties and Liabilities. The Corporation and the State Treasurer appoint U.S. Bank National Association as the Trustee to receive, deposit and disburse the State Payments, to execute, deliver and transfer the Certificates, and to perform the other functions and responsibilities set forth herein. By executing and delivering this Trust Agreement, the Trustee hereby accepts such appointment. The Trustee agrees to be responsible to the State, the Corporation and the Owners for its own acts and/or omissions and those of its officers, employees and agents including but not limited to claims or lawsuits brought by third parties resulting from such acts or omissions.

Prior to an Event of Default hereunder and after the curing of all Events of Default which may have occurred,

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Trust Agreement, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Agreement, and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee.

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Trust Agreement; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee the Trustee shall be under a duty to examine the same to determine whether or not it conforms on its face to the requirements of this Trust Agreement.

If any Event of Default under this Trust Agreement shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Agreement and shall use the same degree of care as a prudent person would exercise or use in the circumstances in the conduct of such prudent person's own affairs.

At all times, regardless of whether or not any Event of Default shall exist,

(1) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less

than a majority, or such other percentage as may be required hereunder, in aggregate Principal Component evidenced and represented by the Certificates at the time Outstanding, relating to Events of Default and remedies.

(2) Any action of the State Treasurer referred to herein shall be sufficiently evidenced by an instrument signed in the name of the State Treasurer by a Treasurer Representative.

(3) The Trustee makes no representation as to the validity or sufficiency of this Trust Agreement or of the Master Financing Agreements or of the assignment of the right to receive State Payments or of the Certificates. The Trustee shall not be accountable for the use or application by the Corporation or the State of the proceeds of any of the Certificates.

(4) In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners of Certificates and not in its individual capacity, and all Persons, including, without limitation, the Owners, having any claim against the Trustee arising from this Trust Agreement shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein. No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced and represented by the Certificates.

(5) The Trustee makes no representation or warranty as to the title, value, design, compliance with specification or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the State or the Agencies of the Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Master Financing Agreements or this Trust Agreement or for the existence, lease or use of the Property.

(6) The Trustee shall not be deemed to have knowledge of any default or Event of Default, except for the failure by the State to timely make any State Payments, unless and until an officer at the Trustee's corporate trust offices responsible for the administration of its duties hereunder shall have actual knowledge thereof or has received written notice thereof.

(7) Before taking any action under this Trust Agreement relating to an Event of Default or in connection with its duties under this Trust Agreement other than making payments of principal of and interest on the Certificates as they become due whenever required by the Trust Agreement, the Trustee may require that a satisfactory indemnity certificate be furnished by the Owners of the related Certificates for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, laws or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken.

(8) The Trustee shall have no responsibility or liability with respect to any information, statements or recitals in any official statement or other disclosure material prepared or distributed with respect to the issuance of Certificates.

(9) The Trustee agrees to accept and act upon instructions or directions pursuant to this Trust Agreement sent by unsecured email, facsimile transmission or other similar unsecured electronic methods; provided, however, that the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions. The State and the Corporation agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 8.02 Compensation of Trustee. The State shall pay the Trustee for its services as set forth in a written agreement between the State and the Trustee; provided, however, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established hereunder, although it may take whatever legal actions are lawfully available to it directly against the State. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 8.03 Qualifications of Trustee. There shall at all times be a Trustee hereunder which shall either be (a) the fiscal agency of the State selected pursuant to chapter 43.80 RCW or (b) a bank, trust company or national association organized and doing business under the laws of the United States of America or of a state thereof, authorized under such laws to exercise corporate trust powers.

Section 8.04 Resignation and Removal of Trustee and Appointment of Successor Trustee. The State may replace the Trustee at any time for any reason by giving 60 calendar days' written termination notice to the Trustee. The State may, by written notice stating the date of termination, replace the Trustee for breach of any of the terms herein, and to retain all other rights against the Trustee by reason of the Trustee's breach as provided by law. The Trustee may propose the substitution of another qualified organization to act as Trustee under this Agreement in the event of a merger or acquisition involving the Trustee, provided that the proposed successor Trustee can meet all required terms of this Agreement and the State is given written notice by the Trustee, not less than 60 calendar days prior to the effective date of such merger or acquisition.

In case at any time either of the following shall occur:

(1) the Trustee shall cease to be eligible in accordance with the provisions of Section 8.03 and shall fail to resign after written request therefor by the State Treasurer or by the majority of Owners, or

(2) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation

then the State Treasurer or the Owners of a majority in aggregate Principal Component evidenced and represented by the Certificates at the time Outstanding may remove the Trustee and appoint a successor Trustee by an instrument or concurrent instruments in writing signed by the State Treasurer or such Owners, as the case may be.

Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this section shall become effective upon acceptance of appointment by the successor Trustee, as provided in Section 8.05. Anything herein to the contrary notwithstanding, the State Treasurer may not remove the Trustee without cause if an Event of Default shall have occurred and be continuing.

Section 8.05 Acceptance of Trust by Successor Trustee. Any successor Trustee appointed as provided in Section 8.04 shall deliver to the State Treasurer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, shall become vested with all the rights and obligations in the trusts hereunder, with like effect as if originally named as Trustee. Upon request of any such successor Trustee, the State Treasurer and the Corporation shall execute any document necessary or desirable to vest in and confirm to such successor Trustee all such rights, powers and duties.

Upon acceptance of appointment by a successor Trustee as provided in this section, the State Treasurer or such successor Trustee shall provide notice as set forth in the Disclosure Agreement.

ARTICLE IX

AMENDMENT OR SUPPLEMENT OF TRUST AGREEMENT

Section 9.01 Amendment or Supplement; Consents. This Trust Agreement and the rights and obligations of the State, the Owners and the Trustee hereunder may be amended or supplemented at any time as provided in Appendix I. No such amendment or supplement shall (1) extend the stated Principal Payment Date of any Certificate, or reduce the rate of interest evidenced and represented thereby, or extend the time of payment of such interest, or reduce the amount of the Principal Component evidenced and represented thereby, or reduce any Prepayment Price evidenced and represented thereby, without the prior written consent of the Owner of the Certificate so affected; (2) reduce the percentage of Owners whose consent is

required for the execution of any amendment hereof or supplement hereto; or (3) modify any of the rights or obligations of the Trustee without its prior written consent.

Section 9.02 Amendment by Mutual Consent. The provisions of this Article shall not prevent any Owner from accepting any amendment to the particular Certificates held by it.

ARTICLE X

DISCHARGE AND DEFEASANCE

Section 10.01 Discharge of Trust Agreement; Defeasance of Certificates.

(a) Discharge of Trust Agreement. When the obligations of the State under the Master Financing Agreements shall cease pursuant to Section 4.3 of the Master Financing Contract and Section 4.5 of the Master Financing Lease (except for the right of the Trustee and the obligation of the State to have the money and Government Obligations referenced therein applied to the payment of State Payments as therein set forth), then in that case the obligations created by this Trust Agreement shall cease, terminate, become void and be completely discharged except for the right of the Owners and the obligation of the Trustee to apply such money and Government Obligations to the payment of the Certificates as herein set forth and the right of the Trustee to collect any fees or expenses due or indemnities provided by Owners hereunder. The Trustee shall turn over to the State Treasurer, as an overpayment of State Payments, any surplus in the Certificate Fund and all balances remaining in any other funds or accounts other than money and Government Obligations held for the payment of the Certificates on the Principal Payment Dates or Prepayment Dates thereof, which money and Government Obligations shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal, Prepayment Price and interest evidenced and represented by the Certificates, and after such payment, this Trust Agreement shall become void. The Trustee shall thereafter execute and deliver to the State such other documents and instruments as may be necessary or desirable, as requested by or on behalf of the State, to evidence such discharge and satisfaction of this Trust Agreement.

(b) Defeasance of Certificates. If money and/or Government Obligations maturing at such time(s) and bearing such interest to be earned thereon (without any reinvestment thereof) as will provide a series of payments which shall be sufficient, together with any money initially deposited, to provide for the payment of the principal of and interest on all or a designated portion of the Certificates when due in accordance with their respective terms are set aside in a special fund (hereinafter called the "trust account") to effect such payment, and are pledged irrevocably in accordance with a refunding or defeasance plan adopted by the State for the purpose of effecting such payment, then no further payments need be made into the Certificate Fund for the payment of principal of and interest on such Certificates, the Owners thereof shall cease to be entitled to any lien, benefit or security of this Trust Agreement, except the right to receive payment of the principal of and interest on such Certificates when due in accordance with their respective terms from the money and the principal and interest proceeds on the Government Obligations set aside in the trust account, and such Certificates shall no longer be deemed to be Outstanding hereunder.

Section 10.02 Unclaimed Money. Subject to any applicable State law (or applicable law of another state) with respect to abandoned property, any money held by the Trustee in trust for the payment and discharge of the principal, Prepayment Price or interest evidenced and represented by any of the Certificates which remain unclaimed for two years after the date when the principal, Prepayment Price or interest evidenced and represented by such Certificates have become payable, shall at the written request of the State Treasurer be repaid by the Trustee (without liability for interest) to the State Treasurer as its property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the State Treasurer for the payment of the principal, Prepayment Price or interest evidenced and represented by such Certificates.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys duly appointed in writing. The fact and date of the execution by any Owner or his or her attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he or she purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient. Any declaration, request, consent, direction or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the State Treasurer or the Trustee in good faith and in accordance therewith.

Section 11.02 Funds and Accounts. Any fund required to be established and maintained herein by the Trustee or the State Treasurer may be established and maintained in the accounting records of the Trustee or the State Treasurer, respectively, either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof, and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with prudent accounting practice and with due regard for the protection of the security of the Certificates and the right of the Owners.

Section 11.03 Effective Date. This Trust Agreement shall become effective upon its execution and delivery.

The Washington Finance Officers Association, the Office of the State Treasurer and U.S. Bank National Association, as Trustee, have caused this Trust Agreement to be executed and delivered by their duly authorized officers, respectively, all as of the day and year first above written.

WASHINGTON FINANCE OFFICERS
ASSOCIATION

By _____
Authorized Corporation Representative

STATE OF WASHINGTON
OFFICE OF STATE TREASURER

By _____
Treasurer Representative

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Its _____

EXHIBIT A

[FORM OF CERTIFICATES]

[REVISE THIS EXHIBIT AS APPROPRIATE BEFORE USING]

No. R-__

\$_____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), **ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL** inasmuch as the Owner hereof, Cede & Co., has an interest herein.

**STATE OF WASHINGTON
CERTIFICATE OF PARTICIPATION, SERIES #1# (_____)
Evidencing and Representing an Undivided Proportionate
Interest of the Owner hereof in
State Payments
to be made by the
STATE OF WASHINGTON**

PRINCIPAL PAYMENT DATE:	ORIGINAL DATED DATE:	INTEREST RATE:	CUSIP NO.:
_____	_____	_____%	_____

Owner: CEDE & CO.

Principal Component: _____ DOLLARS

The Owner named above, or registered assigns, of this Certificate of Participation (the “Certificate”), one of a series of Certificates of Participation, Series #1# (_____) (the “Certificates”), is the Owner of an undivided proportionate interest in the right to receive certain State Payments under the [Master Financing Contract, Series #1# (the “Master Financing Contract”) and the Master Financing Lease, Series #1# (the “Master Financing Lease, and collectively with the Master Finance Contract, the “Master Financing Agreement”),] each between the Washington Finance Officers Association (the “Corporation”), a nonprofit corporation organized under the laws of the State of Washington, and the State of Washington (the “State”), acting by and through the Office of State Treasurer (the “State Treasurer”) and certain State Agencies, all of which rights to receive such State Payments and other rights under the Master Financing Agreement have been assigned by the Corporation to U.S. Bank National Association, as Trustee (the “Trustee”).

The Owner is entitled to receive, on the Principal Payment Date specified above, the principal amount specified above representing a portion of the State Payments designated as principal coming due on the Principal Payment Date, and to receive as interest thereon from the date of this Certificate or from

the most recent date to which interest has been paid or duly provided for, whichever is later, payable on January 1 and July 1 of each year, commencing _____, 20__ (each, an “Interest Payment Date”). The Certificates shall be executed and delivered in the form of fully registered Certificates in denominations of \$5,000 and any integral multiple thereof. If this Certificate is duly presented for payment and not paid on such applicable date then interest shall continue to accrue at the Interest Rate per annum set forth above until this Certificate is paid.

Both principal of and interest on this Bond shall be paid in lawful money of the United States of America. Interest shall be paid as provided in the Blanket Issuer Letter of Representations (the “Letter of Representations”) by the State to The Depository Trust Company (“DTC”). Principal shall be paid as provided in the Letter of Representations to the Owner upon presentation and surrender of this Bond to the Trustee.

This Certificate has been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement (the “Trust Agreement”) by and among the Corporation, the Trustee and the State Treasurer, dated as of _____. All capitalized terms used but not defined herein, unless otherwise indicated by their context, shall have the meaning ascribed to such terms in the Trust Agreement. Copies of the Trust Agreement are on file at the corporate trust office of the Trustee, and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a description of the covenants and pledges securing the Certificates, for the rights and remedies of the Owners of the Certificates with respect thereto, the Trustee’s obligations to the Owners, and for the other terms and conditions upon which the Certificates are executed and delivered.

The Certificates with Principal Payment Dates on and after _____ 1, 20__, are subject to prepayment prior to their respective stated Principal Payment Dates, as a whole or in part within one or more maturities selected by the State and randomly within a maturity in the manner as the Trustee shall determine within a Principal Payment Date if less than all of the Certificates due on such Principal Payment Date are prepaid) on any date on or after _____ 1, 20__, upon the exercise by the State at the direction of any Agency, of its option to prepay the Principal Components evidenced and represented by such Certificates, at par, plus accrued interest, to the Prepayment Date. Under certain circumstances described in the Master Financing Agreement and the Trust Agreement, the Certificates are subject to extraordinary mandatory prepayment. Notice of any prepayment shall be as specifically set forth in the Trust Agreement

[ADD MANDATORY REDEMPTION, IF ANY]

THIS CERTIFICATE SHALL NOT CONSTITUTE A DEBT OR A GENERAL OBLIGATION OF THE STATE OF WASHINGTON OR OF ANY STATE AGENCY, THE CONTRACTING OF AN INDEBTEDNESS BY THE STATE OR BY ANY STATE AGENCY, OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OR OF ANY STATE AGENCY, FOR PURPOSES OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION UPON DEBT OR THE CONTRACTING OF INDEBTEDNESS. THIS CERTIFICATE REPRESENTS AN UNDIVIDED PROPORTIONATE INTEREST IN STATE PAYMENTS TO BE MADE UNDER THE MASTER FINANCING AGREEMENT. THE STATE PAYMENTS TO BE MADE UNDER THE MASTER FINANCING AGREEMENT ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED THEREIN, AND MAY BE SUBJECT TO TERMINATION UPON THE OCCURRENCE OF CERTAIN OTHER EVENTS SPECIFIED IN THE MASTER FINANCING AGREEMENT. THE OBLIGATION OF THE STATE TO MAKE AGENCY PAYMENTS, BOTH FOR STATE AGENCY PROPERTY AND ON BEHALF OF LOCAL AGENCIES FOR LOCAL AGENCY PROPERTY, IS SUBJECT TO APPROPRIATION AND TO EMERGENCY REDUCTION IN FUNDING UNDER

CERTAIN CIRCUMSTANCES, ALL AS SET FORTH IN THE MASTER FINANCING AGREEMENT.

The Owner of this Certificate shall have no right to enforce the provisions of the Trust Agreement or to institute any action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Trust Agreement, except as provided in the Trust Agreement.

The State and the Trustee may treat the Owner of this Certificate as the owner for all purposes, and neither the State, nor the Trustee shall be affected by notice to the contrary.

The Trust Agreement prescribes the manner in which the Certificates may be defeased.

THE STATE TREASURER HAS CERTIFIED that all acts and conditions required by law and the Trust Agreement have happened and to have been performed, precedent to and in connection with the execution and delivery of this Certificate, have happened and have been performed, and that the Trustee is authorized to execute and deliver this Certificate.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an authorized signatory of the Trustee as of the date below.

REGISTRATION DATE:

U.S. BANK NATIONAL ASSOCIATION

As Trustee

By

Authorized Signatory

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Certificate and do(es) hereby irrevocably constitute and appoint _____ attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: _____

By

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

Social Security Number, Taxpayer Identification
Number or Other Identifying Number of Assignee:

NOTICE: Signature must be guaranteed by
an eligible guarantor institution.

STATE AGENCY FINANCING CONTRACT, SERIES #1#
(Personal Property)

by and among the

WASHINGTON FINANCE OFFICERS ASSOCIATION,

the

STATE OF WASHINGTON

and

[AGENCY NAME],
("State Agency")

Relating to

\$ _____

State of Washington

Certificates of Participation, Series #1#

(_____)

Dated as of _____, 20__

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**STATE AGENCY FINANCING CONTRACT, SERIES #1#
(Personal Property)**

This State Agency Financing Contract, Series #1# (the “State Agency Financing Contract”), is entered into by and between the Washington Finance Officers Association, a Washington nonprofit corporation (the “Corporation”), and the state of Washington (“State”), acting by and through the State Treasurer (“State Treasurer”) and the _____ (“State Agency”).

RECITALS

The Parties are entering into this State Agency Financing Contract based upon the following facts and expectations:

1. Chapter 39.94 RCW (the “Act”) authorizes the State to enter into financing contracts for itself, including for state agencies, departments or instrumentalities, the state board for community and technical colleges, and any state institution of higher education (defined in Appendix 1 as “State Agencies”), for the use and purchase of real and personal property by the State; and

2. the Act also authorizes the State to enter into financing contracts on behalf of certain “other agencies” (defined in Appendix 1 as “Local Agencies”) for the use and acquisition for public purposes of real and personal property by such Local Agencies; and

3. the Act authorizes the State Finance Committee to consolidate existing or potential financing contracts into master financing contracts with respect to property acquired by one or more State Agencies or Local Agencies (together, “Agencies”); and

4. Chapter 43.33 RCW provides that the State Treasurer shall act as chair of the State Finance Committee and provide administrative assistance for the State Finance Committee, and the State Treasurer on behalf of the State Finance Committee has established a consolidated program for the execution and delivery of certificates of participation in master financing contracts in series from time to time in order to provide financing or refinancing for the costs of acquisition of such real and personal property by Agencies; and

5. the State Finance Committee has approved the form of this State Agency Financing Contract by Resolution No. ____ adopted on _____, 20__; and

6. simultaneously with the execution and delivery of this State Agency Financing Contract, the State is entering into a Master Financing Contract, Series #1#, dated as of the Dated Date (the “Master Financing Contract”), with the Corporation to provide financing for the costs of acquisition of certain items of personal property by certain State Agencies and Local Agencies, including the State Agency, under the terms set forth therein; and

7. the State Agency has determined that it is necessary and desirable to enter into this State Agency Financing Contract, in conjunction with the State’s entry into the Master Financing Contract, to obtain financing or refinancing for the costs of acquisition of certain items of personal property described in Exhibit B (the “Property”) by the State Agency;

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

ARTICLE I
DEFINITIONS; CONSTRUCTION; MISCELLANEOUS PROVISIONS; SUPPLEMENTS

Section 1.1 Definitions, Construction, Miscellaneous Provisions, and Supplements. Appendix 1 is incorporated as part of this State Agency Financing Contract by this reference. Appendix 1 provides (i) definitions for the capitalized terms used and not otherwise defined in this State Agency Financing Contract; (ii) certain rules for interpreting this State Agency Financing Contract; (iii) miscellaneous technical provisions that apply to this State Agency Financing Contract; and (iv) rules on how this State Agency Financing Contract may be amended or supplemented.

Section 1.2 Notice of Intent, Personal Property Certificate and Certificate Designating Authorized State Agency Representative. Exhibits A, B, C and D are incorporated as part of this State Agency Financing Contract by this reference. The State Agency has delivered a Notice of Intent to the State Treasurer in the form of Exhibit A. In order to evidence its acceptance of the Property financed and acquired pursuant hereto, the State Agency has executed and delivered, or will execute and deliver within 60 days from the Dated Date, to the State Treasurer a Personal Property Certificate in the form of Exhibit B. The State Agency has delivered a Certificate Designating Authorized Agency Representatives to the State Treasurer in the form of Exhibit C. That 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 that Certificate is sufficient to bind the State Agency under this State Agency Financing Contract with respect to any of the undertakings contemplated herein.

Section 1.3 Performance by Representatives. Any authority granted or duty imposed upon the State may be undertaken and performed by the State Treasurer or Treasurer Representative. Any authority or duty imposed upon the State Agency may be undertaken and performed by the Authorized Agency Representative.

Section 1.4 Installment Sale and Purchase of Property. The Corporation agrees to sell to the State Agency, and the State Agency agrees to purchase from the Corporation, all of the Corporation's right, title and interest in and to the Property and all proceeds and profits from the Property, subject to the security interest granted pursuant to Section 2.4, and the State Agency agrees to pay in consideration thereof the Purchase Price therefor and interest thereon and the Additional Costs in accordance with Section 1.4, and all other amounts required to be paid by the State Agency hereunder, all in accordance with the provisions of this State Agency Financing Contract.

Section 1.5 Agency Installment Payments. In consideration of the sale of the Property and the covenants and agreements of the Corporation in this State Agency Financing Contract, the State Agency promises to pay to the Corporation the following amounts at the following times: (a) On each Agency Installment Payment Date, the Agency Installment Payment set forth in Exhibit D, consisting of an Agency Principal Component and/or an Agency Interest

Component as set forth in Exhibit D; and (b) all Additional Costs incurred by the State in connection with the sale of the Property to the State Agency, the execution and delivery of the Certificates, and the observance and performance of the Series #1# Agreements, within 30 days following receipt of an invoice from the State that includes (i) a brief description of each Additional Cost, (ii) the party to whom payment is due, (iii) the amount thereof, and (iv) such additional information as the State Agency may reasonably request.

Section 1.6 Term. This State Agency Financing Contract shall commence on the Dated Date and shall terminate on the date on which all amounts due hereunder shall have been paid or the payment thereof duly provided for pursuant to Section 4.3.

ARTICLE II SALE AND PURCHASE OF PROPERTY

Section 2.1 State Agency Financing Contract Consolidated with Master Financing Contract. The State Agency acknowledges that the State Treasurer, acting on behalf of the State Finance Committee, has consolidated this State Agency Financing Contract with the Master Financing Contract pursuant to RCW 39.94.030(1)(a).

Section 2.2 Appointment as Agent; Acquisition of Property; Revision and Substitution of Property.

(a) *Appointment as Agent*. The State Agency accepts its appointment by the Corporation in the Master Financing Contract as agent of the Corporation in connection with the acquisition of the Property and acknowledges that such appointment is irrevocable and shall not be terminated by any act of the State Agency, the Corporation or otherwise.

(b) *Acquisition of Property*. The State Agency agrees that (i) it has caused or will cause the Property to be acquired, as agent for the Corporation, with all reasonable dispatch; (ii) it will negotiate or call for bids for the purchase of the Property in accordance with the requirements and limitations, if any, imposed by State law with respect to the purchase of such Property by such State Agency; (iii) it will execute and deliver any contracts, agreements, orders and other documents with or to any Person and do all other things that may be necessary or desirable to acquire the Property; and (iv) it will pay or cause to be paid the Costs of Acquisition of the Property from funds available to it pursuant to the Master Financing Contract and this State Agency Financing Contract. The Corporation shall have no responsibility, liability or obligation with respect to the selection or procurement of any of the Property.

(c) *Revision and Substitution of Property*. The State Agency, with the prior written consent of the State Treasurer, may revise any item of Property to be financed or refinanced and acquired pursuant hereto, or the description thereof; *provided*, that (i) such item of Property as so revised shall satisfy the requirements under this State Agency Financing Contract and the Master Financing Contract with respect to the substitution of Property previously acquired; (ii) the Costs of Acquisition of such item of Property shall not be materially reduced thereby; and (iii) any such revision shall not relieve the State Agency of its obligation to acquire the Property in accordance herewith and with the Master Financing Contract.

After acquisition of an item of Property, the State Agency, with the prior written consent of the State Treasurer as agent for the Corporation, may substitute for an item of Property acquired pursuant to this Financing Contract other personal property by filing with the State Treasurer a certificate of the State Agency stating that such substitute Property (i) has a remaining useful life equal to or greater than the Property for which it is being substituted; (ii) has a fair market value equal to or greater than the fair market value of the item of Property for which it is being substituted; (iii) is free and clear of all liens and encumbrances except a first priority security interest in favor of the Corporation under the Master Financing Contract; (iv) is essential to the State Agency's ability to carry out its governmental functions and responsibilities; and (v) is expected to be used by such State Agency for the term of this State Agency Financing Contract. The State Treasurer's consent to any such substitution as agent for the Corporation will be conditioned upon receipt by the State Treasurer of an Opinion of Counsel to the effect that such substitution will not cause interest evidenced and represented by the Certificates to be includable in gross income for federal income tax purposes under the Code. The State Treasurer also may require the State Agency to reimburse the State Treasurer for all costs incurred, if any, to obtain such Opinion of Counsel.

(d) *Payment for Property if Acquisition Fund Not Sufficient.* If money in the Acquisition Fund allocable to the State Agency is not sufficient to pay the Acquisition Costs of the Property in full, the State Agency shall cause the Acquisition Costs of such Property in excess of the allocable amount in the Acquisition Fund to be paid from other money of such State Agency. Neither the Corporation nor the State Treasurer as agent for the Corporation for the disbursement of funds from the Acquisition Fund makes any representation or warranty, either express or implied, that the money which will be deposited into the Acquisition Fund allocable to the State Agency will be sufficient to pay the Acquisition Costs of the Property. Neither the Corporation nor the State Treasurer as agent for the Corporation for the disbursement of funds from the Acquisition Fund shall have any obligation or liability for the payment of the Acquisition Costs of the Property other than from the proceeds of the Certificates and any other amounts that may be provided by the State Agency. If the State Agency shall pay or cause the payment of any Acquisition Costs in excess of the allocable amounts in the Acquisition Fund available for such purpose from other funds, the State Agency shall not be entitled to any reimbursement from the Corporation or the State Treasurer as agent for the Corporation for such payments, nor shall the State Agency be entitled to any diminution, reduction, abatement, postponement, counterclaim, defense or set-off of the Agency Installment Payments, Additional Costs or other amounts otherwise required to be paid hereunder.

Section 2.3 Title to the Property. All right, title and interest in and to the Property shall transfer to and vest in the State Agency from the Corporation without any further action by the State Agency, the State or the Corporation immediately upon the acquisition thereof by the State Agency as agent for the Corporation or reimbursement to the State Agency for the Acquisition Costs thereof; *provided*, that the State and the State Agency shall take such action and execute such documents (including without limitation bills of sale and other title documents) as may be deemed necessary or desirable by the State, the State Agency or the Corporation to evidence and confirm such transfer of title pursuant to this State Agency Financing Contract and the Master Financing Contract.

The Corporation assigns to the State Agency during the term hereof, for so long as no Agency Event of Default, Event of Default or other event permitting termination of this State Agency Financing Contract has occurred and is continuing hereunder, all representations, warranties and guaranties, if any, express or implied, with respect to the Property from the manufacturers, suppliers and vendors thereof, subject, however, to a reservation by the State and the Corporation of a right to independently enforce such warranties and guaranties.

Title to any additions, modifications, improvements, repairs or replacements to the Property shall vest in the State Agency, subject to the security interest of the Corporation until payment of all amounts due and owing with respect to such Property under this State Agency Financing Contract.

Any Property constituting a motor vehicle subject to registration with the State Department of Licensing shall be registered with the State Agency as the registered and legal owner thereof.

Section 2.4 Security Interest.

(a) *State Security Interest.* In order to secure the payment and performance by the State of its obligations under the Master Financing Contract, the State has granted to the Corporation a lien on and security interest in all right, title and interest of the State, whether now owned or hereafter acquired, in and to the Property and this State Agency Financing Contract, including without limitation the Agency Installment Payments and all proceeds thereof. The State Agency agrees to such grant and that its right, title and interest in and to the Property is subject to such first priority lien and security interest.

(b) *State Agency Security Interest.* In order to secure the payment and performance by the State Agency of its obligations under this State Agency Financing Contract, the State Agency grants to the Corporation a lien on and security interest in all right, title and interest of the State Agency, whether now owned or hereafter acquired, in and to the Property. Accordingly, this State Agency Financing Contract constitutes a security agreement. The State Agency agrees that each provision of this State Agency Financing Contract is also a provision of the security agreement.

If required by the Corporation, the State Agency will execute and deliver to the Corporation in form satisfactory to the Corporation such security agreements, financing statements and/or other instruments covering the Property and all accessions thereto.

Section 2.5 Disclaimer of Warranties. The State Agency acknowledges and agrees that the Property is of a nature, size, design and capacity selected by the State Agency pursuant to its own specifications, and not by the Corporation, and that the Corporation is not a manufacturer, supplier or a vendor of such Property.

The Corporation makes no warranty or representation, either express or implied, and assumes no responsibility, liability or obligation, as to the value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the Property, or as to the title thereto, or for the enforcement of the manufacturers', suppliers' or vendors' representations or warranties or guaranties, or any other representation or warranty with respect to the Property.

In no event shall the Corporation be liable or responsible for any incidental, indirect, special or consequential damages in connection with or arising out of this State Agency Financing Contract or the use by the State Agency of the Property.

ARTICLE III
AGENCY INSTALLMENT PAYMENTS; LIMITED OBLIGATION

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

Section 3.2 Obligation of State Agency Subject to Appropriation. The obligation of the State Agency to make its Agency Installment Payments is subject to appropriation by the State Legislature and to Executive Order reduction. The State Agency shall not be obligated to make Agency Installment Payments other than from appropriated funds or other funds of the State Agency that are not subject to appropriation by the State Legislature and are not derived, directly or indirectly, from General State Revenues.

Section 3.3 No Set-Off. The obligation of the State Agency to make Agency Installment Payments from the sources set forth herein and to perform its other obligations hereunder shall be absolute and unconditional. The State Agency shall make Agency Installment Payments as and when the same shall become due without diminution, reduction, postponement, abatement, counterclaim, defense or set-off as a result of any dispute, claim or right of action by, against or among the State, the Corporation, the Trustee, any Agency, and/or any other Person, or for any other reason; *provided*, that nothing in this Section 3.3 shall be construed to release or excuse the State or the Corporation from the observance or performance of its obligations hereunder or under the Master Financing Contract.

Section 3.4 Limited Obligation. THIS STATE AGENCY FINANCING CONTRACT SHALL CONSTITUTE A SPECIAL, LIMITED OBLIGATION OF THE STATE PAYABLE SOLELY FROM THE SOURCES AND SUBJECT TO THE LIMITATIONS SET FORTH HEREIN. THIS STATE AGENCY FINANCING CONTRACT SHALL NOT CONSTITUTE A DEBT OR A GENERAL OBLIGATION OF THE STATE, THE CONTRACTING OF AN INDEBTEDNESS BY THE STATE, OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE, FOR PURPOSES OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION UPON DEBT OR THE CONTRACTING OF INDEBTEDNESS. THE OBLIGATION OF THE STATE AGENCY TO MAKE AGENCY INSTALLMENT PAYMENTS IS SUBJECT TO APPROPRIATION AND TO EMERGENCY REDUCTION IN

FUNDING UNDER CERTAIN CIRCUMSTANCES, ALL AS SET FORTH IN THIS STATE AGENCY FINANCING CONTRACT.

Section 3.5 Assignments by the Corporation. Concurrently with the execution and delivery of this State Agency Financing Contract, the Corporation will unconditionally assign to the Trustee pursuant to the Master Assignment, without recourse, (i) all of its rights to receive the Installment Payments, (ii) all of its remaining right, title and interest in, to and under the Master Financing Contract and this State Agency Financing Contract, and in and to the Property (including any security interest therein), in consideration for the payment by the Trustee to the State Treasurer, as agent of the Corporation, of the proceeds of the sale of the Certificates. The State Agency and the Corporation acknowledge and agree that such assignment by the Corporation is intended to be a true sale of the Corporation's right, title and interest, and that upon such assignment the Corporation shall cease to have any rights or obligations under the Master Financing Contract and this State Agency Financing Contract or with respect to the Property, and the Trustee shall thereafter have all the rights and obligations of the Corporation hereunder as if the Trustee had been the original party hereto. Except where the context otherwise requires, every reference in this State Agency Financing Contract to the Corporation shall be deemed to be a reference to the Trustee in its capacity as assignee of the Corporation.

ARTICLE IV
OPTIONAL PREPAYMENT OF AGENCY
INSTALLMENT PAYMENTS

Section 4.1 Optional Prepayment.

(a) The State Agency may, at its option and upon approval of the State Treasurer, prepay its Agency Installment 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 to provide for the payment or defeasance of the portion of its Installment Payments corresponding thereto in accordance with Section 4.1(a) or 4.1(b), respectively, of the Master Financing Contract, and to pay any Additional Costs in connection therewith.

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

Section 4.2 Revision of Agency Installment Payments upon Prepayment. The Agency Principal Components and Agency Interest Components of the Agency Installment Payments due on each Agency Installment Payment Date on and after the date of any prepayment pursuant to Section 4.1, as set forth in Exhibit D, shall be reduced by the State Treasurer to reflect such

prepayment, in such amounts and on such Agency Installment Payment Dates as the State Agency shall elect in its written notice to the State Treasurer pursuant to Section 4.1(b).

Section 4.3 Discharge of State Agency Financing Contract. All right, title and interest of the Corporation and all obligations of the State Agency under this State Agency Financing Contract shall terminate and be completely discharged and satisfied (except for the right of the State Treasurer and the Corporation and the obligation of the State Agency to have the money and Government Obligations set aside pursuant to Section 4.3(b) applied to make the remaining Agency Installment Payments) when either:

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

(b) (i) the State Agency shall have delivered a written notice to the State Treasurer of its intention to prepay all of the Agency Installment Payments remaining unpaid; (ii) the State Agency shall have caused to be deposited with the State Treasurer (A) money and/or Government Obligations in accordance with Section 4.1; and (B) an Opinion of Counsel to the effect that such actions are permitted under this State Agency Financing Contract, the Master Financing Contract and 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 Agency Installment Payments remain unpaid, provision shall have been made satisfactory to the Corporation for payment of all Additional Costs.

ARTICLE V PERMITTED TERMINATION EVENTS; REMEDIES

Section 5.1 Permitted Termination Event. Each of the following events shall constitute a “Permitted Termination Event” under this State Agency Financing Contract and the related obligation of the State under the Master Financing Contract:

(a) The State Legislature elects not to appropriate sufficient funds within any biennial budget in a manner that precludes the State from making Installment Payments due under the Master Financing Contract during the next occurring Biennium; or

(b) The Governor of the State issues an Executive Order mandating an emergency reduction in State funding as a result of which sufficient funds will not be available to the State for the purpose of paying the scheduled Installment Payments due under Master Financing Contract.

Section 5.2 Remedies of the Corporation Upon a Permitted Termination Event. Upon the occurrence of a Permitted Termination Event and upon the Written Request of the State Treasurer, the director or other chief administrator of the State Agency shall return the Property to the Corporation, and the State Agency thereupon shall be released of its obligations to make all further Agency Installment Payments under this State Agency Financing Contract with respect to the Property, but only if (i) the State Agency delivers the Property in good repair, working order and condition, ordinary wear and tear excepted, and its unencumbered title to the Corporation at a location in the United States designated by the Corporation, and (ii) written

notice is provided by the State Agency to the State Treasurer as set forth in Section 6.2(d) of this State Agency Financing Contract. Upon the occurrence and effectiveness of a Permitted Termination Event, the Corporation shall be entitled to retain all sums previously transmitted to the Corporation by or on behalf of the State Agency for the benefit of the Owners of the Certificates.

The occurrence of a Permitted Termination Event with respect to this State Agency Financing Contract shall not affect any rights, duties or obligations with respect to any other State Agency Financing Contract with respect to which no Permitted Termination Event has occurred. The occurrence of a Permitted Termination Event shall not constitute an Agency Event of Default, a Master Contract Event of Default or an Event of Default, and the remedies set forth in this Section relating to the return of the Property are the sole remedies available to the Trustee upon such occurrence. If the State Legislature provides a supplemental appropriation or the Executive Order is withdrawn prior to the Permitted Termination Date and the Corporation has not yet sold, relet or otherwise disposed of the Property, the State Agency may, by written notice to the State Treasurer and the Corporation, revoke its notice of termination and continue its obligations under this State Agency Financing Contract.

ARTICLE VI REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS

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

(a) The State Agency is a “state agency” within the meaning of the Act, validly existing under the Constitution and laws of the State.

(b) The State Agency is authorized under the laws of the State to enter into and perform its obligations under this State Agency Financing Contract.

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

(d) The State Agency has been duly authorized to enter into the form of this State Agency Financing Contract pursuant to Resolution No. ____ of the State Finance Committee, adopted on _____, 20__; and this State Agency Financing Contract has been duly executed and delivered by the State Agency.

(e) This State Agency Financing Contract is a valid and binding obligation of the State 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 Property to be financed and acquired pursuant to this State Agency Financing Contract is essential to the State Agency's ability to carry out its governmental functions and responsibilities, and the State Agency expects to make immediate and continuing use of such Property during the term of this State Agency Financing Contract.

(g) The useful life of the Property is equal to or exceeds the term of this State Agency Financing Contract.

(h) The State Agency makes no representation or warranty regarding the perfection of any security interest in the Property, the Master Financing Contract or this State Agency Financing Contract for the benefit of the Corporation.

(i) There are no circumstances, including any existing Executive Order of the Governor of the State or directive from OFM, presently affecting the State Agency that could reasonably be expected during the term of this State Agency Financing Contract to alter its need for the Personal Property being acquired under this State Agency Financing Contract or adversely affect its ability or willingness to budget funds for the Agency Installment Payments or Additional Costs to become due hereunder.

(j) The State Agency has reviewed its projected revenues and expenditures and reasonably expects that it shall have on hand and legally available appropriated funds and/or other funds that are not subject to appropriation by the State Legislature and that are not derived, directly or indirectly, from General State Revenues sufficient to make all payments when due from it under this State Agency Financing Contract.

(k) For the current Biennium, the State Agency has received appropriations from the State Legislature sufficient to make all payments scheduled to become due from such State Agency under this State Agency Financing Contract during the current Biennium.

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

(a) *Budget*. The State Agency shall (i) include in its biennial budget all payments required to be made by the State Agency under Section 1.5; (ii) submit such budget to OFM at such times and in such manner as required by law; (iii) use its best efforts to obtain appropriations by the State Legislature in amounts sufficient to make any such payments; (iv) include all such payments in its statements of proposed expenditures for each fiscal period required by law to be submitted to OFM; and (v) use its best efforts to obtain allotments by OFM of appropriated funds sufficient to make all such payments.

(b) *Application of Appropriations*. To the extent permitted by law, the State Agency agrees that, to the extent that any amounts are included in its budget, the State Agency will allocate a sufficient portion of such amounts to the payment of the Agency Installment Payments and Additional Costs due hereunder.

(c) *Notice of Potential Occurrence of Permitted Termination Event with Respect to State Agency; Notice of Nonpayment*. The State Agency shall give written notice to the State Treasurer of the occurrence of any events or circumstances which the State Agency believes

could lead to the occurrence of a Permitted Termination Event with respect to this State Agency Financing Contract. Such notice shall be given as soon as practicable after the State Agency becomes aware of those events or circumstances, and shall describe the events and circumstances in reasonable detail. The State Agency also shall give written notice to the State Treasurer and the Corporation prior to any Agency Installment Payment Date if the State Agency knows prior to such date that it will be unable to make all or any portion of the Agency Installment Payment due on such date.

(d) *Preliminary Determination of Occurrence of Permitted Termination Event with Respect to State Agency; Notice to State Treasurer.* As soon as practicable but not later than 10 Business Days following (i) the enactment of each biennial budget by the State Legislature, or (ii) the issuance of an Executive Order reduction in funding, the State Agency shall make a preliminary determination as to whether or not, as a result of such enacted budget or Executive Order, it expects that sufficient funds will be available to the State Agency to make its scheduled Agency Installment Payments for the Property during the Biennium covered by such enacted budget or during the Biennium affected by such Executive Order. If the State Agency determines that, as a result of such enacted budget or Executive Order, it expects that sufficient funds will not be available to the State Agency to make its scheduled Agency Installment Payments for the Property during the Biennium covered by such enacted budget or during the Biennium affected by such Executive Order, the State Agency shall deliver written notice of that determination to the State Treasurer not more than five Business Days following such determination. The State Agency's written notice to the State Treasurer shall describe the basis for the State Agency's preliminary determination.

(e) *Tax Exemption.* The State Agency shall not make any use of the proceeds of this State Agency Financing Contract 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 Contract or the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. The State 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 Installment Payments under Section 103 of the Code. The State Agency shall not make any use of the proceeds of this State Agency Financing Contract or the Certificates or of any other amounts, and shall not take or refrain from taking any action, that would cause the Master Financing Contract 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 Installment Payments remain unpaid, the State 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 State 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 Installment 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 State Agency shall comply with the applicable provisions of the Tax Certificate.

(f) *No Liens; Sale or Disposal; or Assignment.* The State Agency shall not create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, except the rights of the Corporation as provided herein and in the Master Financing Contract. The State 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 State Agency shall not grant, sell, transfer, assign, pledge, convey or otherwise dispose of any of the Property or any interest therein during the term of this State Agency Financing Contract, and any such attempted grant, sale, transfer, assignment, pledge, conveyance or disposal shall be void. The State Agency may not grant, sell, assign, transfer, convey, pledge, hypothecate or grant any security interest in any of its right, title or interest in, to or under this State Agency Financing Contract. Any attempted grant, sale, assignment, conveyance, pledge, hypothecation or security interest shall be void.

(g) *Performance.* Unless a Permitted Termination Event has occurred, the State Agency shall punctually pay the Agency Installment Payments and any Additional Costs in conformity with the terms and provisions hereof, and will faithfully observe and perform all the covenants, terms and other obligations contained herein required to be observed and performed by the State Agency. Except for Permitted Termination Events, the State 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, or any such omission or refraining from doing anything, would or might be grounds for termination of this State Agency Financing Contract. Except for Permitted Termination Events, the State Agency will not terminate this State Agency Financing Contract for any cause, including but not limited to any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Property, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of the State, or any failure by the State or the Corporation to observe or perform any covenant, agreement, term, condition or other obligation contained herein or in the Master Financing Contract required to be observed and performed by it, whether express or implied, or the bankruptcy, insolvency, liquidation or reorganization of the Corporation.

(h) *Further Assurances.* The State Agency will preserve and protect the rights of the State Treasurer and the Corporation hereunder, and will warrant and defend such rights against all claims and demands of all Persons. The State Agency will promptly execute, make and deliver 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 and the Corporation the rights and benefits provided to it hereunder.

(i) *Use of Property.* During the term of this State Agency Financing Contract, the State Agency will use the Property for the purposes of performing one or more of its essential governmental functions or responsibilities. The State Agency will not permit the Property to be used or operated other than by authorized employees, agents and contractors of the State Agency.

(j) *Use; Repairs.* For so long as the State Agency is in possession of the Property, the State Agency shall be solely responsible for the maintenance and repair, both ordinary and extraordinary, of the Property. The State Agency will (i) keep and maintain the Property in good

repair, working order and condition, and protect the same from deterioration other than normal wear and tear; (ii) cause the Property to be used within its normal capacity, in the manner contemplated by the manufacturer's specification, and in compliance with the requirements of applicable laws, ordinances and regulations, the requirements of any warranties applicable thereto, and the requirements of any insurance or self-insurance program required under Subsection 6.2(o); (iii) cause the Property to be used and operated by or under the direction of competent persons only, and obtain all registrations, permits and licenses, if any, required by law for the operation of the Property; and (iv) will pay all costs, claims, damages, fees and charges arising out of its possession, use or maintenance of the Property. The State Agency, at its expense, will furnish all parts, mechanisms and devices required to operate and maintain the Property.

(k) *Alterations.* The State Agency will not make any alterations, additions or improvements to the Property without the prior written consent of the Corporation unless such alterations, additions or improvements (i) maintain or increase the value of the Property; or (ii) may be readily removed without damage to the Property. All such alterations, additions or improvements shall be deemed to be a part of the Property and shall be subject to the terms and provisions of this State Agency Financing Contract.

(l) *Location; Inspection.* The Property will be located within the State. The Corporation will be entitled to inspect the Property during regular business hours upon at least one Business Day's prior notice. The State Agency acknowledges, and consents and agrees to the right of the Corporation to so inspect the Property.

(m) *Impositions and Charges.* If during the term of this State Agency Financing Contract, any Imposition is imposed or incurred in connection with the sale and purchase of the Property by the Corporation to the State, or by the State to the State Agency, or the ownership, operation, possession or use of the Property by the Corporation, the State or the State Agency, or the payment of the Agency Installment Payments by the State Agency, or the payment of the Installment Payments payable therefrom by the State, or any fines, penalties or interest imposed on or with respect to any of the foregoing, the State Agency shall pay all such Impositions and charges when due. The State Agency at its own expense may contest any such Impositions and charges until it obtains a final administrative or judicial determination with respect thereto, unless the Property is encumbered by any levy, lien or any other type of encumbrance because of the State Agency's failure to pay such Impositions or charges. If the Corporation pays any such Impositions or charges for which the State Agency is responsible or liable hereunder, the State Agency shall reimburse the Corporation therefor as Additional Costs hereunder.

(n) *Risk of Loss; Damage; Destruction; Condemnation.* The State Agency assumes all risk of loss of or damage to the Property from any cause whatsoever, and the obligation of the State Agency to pay the Agency Installment Payments or to perform any other obligation under this State Agency Financing Contract shall in no way be released, discharged or otherwise affected for any reason, including without limitation (i) any defect in the condition, quality or fitness for use of, or title to, any portion of the Property, or (ii) any damage to, or abandonment, destruction, requisition, condemnation or taking of any portion of the Property. In the event of damage to any item of the Property, the State Agency will immediately place the same in good repair, working order and condition as required by Subsection 6.2(j). If the State Agency

determines that any item of Property is lost, stolen, destroyed or damaged beyond repair, the State Agency will prepay all of its obligations for Agency Installment Payments and terminate its obligations hereunder in accordance with Subsection 4.3(b).

(o) *Insurance.*

(i) The State 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 State 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 State 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 State Agency shall maintain or cause to be maintained in full force and effect fire and extended coverage insurance covering the Property in such amounts and covering such risks as the State Agency may reasonably determine from time to time but in any event not less than the aggregate amount of Agency Installment Payments due hereunder which remain unpaid. Such insurance may be carried under a policy or policies covering other property of the State Agency. In the alternative, the State Agency may assume financial responsibility for any physical damage to and/or loss of the Property; *provided, however*, that if the State Agency elects this option, the State Agency hereby covenants and agrees that it will promptly repair or replace the Property promptly upon any loss or damage thereto.

(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 Treasurer, the Corporation and the Trustee as additional insureds thereunder; (C) shall provide that the same may not be canceled or given notice of non-renewal, nor shall the terms of 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 the Corporation; 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 State Agency to the State Treasurer on or prior to the date of delivery of the Personal Property Certificate to the State Treasurer.

(v) The State Agency will pay or cause to be paid when due the premiums for all insurance policies required by this Section 6.2(o).

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 State Agency to pay or cause to be paid any Agency Installment Payment required to be paid hereunder within 10 Business Days of the respective Agency Installment Payment Date, other than as a result of a Permitted Termination Event;

(b) Failure by the State 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 30 days after written notice from the Corporation to the State Agency specifying such failure and requesting that it be remedied, other than as a result of a Permitted Termination Event; *provided, however*, that such period shall be extended for not more than 60 days if such failure cannot be corrected within such period, and the corrective action is commenced by the State Agency within such period and diligently pursued until the failure is corrected;

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

Notwithstanding the foregoing provisions of this Section 7.1, if by reason of *force majeure* the State Agency is unable in whole or in part to carry out the covenants, agreements, terms and conditions on its part contained in this State Agency Financing Contract, the State 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 State Agency.

The Corporation, 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 State Agency and the State Treasurer 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.

ANYTHING HEREIN TO THE CONTRARY NOTWITHSTANDING, A PERMITTED TERMINATION EVENT SHALL NOT CONSTITUTE AN AGENCY EVENT OF DEFAULT HEREUNDER.

Section 7.2 Rights of Corporation Following Agency Event of Default. Upon the occurrence and continuance of an Agency Event of Default, the Corporation, at its option, may exercise any one or more of the following remedies:

(a) By written notice to the State Agency, require that the State Agency promptly return possession and use of the Property to the Corporation at any location specified in the United States (at the cost and expense of the State Agency) in good repair, working order and condition, ordinary wear and tear excepted;

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the Agency Installment Payments then due and thereafter becoming due, or to enforce the observance or performance of any covenant, agreement or obligation of the State Agency under this State Agency Financing Contract; and

(c) Exercise any other rights or remedies it may have hereunder or under applicable law.

Section 7.3 No Remedy Exclusive; Non-Waiver. No remedy conferred upon or reserved to the Corporation 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 State Agency Financing Contract 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 Corporation hereunder, it shall not be necessary to give any notice, other than such notice as may be required hereunder. A waiver by the Corporation 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 Corporation in connection with any such subsequent default or Agency Event of Default.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

Section 8.1 Notices to Agency. The notice address for the State Agency shall be as set forth in the Notice of Intent.

STATE OF WASHINGTON
OFFICE OF THE STATE TREASURER

By _____
Treasurer Representative

Date _____

as State Agency

By _____
Title: _____

Date _____

EXHIBIT A
NOTICE OF INTENT

[attached]

EXHIBIT B
PERSONAL PROPERTY CERTIFICATE

[attached]

EXHIBIT C

CERTIFICATE DESIGNATING AUTHORIZED AGENCY REPRESENTATIVES

[attached]

EXHIBIT D

SCHEDULE OF AGENCY INSTALLMENT PAYMENTS

[to be attached upon availability]

Transaction No. _____

LOCAL AGENCY FINANCING CONTRACT, SERIES #1#
(Personal Property)

by and between the

STATE OF WASHINGTON

and

[AGENCY NAME],
a [Agency Type]
("Local Agency")

Relating to

\$ _____

State of Washington

Certificates of Participation, Series #1#

(_____)

Dated as of _____, 20__

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- Exhibit C – Certificate Designating Authorized Agency Representatives
- Exhibit D – Schedule of Agency Installment Payments

**LOCAL AGENCY FINANCING CONTRACT, SERIES #1#
(Personal Property)**

This Local Agency Financing Contract, Series #1# (the “Local Agency Financing Contract”), is entered into by and between the state of Washington (the “State”), acting by and through the State Treasurer (the “State Treasurer”), and [Agency Name], a [Agency Type] of the State (the “Local Agency”).

RECITALS

The Parties are entering into this Local Agency Financing Contract based upon the following facts and expectations:

1. Chapter 39.94 RCW (the “Act”) authorizes the State to enter into financing contracts for itself, including for state agencies, departments or instrumentalities, the state board for community and technical colleges, and any state institution of higher education (defined in Appendix 1 as “State Agencies”), for the use and purchase of real and personal property by the State; and

2. the Act also authorizes the State to enter into financing contracts on behalf of certain “other agencies” (defined in Appendix 1 as “Local Agencies”), including the Local Agency, for the use and acquisition for public purposes of real and personal property by such Local Agencies; and

3. the Act authorizes the State Finance Committee to consolidate existing or potential financing contracts into master financing contracts with respect to property acquired by one or more State Agencies or Local Agencies (together, “Agencies”); and

4. Chapter 43.33 RCW provides that the State Treasurer shall act as chair of the State Finance Committee and provide administrative assistance for the State Finance Committee, and the State Treasurer on behalf of the State Finance Committee has established a consolidated program for the execution and delivery of certificates of participation in master financing contracts in series from time to time in order to provide financing or refinancing for the costs of acquisition of such real and personal property by Agencies; and

5. the State Finance Committee has approved the form of this Local Agency Financing Contract by Resolution No. ____ adopted on _____, 20__; and

6. simultaneously with the execution and delivery of this Local Agency Financing Contract, the State is entering into a Master Financing Contract, Series #1# , dated as of the Dated Date (the “Master Financing Contract”) with the Washington Finance Officers Association (the “Corporation”), a Washington nonprofit corporation, to provide financing for the costs of acquisition of certain items of personal property by certain State Agencies and Local Agencies, including the Local Agency, under the terms set forth therein; and

7. the Local Agency has determined that it is necessary and desirable to enter into this Local Agency Financing Contract, in conjunction with the State’s entry into the Master

Financing Contract, to obtain financing or refinancing for the costs of acquisition of certain items of personal property described in Exhibit B (the “Property”), by the Local Agency;

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

ARTICLE I
DEFINITIONS; CONSTRUCTION; MISCELLANEOUS PROVISIONS; SUPPLEMENTS

Section 1.1 Definitions, Construction, Miscellaneous Provisions, Supplements. Appendix 1 is incorporated as part of this Local Agency Financing Contract by this reference. Appendix 1 provides (i) definitions for the capitalized terms used and not otherwise defined in this Local Agency Financing Contract; (ii) certain rules for interpreting this Local Agency Financing Contract; (iii) miscellaneous technical provisions that apply to this Local Agency Financing Contract; and (iv) rules on how this Local Agency Financing Contract may be amended or supplemented.

Section 1.2 Notice of Intent, Personal Property Certificate and Certificate Designating Authorized Local Agency Representative. Exhibits A, B, C and D to this Local Agency Financing Contract are incorporated as part of this Local Agency Financing Contract by this reference. The Local Agency has delivered a Notice of Intent to the State Treasurer in the form of Exhibit A. In order to evidence its acceptance of the Property financed and acquired pursuant hereto, the Local Agency has executed and delivered, or will execute and deliver within 60 days from the Dated Date to the State Treasurer, a Personal Property Certificate in the form of Exhibit B. The Local Agency has delivered a Certificate Designating Authorized Agency Representatives to the State Treasurer in the form of Exhibit C. That 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 that Certificate is sufficient to bind the Local Agency under this Local Agency Financing Contract with respect to any of the undertakings contemplated herein.

Section 1.3 Performance by Representatives. Any authority granted or duty imposed upon the State hereunder may be undertaken and performed by the State Treasurer or the Treasurer Representative. Any authority or duty imposed upon the Local Agency hereunder may be undertaken and performed by the Authorized Agency Representative.

Section 1.4 Installment Sale and Purchase of Property. The State agrees to sell to the Local Agency, and the Local Agency agrees to purchase from the State, all of the State’s right, title and interest in and to the Property and all proceeds and profits from the Property, subject to the security interest granted pursuant to Section 2.4.

Section 1.5 Agency Installment Payments. In consideration of the sale of the Property and the covenants and agreements of the State in this Local Agency Financing Contract, the Local Agency promises to pay to the State the following amounts at the following times: (a) On each Agency Installment Payment Date, the Agency Installment Payment set forth in Exhibit D, consisting of an Agency Principal Component and/or an Agency Interest Component as set forth

in Exhibit D; and (b) all Additional Costs incurred by the State in connection with the sale of the Property to the Local Agency, the execution and delivery of the Certificates, and the observance and performance of the Series #1# Agreements, within 30 days following receipt of an invoice from the State that includes (i) a brief description of each Additional Cost, (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 1.6 Term. The term of this Local Agency Financing Contract shall commence on the Dated Date and shall terminate on the date on which all amounts due hereunder shall have been paid or the payment thereof duly provided for pursuant to Section 4.3 hereof.

ARTICLE II SALE AND PURCHASE OF PROPERTY

Section 2.1 Local Agency Financing Contract Consolidated with Master Financing Contract. The Local Agency acknowledges that the State Treasurer, acting on behalf of the State Finance Committee, has consolidated this Local Agency Financing Contract with the Master Financing Contract pursuant to RCW 39.94.030(1)(a).

Section 2.2 Appointment as Agent; Acquisition of Property; Revision and Substitution of Property.

(a) *Appointment as Agent*. The Local Agency accepts its appointment in the Master Financing Contract as agent of the Corporation in connection with the acquisition of the Property, and acknowledges that such appointment is irrevocable and shall not be terminated by any act of the Local Agency, the State Treasurer or otherwise.

(b) *Acquisition of Property*. The Local Agency agrees that (i) it has caused or will cause the Property to be acquired, as agent for the Corporation, with all reasonable dispatch; (ii) it will negotiate or call for bids for the purchase of the Property in accordance with the requirements and limitations, if any, imposed by State or local law with respect to the purchase of such Property by such Local Agency; (iii) it will make, execute, acknowledge and deliver any contracts, agreements, orders, receipts, documents, writings or instructions with or to any Person and do all other things that may be necessary or desirable to acquire the Property; and (iv) it will pay or cause to be paid the Costs of Acquisition of the Property from funds available to it pursuant to this Local Agency Financing Contract and the Master Financing Contract. The Local Agency shall file requisitions with the State Treasurer for the Acquisition Costs of the Property or reimbursement therefor in such form as the State Treasurer shall reasonably require. Neither the Corporation nor the State shall have any responsibility, liability or obligation with respect to the selection or procurement of any of the Property.

(c) *Revision and Substitution of Property*. The Local Agency, with the prior written consent of the State Treasurer, may revise any item of Property to be financed or refinanced and acquired pursuant hereto, or the description thereof; *provided*, that (i) such item of Property as so revised shall satisfy the requirements under this Local Agency Financing Contract and the Master Financing Contract with respect to the substitution of Property previously acquired; (ii) the Costs of Acquisition of such item of Property shall not be materially reduced thereby; and

(iii) any such revision shall not relieve the Local Agency of its obligation to acquire the Property in accordance herewith and with the Master Financing Contract.

After acquisition of an item of Property, the Local Agency, with the prior written consent of the State Treasurer as agent for the Corporation, may substitute for an item of Property acquired pursuant to this Local Agency Financing Contract other personal property by filing with the State Treasurer a certificate of the Local Agency stating that such substitute Property (i) has a remaining useful life equal to or greater than the Property for which it is being substituted; (ii) has a fair market value equal to or greater than the fair market value of the item of Property for which it is being substituted; (iii) is free and clear of all liens and encumbrances except a first priority security interest in favor of the Corporation under the Master Financing Contract; (iv) is essential to the Local Agency's ability to carry out its governmental functions and responsibilities; and (v) is expected to be used by such Local Agency for the term of this Local Agency Financing Contract. The State Treasurer's consent to any such substitution as agent for the Corporation will be conditioned upon receipt by the State Treasurer of an Opinion of Counsel to the effect that such substitution will not cause interest evidenced and represented by the Certificates to be includable in gross income for federal income tax purposes under the Code. The State Treasurer also may require the Local Agency to reimburse the State Treasurer for all costs incurred, if any, to obtain such Opinion of Counsel.

(d) *Payment for Property if Acquisition Fund Not Sufficient.* If money in the Acquisition Fund allocable to the Local Agency is not sufficient to pay the Acquisition Costs of the Property in full, the Local Agency shall cause the Acquisition Costs of such Property in excess of the allocable amount in the Acquisition Fund to be paid from other money of such Local Agency. Neither the Corporation nor the State Treasurer as agent for the Corporation for the disbursement of funds from the Acquisition Fund makes any representation or warranty, either express or implied, that the money which will be deposited into the Acquisition Fund allocable to the Local Agency will be sufficient to pay the Acquisition Costs of the Property. Neither the Corporation nor the State Treasurer as agent for the Corporation for the disbursement of funds from the Acquisition Fund shall have any obligation or liability for the payment of the Acquisition Costs of the Property other than from the proceeds of the Certificates and any other amounts that may be provided by the Local Agency. If the Local Agency shall pay or cause the payment of any Acquisition Costs in excess of the allocable amounts in the Acquisition Fund available for such purpose from other funds, the Local Agency shall not be entitled to any reimbursement from the Corporation or the State Treasurer as agent for the Corporation for the disbursement of funds from the Acquisition Fund for such payments, nor shall the Local Agency be entitled to any diminution, reduction, abatement, postponement, counterclaim, defense or set-off of the Agency Installment Payments, Additional Costs or other amounts otherwise required to be paid hereunder.

Section 2.3 Title to the Property. All right, title and interest in and to the Property shall transfer to and be vested in the Local Agency from the State without any further action by the Local Agency or the State immediately upon the acquisition thereof by the Local Agency as agent for the Corporation or reimbursement to the Local Agency for the Acquisition Costs thereof; provided, that the State and the Local Agency shall take such action and execute such documents (including without limitation bills of sale and other title documents) as may be

deemed necessary or desirable by the State or the Local Agency to evidence and confirm such transfer of title pursuant to this Local Agency Financing Contract.

The State assigns to the Local Agency during the term hereof, for so long as no Agency Event of Default, Event of Default or other event permitting termination of this Local Agency Financing Contract has occurred and is continuing hereunder, all representations, warranties and guaranties, if any, express or implied, with respect to the Property from the manufacturers, suppliers and vendors thereof, subject, however, to a reservation by the State and the Corporation of a right to independently enforce such warranties and guaranties.

Title to any and all additions, modifications, improvements, repairs or replacements to the Property shall be vested in the Local Agency, subject to the security interest of the Corporation until payment of all amounts due and owing with respect to such Property under this Local Agency Financing Contract.

Any Property constituting a motor vehicle subject to registration with the State Department of Licensing shall be registered with the Local Agency as the registered and legal owner thereof.

Section 2.4 Security Interests.

(a) *State Security Interest.* In order to secure the payment and performance by the State of its obligations under the Master Financing Contract, the State has granted to the Corporation a lien on and security interest in all right, title and interest of the State, whether now owned or hereafter acquired, in and to the Property and this Local Agency Financing Contract, including without limitation the Agency Installment Payments and all proceeds thereof. The Local Agency agrees to such grant and that its right, title and interest in and to the Property is subject to such first priority lien and security interest.

(b) *Local Agency Security Interest.* In order to secure the payment and performance by the Local Agency of its obligations under this Local Agency Financing Contract, the Local Agency grants to the Corporation a lien on and security interest in all right, title and interest of the Local Agency, whether now owned or hereafter acquired, in and to the Property. Accordingly, this Local Agency Financing Contract constitutes a security agreement. The Local Agency acknowledges and agrees that each provision of this Local Agency Financing Contract is also a provision of the security agreement.

If required by the Corporation, the Local Agency will execute and deliver to the Trustee such security agreements, financing statements and/or other instruments covering the Property and all accessions thereto.

Section 2.5 Disclaimer of Warranties. The Local Agency acknowledges and agrees that the Property is of a nature, size, design and capacity selected by the Local Agency pursuant to its own specifications, and not by the State or the Corporation, and that neither the State nor the Corporation is a manufacturer, supplier or a vendor of such Property.

The Corporation makes no warranty or representation, either express or implied, and assumes no responsibility, liability or obligation, as to the value, design, condition,

merchantability or fitness for a particular purpose or fitness for use of the Property, or as to the title thereto, or for the enforcement of the manufacturers', suppliers' or vendors' representations or warranties or guaranties, or any other representation or warranty with respect to the Property. In no event shall the Corporation be liable or responsible for any incidental, indirect, special or consequential damages in connection with or arising out of this Local Agency Financing Contract or the use by the Local Agency of the Property.

ARTICLE III
AGENCY INSTALLMENT PAYMENTS; CONDITIONAL PAYMENT BY STATE;
FULL FAITH AND CREDIT OBLIGATION

Section 3.1 Agency Installment Payments. Each Agency Installment Payment shall consist of an Agency Principal Component and/or an Agency Interest Component as set forth in Exhibit D to this Local Agency Financing Contract. 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 Installment Payment shall be paid to or upon the order of the State Treasurer by electronic funds transfer (or by other means acceptable to the State Treasurer) in lawful money of the United States of America at such place as the State Treasurer shall direct in writing not less than 10 Business Days prior to the Agency Installment Payment Date. Payments of Additional Costs shall be made to or upon the order of the State Treasurer. Each Agency Installment Payment shall be applied first to the Agency Interest Component, and then to the Agency Principal Component.

Section 3.2 Sources of Payment of Agency Installment Payments.

(a) *Local Agency Financing Contract.* The Local Agency acknowledges and agrees that the State is acquiring the Property from the Corporation for and on behalf of the Local Agency. Concurrently with the execution hereof, the State shall execute and deliver the Master Financing Contract pursuant to which the State agrees to make Installment Payments for the acquisition of the Property for and on behalf of the Local Agency, at such times and in such amounts as provided therein, which will be sufficient in the aggregate to pay the Purchase Price of the Property to be acquired by the State for and on behalf of the Local Agency, and interest thereon. The Local Agency pledges its full faith and credit to make the Agency Installment Payments that are required to be paid under this Local Agency Financing Contract.

Installment Payments allocable to the Purchase Price of the Local Agency Property and interest thereon shall be payable by the State solely from Agency Installment Payments to be made by the respective Local Agencies, including the Local Agency, except as otherwise provided in Sections 3.2(c) and 3.2(d) of the Master Financing Contract and Sections 3.2(b) and 3.2(c) of this Local Agency Financing Contract.

(b) *Intercept of Local Agency Share of State Revenues.* In the event that the Local Agency fails to make any payment due under this Local Agency Financing Contract, pursuant to RCW 39.94.030(1), 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; but (i) only if the use of any such revenues or amounts to make such payments is otherwise authorized or permitted by State

law, and (ii) only to the extent the Local Agency is otherwise entitled to receive such share of State revenues or other amounts. Such withholding shall continue until all such delinquent payments have been made. Amounts withheld by the State Treasurer pursuant to this Section 3.2(b) shall be applied to make any such payment due under this Local Agency Financing Contract on behalf of the Local Agency, or to reimburse the State for any such payment made pursuant to Section 3.2(c). The Local Agency authorizes, approves and consents to any such withholding.

(c) *Conditional Payment of Local Agency Installment Payments.* Upon the failure of the Local Agency to make any Agency Installment Payment at such time and in such amount as required pursuant to this Local Agency Financing Contract, the State shall, to the extent of legally available appropriated funds and subject to any Executive Order reduction, make such payment into the Agency Installment Payment Fund (established under the Master Financing Contract) on behalf of such Local Agency within 15 Business Days after such Agency Installment 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 10 Business Days after such Agency Installment 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 for any such payment shall not constitute an Agency Event of Default, 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 shall 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 Installment Payments and Additional Costs. The treasurer of the Local Agency shall remit each Agency Installment Payment to the State on each Agency Installment Payment Date and any Additional Costs when due hereunder from any legally available funds of the Local Agency.

Section 3.3 No Set-Off. The obligation of the Local Agency to make Agency Installment Payments from the sources set forth herein and to perform its other obligations hereunder shall be absolute and unconditional. The Local Agency shall make Agency Installment Payments as and when the same shall become due without diminution, reduction, postponement, abatement, counterclaim, defense or set-off as a result of any dispute, claim or right of action by, against or among the State, the Corporation, the Trustee, any Agency, and/or any other Person, or for any other reason; *provided*, that nothing in this Section 3.3 shall be construed to release or excuse the State from the observance or performance of its obligations hereunder.

Section 3.4 Assignments by the Corporation. The Local Agency acknowledges and agrees that, concurrently with the execution and delivery of this Local Agency Financing Contract, the Corporation will unconditionally assign to the Trustee pursuant to the Master Assignment, without recourse, (i) all of its rights to receive the Installment Payments under the Master Financing Contract, (ii) all of its remaining right, title and interest in, to and under the Master Financing Contract and this Local Agency Financing Contract, and in and to the Property (including any security interest therein), in consideration for the payment by the Trustee to the

State Treasurer, as agent of the Corporation, of the proceeds of the sale of the Certificates. The State and the Corporation have acknowledged and agreed that such assignment by the Corporation is intended to be a true sale of the Corporation's right, title and interest, and that upon such assignment the Corporation shall cease to have any rights or obligations under the Master Financing Contract or with respect to the Property, and the Trustee shall thereafter have all the rights and obligations of the Corporation under the Master Financing Contract as if the Trustee had been the original party thereto. Except where the context otherwise requires, every reference in the Master Financing Contract and this Local Agency Financing Contract to the Corporation shall be deemed to be a reference to the Trustee in its capacity as assignee of the Corporation.

ARTICLE IV
OPTIONAL PREPAYMENT OF AGENCY
INSTALLMENT PAYMENTS

Section 4.1 Optional Prepayment.

(a) The Local Agency may, at its option and upon approval of the State Treasurer, prepay its Agency Installment 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 to provide for the payment or defeasance of the portion of its Installment Payments corresponding thereto in accordance with Section 4.1(a) or 4.1(b), respectively, of the Master Financing Contract, and to pay any Additional Costs 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 Installment Payments, which notice shall specify the date of the date of such prepayment, and the amount and the Agency Installment Payment Dates of the Agency Installment Payments to be prepaid. The State Treasurer shall notify the Local Agency within 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 provision for payment of the corresponding Installment Payments, including any Additional Costs 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 such Local Agency, absent manifest error.

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

Section 4.3 Discharge of Local Agency Financing Contract. All right, title and interest of the State and all obligations of the Local Agency under this Local Agency Financing Contract shall terminate and be completely discharged and satisfied (except for the right of the State and the Corporation and the obligation of the Local Agency to have the money and

Government Obligations set aside applied pursuant to Section 4.3(b) to make the remaining Agency Installment Payments) when either:

(a) all Agency Installment Payments and all Additional Costs 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 Installment Payments remaining unpaid; (ii) the Local Agency shall have caused to be deposited with the State Treasurer (A) money and/or Government Obligations in accordance with Section 4.1; and (B) an Opinion of Counsel to the effect that such actions are permitted under this Local Agency Financing Contract, the Master Financing Contract and 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 Agency Installment Payments remain unpaid, provision shall have been made satisfactory to the Corporation for payment of all Additional Costs.

ARTICLE V REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS

Section 5.1 Representations and Warranties of the Local Agency. The Local Agency represents and warrants as follows:

(a) The Local Agency is an “other agency” within the meaning of the Act, duly organized and validly existing under the Constitution and laws of the State.

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

(c) Neither the execution and delivery by the Local Agency of this Local Agency Financing Contract, nor the observance and performance of its terms and conditions, nor the consummation of the transactions contemplated by it, 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 Property, except as expressly provided in this Local Agency Financing Contract and the Master Financing Contract.

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

(e) This Local Agency Financing Contract constitutes valid and binding general obligation indebtedness 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 Property to be financed and acquired pursuant to this Local Agency Financing Contract 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 the Property during the term of this Local Agency Financing Contract.

(g) The useful life of the Property is equal to or exceeds the term of this Local Agency Financing Contract.

(h) The obligations of the Local Agency under this Local Agency Financing Contract, 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 makes no representation or warranty regarding the perfection of any security interest in the Property, the Master Financing Contract or this Local Agency Financing Contract for the benefit of the Corporation.

Section 5.2 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 an "other 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 Installment Payments and Additional Costs due hereunder in its annual budget and to make the necessary annual appropriations for all such Agency Installment Payments and Additional Costs.

(c) *Levy of Taxes.* If and to the extent authorized by law, the Local Agency covenants 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 be made by the Local Agency without a vote of its electors, to provide funds, together with other legally available money, sufficient to make the Agency Installment Payments and the other payments required under this Local Agency Financing Contract.

(d) *Notice of Nonpayment.* The Local Agency shall give written notice to the State Treasurer and the Corporation prior to any Agency Installment Payment Date if the Local Agency knows prior to such date that it will be unable to make all or any portion of the Agency Installment Payment due on such date.

(e) *Tax Exemption.* The Local Agency shall not make any use of the proceeds of this Local Agency Financing Contract 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 Contract 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 Installment Payments under Section 103 of the Code. The Local Agency shall not make any use

of the proceeds of this Local Agency Financing Contract or the Certificates or of any other amounts, and shall not take or refrain from taking any action, that would cause the Master Financing Contract 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 Installment 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 Installment 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.

(f) *No Liens; Sale or Disposal; or Assignment.* The Local Agency shall not create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, except the rights of the Corporation as provided herein and in the Master Financing Contract. 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 or otherwise dispose of any of the Property or any interest therein during the term of this Local Agency Financing Contract, and any such attempted grant, sale, transfer, assignment, pledge, conveyance or disposal shall be void. The Local Agency may not grant, sell, assign, transfer, convey, pledge, hypothecate or grant any security interest in any of its right, title or interest in, to or under this Local Agency Financing Contract. Any attempted grant, sale, assignment, conveyance, pledge, hypothecation or security interest shall be void.

(g) *Performance.* The Local Agency shall punctually pay the Agency Installment Payments and any Additional Costs in conformity with the terms and provisions hereof, and will faithfully observe and perform all the covenants, terms 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, or any such omission or refraining from doing anything, would or might be grounds for termination of this Local Agency Financing Contract. The Local Agency will not terminate this Local Agency Financing Contract for any cause, including but not limited to any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Property, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of the State, or any failure by the State or the Corporation to observe or perform any covenant, agreement, term, condition or other obligation contained herein or in the Master Financing Contract required to be observed and performed by it, whether express or implied, or the bankruptcy, insolvency, liquidation or reorganization of the Corporation.

(h) *Further Assurances.* The Local Agency will preserve and protect the rights of the State 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 the rights and benefits provided to it hereunder.

(i) *Use of Property.* During the term of this Local Agency Financing Contract, the Local Agency will use the Property for the purposes of performing one or more of its essential governmental functions or responsibilities. The Local Agency will not permit the Property to be used or operated other than by authorized employees, agents and contractors of the Local Agency.

(j) *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.

(k) *Use; 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, of the Property. The Local Agency will (i) keep and maintain the Property in good repair, working order and condition, and protect the same from deterioration other than normal wear and tear; (ii) cause the Property to be used within its normal capacity, in the manner contemplated by the manufacturer's specification, and in compliance with the requirements of applicable laws, ordinances and regulations, the requirements of any warranties applicable thereto, and the requirements of any insurance or self-insurance program required under Section 5.2(p); (iii) cause the Property to be used and operated by or under the direction of competent persons only, and obtain all registrations, permits and licenses, if any, required by law for the operation of the Property; and (iv) will pay all costs, claims, damages, fees and charges arising out of its possession, use or maintenance of the Property. The Local Agency, at its expense, will furnish all parts, mechanisms and devices required to operate and maintain the Property.

(l) *Alterations.* The Local Agency will not make any alterations, additions or improvements to the Property without the prior written consent of the State Treasurer unless such alterations, additions or improvements (i) maintain or increase the value of the Property; or (ii) may be readily removed without damage to the Property. All such alterations, additions or improvements shall be deemed to be a part of the Property and shall be subject to the terms and provisions of this Local Agency Financing Contract.

(m) *Location; Inspection.* The Property will be located within the State. The Corporation will be entitled to inspect the Property during regular business hours upon at least one Business Day's prior notice. The Local Agency acknowledges, and consents and agrees to, the right of the Corporation to so inspect the Property.

(n) *Impositions and Charges.* If during the term of this Local Agency Financing Contract, any Imposition is imposed or incurred in connection with the sale and purchase of the Property by the Corporation to the State, or by the State to the Local Agency, or the ownership, operation, possession or use of the Property by the Corporation, the State or the Local Agency,

or the payment of the Agency Installment Payments by the Local Agency, or the payment of the Installment Payments payable therefrom by the State, or any fines, penalties or interest imposed on or with respect to any of the foregoing, the Local Agency shall pay all such Impositions and charges when due. The Local Agency at its own expense may contest any such Impositions and charges until it obtains a final administrative or judicial determination with respect thereto, unless the Property is encumbered by any levy, lien or any other type of encumbrance because of the Local Agency's failure to pay such Impositions or charges. If the State or the Corporation pays any such Impositions or charges for which the Local Agency is responsible or liable hereunder, the Local Agency shall reimburse the State or the Corporation, as applicable, therefor as Additional Costs hereunder. The Local Agency shall hold harmless the State and the Corporation from and against all such Impositions and charges during the term of this Local Agency Financing Contract.

(o) *Risk of Loss; Damage; Destruction; Condemnation.* The Local Agency assumes all risk of loss of or damage to the Property from any cause whatsoever, and the obligation of the Local Agency to pay the Agency Installment Payments or to perform any other obligation under this Local Agency Financing Contract shall in no way be released, discharged or otherwise affected for any reason, including without limitation (i) any defect in the condition, quality or fitness for use of, or title to, any portion of the Property, or (ii) any damage to, or abandonment, destruction, requisition, condemnation or taking of any portion of the Property. In the event of damage to any item of the Property, the Local Agency will immediately place the same in good repair, working order and condition as required by Section 5.2(k) hereof. If the Local Agency determines that any item of Property is lost, stolen, destroyed or damaged beyond repair, the Local Agency will prepay all of its obligations for Agency Installment Payments and terminate its obligations hereunder in accordance with Section 4.3(b) hereof.

(p) *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 and covering such risks as the Local Agency may reasonably determine from time to time but in any event not less than the aggregate amount of the Agency Principal Components of Agency Installment Payments due hereunder which remain unpaid. Such insurance may be carried under a policy or policies covering other property of the Local Agency. In the alternative, the Local Agency may assume financial responsibility for any physical damage to and/or loss of the Property; *provided, however*, that if the Local

Agency elects this option, the Local Agency hereby covenants and agrees that it will promptly repair or replace the Property promptly upon any loss or damage thereto.

(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 Trustee as additional insureds thereunder; (C) shall provide that the same may not be canceled or given notice of non-renewal, nor shall the terms of 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) The Local Agency will pay or cause to be paid when due the premiums for all insurance policies required by this Section 5.2(p).

ARTICLE VI EVENTS OF DEFAULT; REMEDIES

Section 6.1 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 Installment Payment required to be paid hereunder within 10 Business Days of the respective Agency Installment 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 30 days after written notice from the State Treasurer or the Trustee 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 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 Local Agency Financing Contract or in any writing delivered by the Local Agency pursuant hereto or in connection herewith is false, misleading, or erroneous in any material respect; and

(d) 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 6.1(d).

Notwithstanding the foregoing provisions of this Section 6.1, 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 Local Agency Financing Contract, 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, with the prior written consent of the Corporation, 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 6.2 Rights of State Upon Agency Event of Default. Whenever an Agency Event of Default hereunder shall have occurred and be continuing, the State shall have the following rights and may exercise any one or more of the following remedies:

(a) By written notice to the Local Agency, require that the Local Agency promptly return possession and use of the Property to the State at any location specified in the United States (at the cost and expense of the Local Agency) in good repair, working order and condition, ordinary wear and tear excepted;

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the Agency Installment Payments then due and thereafter becoming due, or to enforce the observance or performance of any covenant, agreement or obligation of the Local Agency under this Local Agency Financing Contract;

(c) Exercise any other rights or remedies it may have hereunder or under applicable law; and

(d) Decline to execute any future financing contract on behalf of the Local Agency under the Act.

Section 6.3 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 Local Agency Financing Contract 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 hereunder, it shall not be necessary to give any notice, other than such notice as may be required hereunder. A waiver by the State 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 in connection with any such subsequent default or Agency Event of Default.

ARTICLE VII MISCELLANEOUS PROVISIONS

Section 7.1 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 acquisition, financing or refinancing thereof. 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 Local Agency Financing Contract or the exercise of rights or the performance of duties of the State or the Corporation under this Local Agency Financing Contract, the Master Financing Contract or the other Series #1# Agreements to which each of them is a Party, except to the extent caused by the gross negligence or willful misconduct of such indemnified party. The indemnification provided in this Section 7.1 shall survive the final payment of the Agency Installment Payments and the termination of this Local Agency Financing Contract for any reason.

Section 7.2 Third Party Beneficiaries. The Corporation and the Trustee, as assignee of the Corporation, shall be third party beneficiaries of this Local Agency Financing Contract.

Section 7.3 Notices to Agency. The notice address for the Local Agency shall be as set forth in the Notice of Intent.

STATE:

STATE OF WASHINGTON OFFICE OF THE
STATE TREASURER

By _____
Treasurer Representative

LOCAL AGENCY:

[AGENCY NAME]

By _____
Authorized Agency Representative

By _____
Authorized Agency Representative

By _____
Authorized Agency Representative

EXHIBIT A
NOTICE OF INTENT

[attached]

EXHIBIT B
PERSONAL PROPERTY CERTIFICATE

[attached]

EXHIBIT C

CERTIFICATE DESIGNATING AUTHORIZED AGENCY REPRESENTATIVES

[attached]

EXHIBIT D

SCHEDULE OF AGENCY INSTALLMENT PAYMENTS

[to be attached upon availability]

STATE AGENCY FINANCING LEASE

by and between the

WASHINGTON FINANCE OFFICERS ASSOCIATION

and the

STATE OF WASHINGTON

Relating to

\$ _____
State of Washington
Certificates of Participation, Series #1#
(_____)

Dated as of _____, 20__

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STATE AGENCY FINANCING LEASE

THIS STATE AGENCY FINANCING LEASE, dated as of _____, 20__ (the “State Agency Financing Lease”), is entered into by and between the Washington Finance Officers Association, a Washington nonprofit corporation (the “Corporation”), and the state of Washington (the “State”), acting by and through [Agency Name] (the “State Agency”) and the State Treasurer (the “State Treasurer”).

RECITALS

The Parties are entering into this State Agency Financing Lease based upon the following facts and expectations:

1. Chapter 39.94 RCW (the “Act”) authorizes the State to enter into financing contracts for itself, including for state agencies, departments or instrumentalities, the state board for community and technical colleges, and any state institution of higher education (defined in Appendix 1 as “State Agencies”), for the use and purchase of real and personal property by the State; and

2. the Act also authorizes the State to enter into financing contracts on behalf of certain “other agencies” (defined in Appendix 1 as “Local Agencies”) for the use and acquisition for public purposes of real and personal property by such Local Agencies; and

3. the Act authorizes the State Finance Committee to consolidate existing or potential financing contracts into master financing contracts with respect to property acquired by one or more State Agencies or Local Agencies (together, “Agencies”); and

4. Chapter 43.33 RCW provides that the State Treasurer shall act as chair of the State Finance Committee and provide administrative assistance for the State Finance Committee, and the State Treasurer on behalf of the State Finance Committee has established a consolidated program for the execution and delivery of certificates of participation in master financing contracts in series from time to time in order to provide financing or refinancing for the costs of acquisition of such real and personal property by Agencies; and

5. the State Finance Committee has approved the form of this State Agency Financing Lease by Resolution No. ____ adopted on _____, 20__; and

6. the Corporation and the State have entered into a State Agency Site Lease, Series #1#, dated as of the Dated Date (the “Site Lease”), for the lease of certain real property legally described in the Site Lease (the “Site”) for the sole purpose of enabling the Corporation to sublease the Site to the State in order to finance or refinance the acquisition or construction of improvements on the Site as described herein (the “Project,” and, together with the Site, the “Property”); and

7. simultaneously with the execution and delivery of this State Agency Financing Lease, the State is entering into a Master Financing Lease, Series #1#, dated as of the Dated Date (the “Master Financing Lease”) with the Corporation, to provide financing or refinancing for the

Project on behalf of the State Agency, among others, through the sublease of the Property from the Corporation; and

8. the State Legislature, by enacting **[INSERT INFORMATION RE LEGISLATIVE AUTHORIZATION]**, has authorized the State Agency to enter into a financing contract in an amount not to exceed \$_____ plus financing expenses and required reserves pursuant to the Act to finance the real property and improvements described therein; and

9. the State Agency has determined that it is necessary and desirable to enter into this State Agency Financing Lease, in conjunction with the State's entry into the Master Financing Lease, to obtain financing or refinancing for the Project for the State Agency;

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

ARTICLE I

DEFINITIONS; CONSTRUCTION; MISCELLANEOUS PROVISIONS; SUPPLEMENTS

Section 1.1 Appendix 1 and Exhibits Incorporated. Appendix 1 and Exhibits A, B and C are incorporated as part of this State Agency Financing Lease by this reference. Appendix 1 provides (i) definitions for the capitalized terms used and not otherwise defined in this State Agency Financing Lease; (ii) certain rules for interpreting this State Agency Financing Lease; (iii) miscellaneous technical provisions that apply to this State Agency Financing Lease; and (iv) rules on how this State Agency Financing Lease may be amended or supplemented.

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

ARTICLE II

SUBLEASE OF PROPERTY; ACQUISITION AND CONSTRUCTION OF PROJECT

Section 2.1 Sublease of Property.

(a) *State Agency Financing Lease Consolidated with Master Financing Lease.* The State Agency acknowledges that the State Treasurer, acting on behalf of the State Finance Committee, has consolidated this State Agency Financing Lease with the Master Financing Lease pursuant to RCW 39.94.030(1)(a).

(b) *Sublease of Property.* The Corporation subleases to the State for the benefit of the State Agency, upon the terms and conditions set forth in this State Agency Financing Lease, the Site legally described in Exhibit A, together with all improvements, if any, to be constructed on the Site, including but not limited to the Project (collectively, the "Property"), subject to all easements, covenants, conditions and restrictions existing as of the Dated Date. The State Treasurer agrees to pay, on behalf of the State Agency, in consideration thereof the Agency Rent

Payments and Additional Rent therefor in accordance with Section 3.1, and all other amounts required to be paid by the State Agency hereunder.

(c) *Right of Entry.* The Corporation 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 Corporation's rights and obligations hereunder.

(d) *Quiet Enjoyment.* The State Agency and its authorized assignees and sublessees at all times during the term of this State Agency Financing Lease, subject to the provisions of Article VIII hereof, shall peaceably and quietly have, hold and enjoy all of the Property without suit, trouble or hindrance from the Corporation.

Section 2.2 Appointment as Agent; Acquisition and Construction of Project; Release of Property.

(a) *Appointment as Agent.* The State Agency accepts its appointment as agent of the Corporation in connection with the design, acquisition and/or construction of the Project and acknowledges that such appointment is irrevocable and shall not be terminated by any act of the State Agency, the Corporation or otherwise.

(b) *Acquisition and Construction of Project.* The State Agency agrees that (i) it has caused or will cause the Project to be designed, acquired and/or constructed with all reasonable dispatch, as agent for the Corporation, in accordance with the plans, specifications, bidding documents, and construction and other contracts approved by the State Agency, and in accordance with applicable laws and regulations; and (ii) it will pay or cause to be paid the Project Costs from funds available to it pursuant to this State Agency Financing Lease and the Master Financing Lease. The Corporation shall not have any responsibility, liability or obligation with respect to the design, acquisition and/or construction of the Property and/or the Project.

(c) *Payment of Project Costs if Project Fund Not Sufficient.* If money in the Project Fund allocable to the Project shall not be sufficient to pay the Project Costs in full, the Project Costs in excess of the amount in the Project Fund shall be paid from other money provided by the State Agency. The Corporation makes no representation or warranty, either express or implied, that the money which will be deposited into the Project Fund allocable to the Project will be sufficient to pay the Project Costs. Neither the State Treasurer as agent for the Corporation for the disbursement of funds from the Project Fund nor the Corporation shall have any obligation or liability for the payment of the Project Costs other than from the portion of the proceeds of the Certificates allocable to the Project and any other amounts that may be provided by the State Agency. If the State Agency shall pay or cause the payment of any Project Costs in excess of the amount in the Project Fund available for such purpose, the State Agency shall not be entitled to any reimbursement from the State Treasurer as agent for the Corporation for the disbursement of funds from the Project Fund or the Corporation for such payments, nor shall the State Agency be entitled to any diminution, reduction, abatement, postponement, counterclaim,

defense or set-off of the Agency Rent Payments, Additional Rent or other amounts otherwise required to be paid hereunder.

(d) *Additions to Property.* The State Agency shall have the right during the term of this State Agency Financing Lease, at its own cost and expense, to make or permit 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 State Agency also shall have the right during the term of this State Agency Financing Lease, without the consent of any Owners, to enter into Additional State 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 Rent Payments, and will not, in an Opinion of Counsel, adversely affect the tax-exempt status of the Interest Component of Rent Payments evidenced and represented by the Certificates. If the State Agency enters into any Additional State 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 Trustee for the benefit of owners of certificates of participation in the Additional Master Financing Lease to which such Additional State Agency Financing Lease is related. The occurrence of an Event of Default or Permitted Termination Event with respect to this State Agency Financing Lease shall constitute a like event under any Additional State Agency Financing Lease, and the occurrence of any such like event under any Additional State Agency Financing Lease shall constitute an Event of Default or Permitted Termination Event, as the case may be, under this State Agency 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 Trustee with respect to the Property following the occurrence of an Event of Default or Permitted Termination Event.

(e) *Release of Property.* After design, acquisition, construction, financing or refinancing of the Project, the State 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 release a portion of the Property leased under the Site Lease, and subleased under and pursuant to the Master Financing Lease and this State Agency Financing Lease. As a condition to any such release, the State 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 Trustee, as assignee of the Corporation, to the effect that the remaining portion of the Property has an estimated fair rental value for the remaining term of this State Agency Financing Lease equal to or greater than the Agency Rent Payments due from time to time hereunder; and (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 Trustee, as assignee of the Corporation, and the State Agency shall execute, deliver and record such amendments and modifications to the Site Lease, the Master Financing Lease, the Master

Assignment and this State Agency Financing Lease, and such other documents, agreements and instruments, as the State Treasurer or the Trustee, as assignee of the Corporation, shall deem necessary or desirable in connection with such release.

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

Section 2.4 Disclaimer of Warranties. The State 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 State Agency in its present condition. The State Agency subleases the Property in its present condition, "as is." The Corporation 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, 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 or codes, 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

Section 3.1 Rent Payments. The State Agency promises to pay to the Corporation, as rental for the use and occupancy of the Property, the following amounts at the following times:

(a) *Agency Rent Payments.* On each Agency Rent Payment Date, the Agency Rent Payment set forth in Exhibit B, consisting of a Principal Component and/or an Interest Component as set forth in such Exhibit; and

(b) *Additional Rent.* All Additional Rent incurred by the Corporation in connection with the lease of the Site from the State Agency, the sublease of the Property to the State, the execution and delivery of the Certificates, and the observance and performance of the Series #1# Agreements, within 30 days following receipt of an invoice from the Corporation or the Trustee, as applicable, that includes (i) a brief description of each item of Additional Rent, (ii) the party to whom payment is due, (iii) the amount thereof, and (iv) such additional information as the State Agency or State Treasurer may reasonably request.

The Agency Rent Payments and Additional Rent for each rental payment period during the term of this State Agency Financing Lease shall constitute the total rental due for that rental payment period. The Parties agree that the total rental due for any rental payment period does not exceed the fair rental value of the Property for that rental payment period, given the purposes, terms and provisions of this State Agency Financing Lease.

Each Agency Rent Payment shall consist of a Principal Component and/or an Interest Component as set forth in Exhibit B to this State Agency Financing Lease. Interest shall accrue and be calculated as provided in the Trust Agreement. Each Agency Rent Payment shall be paid by electronic funds transfer (or by other means acceptable to the State Treasurer) in lawful money of the United States of America. Payments of Additional Rent shall be made to or upon the order of the Corporation. Each Agency Rent Payment shall be applied first to the Interest Component, and then to the Principal Component.

The Corporation directs the State Treasurer, and the State Treasurer agrees to transfer all Agency Rent Payments directly to the Trustee, as assignee of the Corporation; provided, however, that the State Treasurer is not thereby agreeing to obligate its funds to make Agency Rent Payments.

Section 3.2 Obligation of State Agency Subject to Appropriation. The obligation of the State Agency to make its Agency Rent Payments is subject to appropriation by the State Legislature and to Executive Order reduction. The State Agency shall not be obligated to make Agency Rent Payments other than from appropriated funds or other funds of the State Agency that are not subject to appropriation by the State Legislature and are not derived, directly or indirectly, from General State Revenues.

Section 3.3 Net Lease. This State Agency Financing Lease shall be deemed and construed to be a “triple net lease” with respect to the Corporation. The State Agency shall pay the Agency Rent Payments, Additional Rent and all other amounts due hereunder, as well as taxes, assessments, insurance, utilities, and all normal maintenance and operating costs for the Project, as further described in part in Sections 7.2(h), (i) and (k) of this State Agency Financing Lease. The State Agency shall pay such obligations without notice or demand, 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 or among the State, the Corporation, the Trustee, any State Agency, and/or any other Person, or for any other reason; provided, that nothing in this Section 3.3 shall be construed to release or excuse the Corporation from the observance or performance of its obligations hereunder. If the Corporation shall fail to observe or perform any such obligation, the State may institute such legal action and pursue such other remedies against the Corporation as the State deems necessary or desirable, including, but not limited to actions for specific performance, injunction and/or the recovery of damages.

Section 3.4 Limited Obligation. THIS STATE AGENCY FINANCING LEASE SHALL CONSTITUTE A SPECIAL, LIMITED OBLIGATION OF THE STATE PAYABLE SOLELY FROM THE SOURCES AND SUBJECT TO THE LIMITATIONS SET FORTH HEREIN. THIS STATE AGENCY FINANCING LEASE SHALL NOT CONSTITUTE A DEBT OR A GENERAL OBLIGATION OF THE STATE, THE CONTRACTING OF AN INDEBTEDNESS BY THE STATE, OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE, FOR PURPOSES OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION UPON DEBT OR THE CONTRACTING OF INDEBTEDNESS. THE OBLIGATION OF THE STATE AGENCY TO MAKE AGENCY RENT PAYMENTS IS SUBJECT TO APPROPRIATION AND TO EMERGENCY REDUCTION IN FUNDING UNDER CERTAIN CIRCUMSTANCES, ALL AS SET FORTH IN THIS STATE AGENCY FINANCING LEASE.

Section 3.5 Assignments by Corporation. The State Agency acknowledges and agrees that, concurrently with the execution and delivery of this State Agency Financing Lease, the Corporation will unconditionally assign to the Trustee pursuant to the Master Assignment, without recourse, (i) all of its rights to the Sites pursuant to the Site Leases, (ii) all of its rights to receive the Rent Payments and any Additional Rent under the Master Financing Lease, (iii) its right to take all actions, exercise all remedies, and give all consents under 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 this State Agency Financing Lease, and in and to the Property and any rents or profits from the Property, and (v) its right of access described in the Master Financing Lease, in consideration for the Trustee's causing to be paid to the State Treasurer, as agent of the Corporation, of the proceeds of the sale of the Certificates. The State and the Corporation have acknowledged and agreed that such assignment by the Corporation is intended to be a true sale of the Corporation's right, title and interest, and that upon such assignment the Corporation shall cease to have any rights or obligations under the Site Leases and Master Financing Lease or with respect to the Property, and the Trustee shall thereafter have all the rights and obligations of the Corporation under the Site Leases and Master Financing Lease as if the Trustee had been the original party thereto. Except where the context otherwise requires, every reference in the Site Leases, Master Financing Lease and this State Agency Financing Lease to the Corporation shall be deemed to be a reference to the Trustee in its capacity as assignee of the Corporation.

ARTICLE IV

OPTIONAL AND EXTRAORDINARY PREPAYMENT OF AGENCY RENT PAYMENTS

Section 4.1 Optional Prepayment.

(a) The State Agency may, at its option and upon approval of the State Treasurer, prepay 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 to provide for the payment or defeasance of the portion of the Rent Payments corresponding thereto in accordance with Section 4.1(a) or 4.1(b), respectively, of the Master Financing Lease and to pay any Additional Rent in connection therewith.

(b) The State 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 State Agency within 15 Business Days after receipt of such notice from the State Agency as to the amount required to be paid in connection with such prepayment or provision for the payment of the corresponding Rent Payments, including any Additional Rent in connection therewith. The determination by the State Treasurer of the amount to be paid by the State Agency shall be binding and conclusive against the State Agency, absent manifest error.

Section 4.2 Extraordinary Prepayments.

(a) *Eminent Domain; Loss of Title.* The State Agency shall prepay or cause to be prepaid from eminent domain awards or sale proceeds received pursuant to Section 5.1, and from the net proceeds of title insurance received pursuant to Section 5.2, Agency Principal Components then unpaid, in whole or in part on any date, in Authorized Denominations, at a prepayment price equal to the sum of the Agency Principal Components so prepaid, plus accrued interest to the date of prepayment. The aggregate annual Agency Rent Payments for the related Property from and after such prepayment date shall be in approximately equal amounts.

(b) *Insurance Proceeds.* The State Agency may, at its option and upon approval of the State Treasurer, prepay or cause to be prepaid from net insurance proceeds received pursuant to Section 5.3, Agency Principal Components then unpaid, in whole or in part on any date, in Authorized Denominations, at a prepayment price equal to the sum of the Agency Principal Components prepaid, plus accrued interest to the date of prepayment. The aggregate annual Agency Rent Payments for the related Property from and after such prepayment date shall be in approximately equal amounts.

Section 4.3 Revisions to Agency Rent Payment Schedule. The Agency Principal Component and Agency Interest Component of the Agency Rent Payment due on each Agency Rent Payment Date on and after the date of any prepayment pursuant to Sections 4.1 or 4.2, as set forth in Exhibit B 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 State Agency shall elect in its written notice to the State Treasurer pursuant to Section 4.1(b).

Section 4.4 Discharge of State Agency Financing Lease. All right, title and interest of the Corporation and all obligations of the State Agency under this State Agency Financing Lease shall terminate and be completely discharged and satisfied (except for the right of the Corporation and the obligation of the State Agency to have the money and Government Obligations set aside pursuant to Section 4.4(b) 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 State 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 State Agency shall cause to be deposited with the State Treasurer, (A) money and/or Government Obligations in accordance with Section 4.1; and (B) an Opinion of Counsel to the effect that such actions are permitted under this State Agency Financing Lease 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 Agency Rent Payments remain unpaid, provision shall have been made satisfactory to the Corporation for payment of all Additional Rent.

ARTICLE V

EMINENT DOMAIN; LOSS OF TITLE; DAMAGE AND DESTRUCTION

Section 5.1 Eminent Domain. If all of the Property subleased to the State Agency pursuant to this State Agency Financing Lease, or so much of it that the remainder becomes unsuitable for the State Agency's then-existing needs, is taken under the power of eminent domain (or sold under threat of condemnation), the sublease of the Property pursuant to this State Agency Financing Lease shall cease as of the day that the State Agency is required to vacate the Property. If less than all of the Property is taken under the power of eminent domain (or sold under threat of condemnation), and the remainder is suitable for the State Agency's then-existing needs, as reasonably determined by the State, then this State Agency Financing Lease shall continue in effect as to the remainder, and the Parties waive any benefits of the law to the contrary. In that event, there shall be no abatement of the rental due from the State Agency. So long as any Agency Rent Payments under this State Agency 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). Any award or proceeds in excess of the amount necessary to prepay Agency Rent Payments shall be paid to the Corporation and the State Agency as their respective interests may appear.

Section 5.2 Loss of Title. If there is a loss of title to the Property which is insured under a policy or policies of title insurance, or so much of it that the remainder becomes unsuitable for the State Agency's then-existing needs, then the State Agency's sublease of the Property shall cease as of the day that the State Agency is required to vacate the Property. If there is a loss of title to less than all of the Property, and the remainder is suitable for the State Agency's then-existing needs, as reasonably determined by the State, then this State Agency Financing Lease shall continue in effect as to the remainder, and the Parties waive any benefits of the law to the contrary. In that event, there shall be no abatement of the rental due from the State Agency. So long as any Agency Rent Payments under this State Agency Financing Lease remain unpaid, any payments under any title insurance policy or policies with respect to the Property shall be applied to the prepayment of Agency Rent Payments as provided in Section 4.2(a). Any payment in excess of the amount necessary to prepay such Agency Rent Payments shall be paid to the Corporation, the State and the State Agency as their respective interests may appear.

Section 5.3 Damage or Destruction. If all or any portion of the Property subleased to the State Agency pursuant to this State Agency Financing Lease is damaged or destroyed by fire or other casualty, this State Agency Financing Lease shall not terminate, and there shall be no abatement of the rent due from the State Agency. So long as any Agency Rent Payments remain unpaid, any payments under the property insurance policy or policies with respect to the Property may be applied to the prepayment of Agency Rent Payments as provided Section 4.2(b), or may be paid to the State Treasurer and applied as provided in Section 5.03 of the Trust Agreement.

ARTICLE VI

PERMITTED TERMINATION EVENTS; REMEDIES

Section 6.1 Permitted Termination Event. Each of the following events shall constitute a “Permitted Termination Event” under this State Agency Financing Lease and the related obligation of the State under the Master Financing Lease:

(a) The State Legislature elects not to appropriate sufficient funds within any biennial budget in a manner that precludes the State from making Rent Payments due under the Master Financing Lease during the next occurring Biennium; or

(b) The Governor of the State issues an Executive Order mandating an emergency reduction in State funding as a result of which sufficient funds will not be available to the State for the purpose of paying the scheduled Rent Payments due under the Master Financing Lease.

Section 6.2 Remedies of the Corporation Upon a Permitted Termination Event. Upon the occurrence of a Permitted Termination Event, the State Agency shall vacate the Property and deliver possession and control of the Property to the Corporation for the remaining term of the Site Lease and thereupon be released of its obligations to make payments in an amount equal to the then unpaid balance of Agency Rent Payments with respect to the Property; but only if (i) the State Agency delivers the Property in good repair, working order and condition, ordinary wear and tear excepted, to the Corporation, and (ii) written notice is provided by the State Agency to the State Treasurer as set forth in Section 7.2(d) of this State Agency Financing Lease. Upon the occurrence of a Permitted Termination Event, the Corporation shall be entitled to retain all sums previously transmitted to the Corporation by or on behalf of the State Agency for the benefit of the Owners of the Certificates (including, without limitation, for use in administering the Property for the benefit of the Owners of the Certificates, including expenses of retaining accountants, consultants, attorneys, appraisers or other experts), and thereafter take possession of and relet the Property for the remaining term of the related Site Lease or assign its leasehold interest in the Property under the related Site Lease for the account of the State Agency and the benefit of the Owners of the Certificates.

The occurrence of a Permitted Termination Event with respect to this State Agency Financing Lease shall not affect any rights, duties or obligations with respect to any other State Agency Financing Lease with respect to which no Permitted Termination Event has occurred. The occurrence of a Permitted Termination Event shall not constitute an Event of Default, and the remedies set forth in this Section 6.2 relating to the return of the Property are the sole remedies available to the Corporation upon such occurrence. If the State Legislature provides a supplemental appropriation or the Executive Order is withdrawn prior to the Permitted Termination Date and the Corporation has not yet relet or otherwise disposed of the Property, the State Agency may, by written notice to the Corporation, revoke the notice of termination and continue its obligations under this State Agency Financing Lease.

ARTICLE VII

REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS

Section 7.1 Representations and Warranties of the State Agency.

(a) The State Agency is a “state agency” within the meaning of the Act, validly existing under the Constitution and laws of the State.

(b) The State Agency is authorized under the laws of the State to enter into and perform its obligations under this State Agency Financing Lease.

(c) Neither the execution and delivery by the State Agency of this State Agency Financing Lease, nor the observance and performance of its terms and conditions, nor the consummation of the transactions contemplated by it, conflicts with or constitutes a breach of or default under any agreement or instrument to which either is a party or by which the State 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 State Agency Financing Lease.

(d) The State Agency has been duly authorized to enter into the form of this State Agency Financing Lease pursuant to Resolution No. ____ of the State Finance Committee, adopted on _____, 20__; and this State Agency Financing Lease has been duly executed and delivered by the State Agency.

(e) This State Agency Financing Lease is a valid and binding obligation of the State 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 State Agency Financing Lease is essential to the State Agency’s ability to carry out its governmental functions and responsibilities, and the State Agency expects to make immediate and continuing use of such Property during the term of this State Agency Financing Lease.

(g) The useful life of the Property is equal to or exceeds the term of this State Agency Financing Lease.

(h) There are no circumstances, including any existing Executive Order of the Governor of the State or directive from OFM, presently affecting the State Agency that could reasonably be expected during the term of this State Agency Financing Lease to alter its need for the Property being financed under this State Agency Financing Lease or adversely affect its ability or willingness to budget funds for the Agency Rent Payments or Additional Rent to become due hereunder.

(i) The State Agency has reviewed its projected revenues and expenditures and reasonably expects that it shall have on hand legally available appropriated funds and/or other funds that are not subject to appropriation by the State Legislature and that are not derived, directly or indirectly, from General State Revenues sufficient to make all payments when due from it under this State Agency Financing Lease.

(j) For the current Biennium, the State Agency has received appropriations from the State Legislature sufficient to make all payments scheduled to become due from the State Agency under this State Agency Financing Lease during the current Biennium.

Section 7.2 Covenants and Agreements of the State Agency.

(a) *Budget.* The State Agency shall (i) include in its biennial budget any scheduled Agency Rent Payments that may be required to be made by the State Agency during such Biennium under Section 3.1; (ii) submit its budget to OFM when and as required by law; (iii) use its best efforts to obtain appropriations by the State Legislature in amounts sufficient to make its Agency Rent Payments; (iv) include all such payments in its statements of proposed expenditures for each fiscal period required by law to be submitted to OFM; and (v) use its best efforts to obtain allotments by OFM of appropriated funds sufficient to make all such payments.

(b) *Application of Appropriations.* To the extent permitted by law, the State Agency agrees that, to the extent that any amounts are included in its budget, the State Agency will allocate a sufficient portion of such amounts to the payment of the Agency Rent Payments and Additional Rent due hereunder

(c) *Notice of Potential Permitted Termination Event; Notice of Nonpayment.* The State Agency shall give written notice to the State Treasurer of the occurrence of any events or circumstances which the State Agency believes could lead to the occurrence of a Permitted Termination Event with respect to this State Agency Financing Lease. Such notice shall be given as soon as practicable after the State Agency becomes aware of those events or circumstances, and shall describe the events and circumstances in reasonable detail. The State Agency also shall give written notice to the State Treasurer and the Corporation prior to any Agency Rent Payment Date if the State Agency knows prior to such date that it will be unable to make all or any portion of the Agency Rent Payment due on such date.

(d) *Preliminary Determination of Occurrence of Permitted Termination Event with Respect to State Agency; Notice to State Treasurer.* As soon as practicable but not later than 10 Business Days following (i) the enactment of each biennial budget by the State Legislature, or (ii) the issuance of an Executive Order reduction in funding, the State Agency shall make a preliminary determination as to whether or not, as a result of such enacted budget or Executive Order, it expects that sufficient funds will be available to the State Agency to make its scheduled Agency Rent Payments for the Property during the Biennium covered by such enacted budget or during the Biennium affected by such Executive Order. If the State Agency determines that, as a result of such enacted budget or Executive Order, it expects that sufficient funds will not be available to the State Agency to make its scheduled Agency Rent Payments for the Property during the Biennium covered by such enacted budget or during the Biennium affected by such Executive Order, the State Agency shall deliver written notice of that determination to the State

Treasurer not more than five Business Days following such determination. The State Agency's written notice to the State Treasurer shall describe the basis for the State Agency's preliminary determination..

(e) *Tax-Exemption.* The State Agency shall not make any use of the proceeds of this State Agency 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 this State Agency Financing Lease or the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. The State 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 Agency Rent Payments under Section 103 of the Code. The State Agency shall not make any use of the proceeds of this State Agency Financing Lease or the Certificates or of any other amounts, and shall not take or refrain from taking any action, that would cause this State Agency 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 State 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 State 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 State Agency shall comply with the provisions of the Tax Certificate.

(f) *Liens; Assignments and Subleases.* The State Agency shall not create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property or any part thereof, except for Permitted Encumbrances. The State 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 State Agency shall not grant, sell, assign, pledge, transfer, convey, mortgage, sublet or otherwise dispose any of its right, title or interest in, to or under this State Agency Financing Lease or the Property except as otherwise provided herein, and any such attempted grant, sale, assignment, pledge, transfer, conveyance, mortgage, sublease or disposal shall be void.

(g) *Performance.* Unless a Permitted Termination Event has occurred, the State Agency shall punctually pay the Agency Rent Payments and Additional Rent in conformity with the terms and provisions of this State Agency Financing Lease, and the State Agency will faithfully observe and perform all the covenants, terms and other obligations which are herein contained required to be observed and performed by the State Agency. Except as the result of the occurrence of a Permitted Termination Event, the State 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 State Agency Financing Lease.

(h) *Maintenance; Repairs.* For so long as the State Agency is in possession of the Property, the State Agency shall be solely responsible for the maintenance and repair, both ordinary and extraordinary, of the Property. The State 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 7.2(k) 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.

(i) *Impositions.* If during the term of this State Agency Financing Lease, any Imposition is imposed or incurred in connection with the sublease of the Property by the Corporation to the State, or the ownership, operation, possession or use of the Property by the Corporation, the State or the State Agency, or the payment of the Agency Rent Payments by the State Agency, or the payment of the Rent Payments payable therefrom by the State, the State Agency shall pay all such Impositions when due. The State Agency at its own expense may contest any such Impositions until it obtains a final administrative or judicial determination with respect thereto, unless the Property is encumbered by any levy, lien or any other type of encumbrance because of the State Agency's failure to pay such Impositions. If the Corporation pays any such Impositions for which the State Agency is responsible or liable hereunder, the State Agency shall reimburse the Corporation for such payments as Additional Costs.

(j) *Hazardous Substances.*

(i) *Use.* The Property does not currently violate, and neither the State Agency nor its officers, agents, employees, contractors, or invitees, shall 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 State Agency shall not cause or permit the release or disposal of any Toxic or Hazardous Substances on or from the Property.

(ii) *Indemnity.* The State Agency, to the extent permitted by law, agrees to protect, indemnify, defend and hold the Corporation and the Trustee, 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 State Agency shall not be obligated to indemnify itself, in its capacity as Lessor under the Site 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 State is 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 State Agency or 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, attorney's fees, consultants fees, and expert fees.

(iii) *Notification Requirements.* The State 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 by or 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 State 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 State 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 State Agency is complying with the terms of this State Agency Financing Lease. The State Agency shall be responsible for paying for any testing that is conducted if the State Agency is not in compliance with this State Agency Financing Lease and such Party has reason to believe such noncompliance is due to the State Agency's operations or use of the Property. If the State Agency is not in compliance with this State Agency 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 State Agency's failure to comply, notwithstanding any other provision of this State Agency Financing Lease. The Party shall use reasonable efforts to minimize interference with the State 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 State Agency shall assume responsibility for all such Remedial Work and shall promptly commence and thereafter diligently prosecute to completion all such Remedial Work. The State 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 State 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 Corporation from the State Agency.

(k) *Insurance.*

(i) The State 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 State Agency from time to time but in any event not less than \$1,000,000 per occurrence. Such insurance may be carried under a blanket policy with umbrella coverage. Such insurance shall cover any and all liability of the State 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 State 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 State Agency may reasonably determine from time to time, but in any event not less than the aggregate amount of Agency Rent Payments due hereunder which remain unpaid. Such insurance may be carried under a policy or policies covering other property of the State 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 Agency shall not be required to maintain earthquake or flood insurance if it determines, based on consultation with risk management or insurance advisors of the State, that the same is not available from reputable insurers at 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 State Agency may reasonably determine from time to time. Such policies of insurance shall provide that all proceeds thereunder shall be payable to the Trustee, as assignee of the Corporation, pursuant to a lender's loss payable endorsement. 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 \$500,000 for losses in any year.

(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 Treasurer, the Corporation and the Trustee 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 the Corporation; 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 coverages required hereunder shall be provided by the State Agency to the State Treasurer annually on or prior to December 1 with respect to any required insurance maintained pursuant hereto.

(v) The State Agency will pay or cause to be paid when due the premiums for all insurance policies required under this paragraph 7.2(k).

(l) *Corporation Not Liable.* The Corporation and its directors, officers and employees shall not be liable to the State Agency or to any other Person 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.

(m) *Accounting Records.* The State Treasurer will keep or cause to be kept proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, deposit, application and disbursement of the Agency Rent Payments, and such accounting records shall be available for inspection by the Corporation at reasonable hours and under reasonable conditions.

(n) *Further Assurances.* The State Agency will preserve and protect the rights of the Corporation and the Trustee, as assignee of the Corporation, hereunder, and will warrant and defend such rights against all claims and demands of all Persons. The State Treasurer 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 Corporation the rights and benefits provided to it hereunder.

ARTICLE VIII

AGENCY EVENTS OF DEFAULT; REMEDIES

Section 8.1 Agency Events of Default. Each of the following shall constitute an "Agency Event of Default" hereunder:

(a) Failure by the State Agency to pay or cause to be paid any Agency Rent Payment required to be paid hereunder within 10 Business Days of the respective Agency Rent Payment Date, other than as a result of a Permitted Termination Event;

(b) Failure by the State 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 30 days after written notice from the State Treasurer or the Corporation to the State Agency specifying such failure and requesting that it be remedied, other than as a result of a Permitted Termination Event; *provided, however*, that such period shall be extended for an additional 60 days if such failure cannot be corrected within such period, and corrective action is commenced by the State Agency within such period and diligently pursued until the failure is corrected;

(c) If any statement, representation, or warranty made by the State Agency in this State Agency Financing Lease is false, misleading, or erroneous in any material respect; and

(d) If the State Agency shall abandon or vacate the Property; and

(e) If an event of default shall occur under any Additional State Agency Financing Lease.

Notwithstanding the foregoing provisions of this Section, if by reason of *force majeure* the State Agency is unable in whole or in part to carry out the covenants, agreements, terms and conditions on its part contained in this State Agency Financing Lease, the State 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 State Agency.

The Corporation, 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 State 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.

ANYTHING HEREIN TO THE CONTRARY NOTWITHSTANDING, A PERMITTED TERMINATION EVENT SHALL NOT CONSTITUTE AN AGENCY EVENT OF DEFAULT HEREUNDER.

Section 8.2 Rights of Corporation Upon Agency Event of Default. Whenever an Agency Event of Default under Section 8.1 hereof shall have occurred and be continuing, the Corporation shall have the following rights and remedies:

(a) *Continuation; Reentry and Reletting.* The Corporation may continue this State Agency 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 State Agency, and (iii) exercise any and all rights of entry and reentry upon the Property. In the event that the Corporation does not elect to terminate this State Agency Financing Lease in the manner provided pursuant to paragraph (b) of this Section, the State

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 State Agency 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 Corporation, or suit in unlawful detainer or otherwise brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of all or any part of the Property. Should the Corporation elect to re-enter or obtain possession of all or any part of the Property, the State Agency hereby irrevocably appoints the Corporation as its agent and attorney-in-fact (i) to relet the Property, or any part thereof, from time to time, either in the name of the Corporation or otherwise, upon such terms and conditions and for such use and period as the Corporation 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 State Agency in the county in which such personal property is located, for the account of and at the expense of the State Agency. The State Agency shall be liable for, and hereby agrees to pay to the Corporation, the Corporation's costs and expenses in connection with reentry of the Property, removal and storage of any personal property, and reletting of the Property. The State Agency hereby agrees that the terms of this State Agency Financing Lease constitute full and sufficient notice of the right of the Corporation to reenter and relet the Property or any part thereof without effecting a surrender or termination of this State Agency Financing Lease. Termination of this State Agency Financing Lease upon an Event of Default shall be effected solely as provided in paragraph (b) of this Section. The State 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 Corporation may terminate this State Agency Financing Lease, but solely upon written notice by the Corporation to the State Agency and the State Treasurer 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 Corporation, nor any proceeding in unlawful detainer or otherwise brought by the Corporation for the purpose of effecting such reentry or obtaining possession, nor any surrender of the Property or any part thereof by the State Agency, nor any other act shall operate to terminate this State Agency Financing Lease, and no termination of this State Agency Financing Lease on account of an 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 Corporation. Upon such termination, the Corporation 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) place such personal property in storage in any warehouse or other suitable place for the State Agency in the county in which such personal property is located, for the account of and at the expense of the State Agency. Upon such termination, the State Agency's right to possession of the Property shall terminate, and the State Agency shall surrender possession thereof to the Corporation. In the event of such termination, the State Agency shall remain liable to the Corporation 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 Corporation subsequent to such termination, after deducting the expenses incurred by the Corporation in connection with any such reentry, removal and storage of personal property, and

reletting. The Corporation shall be entitled to collect damages from the State Agency on the respective Agency Rent Payment Dates.

(c) *Other Remedies.* In addition to the other remedies set forth in this Section, upon the occurrence and continuance of an Event of Default, the Corporation shall be entitled to proceed to protect and enforce the rights vested in them by this State Agency Financing Lease or by law. The terms and provisions of this State Agency Financing Lease and the duties and obligations of the State Agency hereunder, and the officers and employees thereof, shall be enforceable by the Corporation 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 Corporation shall have the right to bring the following actions:

(i) Accounting. By action or suit in equity to require the State 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 Corporation; and

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

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

The State Agency hereby waives any and all claims for damages caused or which may be caused by the Corporation 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 8.3 No Remedy Exclusive; Non-Waiver. No remedy conferred upon or reserved to the Corporation 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 State Agency 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 Event of Default hereunder shall impair any such right or remedy or shall be construed to be a waiver of such default or 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 Corporation hereunder, it shall not be necessary to give any notice, other than such notice as may be required hereunder. A waiver by the Corporation of any default or Event of Default hereunder shall not constitute a waiver of any subsequent default or Event of Default hereunder, and shall not affect or impair the rights or remedies of the Corporation in connection with any such subsequent default or 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.

ARTICLE IX

TERM AND TERMINATION

Section 9.1 Term. The term of this State Agency Financing Lease shall commence on the Dated Date, and shall end on _____, 20__, unless such term is extended or sooner terminated as hereinafter provided. If, on such 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 State Agency Financing Lease shall be extended until 10 days after all amounts due hereunder shall have been paid or the payment thereof so provided for, except that the term of this State Agency Financing Lease shall in no event be extended beyond _____, 20__. If prior to _____, 20__, all amounts due hereunder shall have been paid or the payment thereof so provided for, the term of this State Agency Financing Lease shall end 10 days thereafter or 10 days after written notice by the State Agency to the State Treasurer, whichever is earlier.

Section 9.2 Termination. The State Agency agrees, upon the termination of this State Agency Financing Lease as to any parcel of Property, to quit and surrender such Property 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 State Agency in accordance herewith that affect the condition of the Property. The State Agency agrees that any permanent improvements and structures existing upon the Property at the time of such termination or expiration of the State Agency Financing Lease shall remain thereon. The State Agency shall thereafter execute, acknowledge and deliver to the Corporation such instruments of further assurance as in the reasonable opinion of the State Treasurer are necessary or desirable to confirm the Corporation's leasehold right, title and interest in and to such Property.

IN WITNESS WHEREOF, the Corporation has caused this State Agency Financing Lease to be executed in its name by its duly authorized officers, and the State has caused this State Agency Financing Lease to be executed in its name by its duly authorized officials, all as of the day and year first written above.

CORPORATION:

WASHINGTON FINANCE OFFICERS
ASSOCIATION

By _____
Authorized Corporation Representative

STATE:

STATE OF WASHINGTON OFFICE OF THE
STATE TREASURER

By _____
Treasurer Representative

STATE AGENCY:

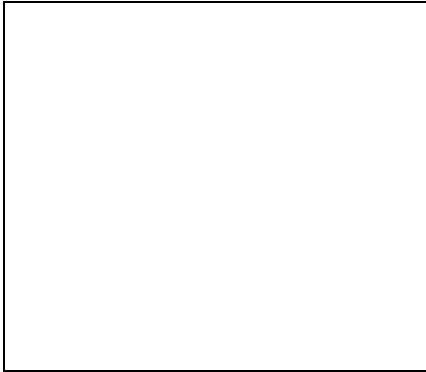
[STATE AGENCY NAME]

By _____
Authorized Agency Representative

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

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 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 _____
(Legibly Print or Stamp Name of Notary)

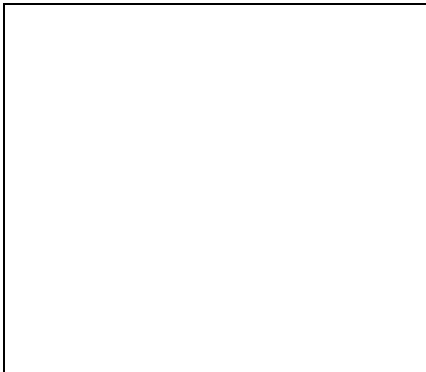
Notary public in and for the state of Washington, residing at

My commission expires _____

STATE OF WASHINGTON)
) ss.
 COUNTY OF THURSTON)

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 _____

EXHIBIT A

Description of Property

EXHIBIT B

Agency Rent Payment Schedule

<u>Agency Rent Payment Date</u>	<u>Interest Component</u>	<u>Principal Component</u>	<u>Total Agency Rent Payment</u>
Totals			

EXHIBIT C

Certificate Designating Authorized Agency Representative

I, _____, _____ of the [Agency Name] (the “State Agency”), hereby certify that, as of the date hereof the following individual is an “Authorized Agency Representative,” as indicated by the title appended to the signature, that the following individual is duly authorized to execute and deliver the State Agency Financing Lease to which this Certificate is attached as Exhibit C, and all documentation in connection therewith, that the signature set forth below is the true and genuine signature of said Authorized Agency Representative and that the following signature is required on each of the aforementioned documents in order to consider such documents executed on behalf of the State Agency:

(signature)

(name)

(title)

Dated this ___ day of _____, 20__.

By: _____

Its: _____

LOCAL AGENCY FINANCING LEASE
(Real Property)

by and between the

STATE OF WASHINGTON

and

[AGENCY NAME],
a [Agency Type]
("Local Agency")

Relating to

\$ _____

State of Washington

Certificates of Participation, Series #1#

(_____)

Dated as of _____, 20__

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**LOCAL AGENCY FINANCING LEASE, SERIES #1#
(Real Property)**

This Local Agency Financing Lease, Series #1# (the “Local Agency 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 [Agency Name], a [Agency Type] of the State (the “Local Agency”).

RECITALS

The Parties are entering into this Local Agency Financing Lease based upon the following facts and expectations:

1. Chapter 39.94 RCW (the “Act”) authorizes the State to enter into financing contracts for itself, including for state agencies, departments or instrumentalities, the state board for community and technical colleges, and any state institution of higher education (defined in Appendix 1 as “State Agencies”), for the use and purchase of real and personal property by the State; and

2. the Act also authorizes the State to enter into financing contracts on behalf of certain “other agencies” (defined in Appendix 1 as “Local Agencies”), including the Local Agency, for the use and acquisition for public purposes of real and personal property by such Local Agencies; and

3. the Act authorizes the State Finance Committee to consolidate existing or potential financing contracts into master financing contracts with respect to property acquired by one or more State Agencies or Local Agencies (together, “Agencies”); and

4. Chapter 43.33 RCW provides that the State Treasurer shall act as chair of the State Finance Committee and provide administrative assistance for the State Finance Committee, and the State Treasurer on behalf of the State Finance Committee has established a consolidated program for the execution and delivery of certificates of participation in master financing contracts in series from time to time in order to provide financing or refinancing for the costs of acquisition of such real and personal property by Agencies; and

5. the State Finance Committee has approved the form of this Local Agency Financing Lease by Resolution No. ____ adopted on _____, 20__; and

6. the Washington Finance Officers Association (the “Corporation”), a Washington nonprofit corporation, and the Local Agency have entered into a Local Agency Site Lease, Series #1#, dated as of the Dated Date (the “Site Lease”), for the lease of certain real property legally described in the Site Lease (the “Site”) for the sole purpose of enabling the Corporation to sublease the Site to the State, and for the State to further sublease the Site back to the Local Agency pursuant to this Local Agency Financing Lease, in order to finance or refinance the acquisition or construction of improvements on the Site as described herein (the “Project,” and, together with the Site, the “Property”); and

7. simultaneously with the execution and delivery of this Local Agency Financing Lease, the State is entering into a Master Financing Lease, Series #1#, dated as of the Dated Date (the "Master Financing Lease") with the Corporation, to provide financing or refinancing for the Project on behalf of the Local Agency, among others, through the sublease of the Property from the Corporation; and

8. the Local Agency has determined that it is necessary and desirable to enter into this Local Agency Financing Lease, in conjunction with the State's entry into the Master Financing Lease, to obtain financing or refinancing for the Project for the Local Agency;

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

ARTICLE I

DEFINITIONS; CONSTRUCTION; MISCELLANEOUS PROVISIONS; SUPPLEMENTS

Section 1.1 Appendix 1 and Exhibits Incorporated. Appendix 1 and Exhibits A, B, C and D to this Local Agency Financing Lease are incorporated as part of this Local Agency Financing Lease by this reference. Appendix 1 provides (i) definitions for the capitalized terms used and not otherwise defined in this Local Agency Financing Lease; (ii) certain rules for interpreting this Local Agency Financing Lease; (iii) miscellaneous technical provisions that apply to this Local Agency Financing Lease; and (iv) rules on how this Local Agency Financing Lease may be amended or supplemented.

Section 1.2 Notice of Intent; Certificate Designating Authorized Agency Representative. The Local Agency has delivered a Notice of Intent to the State Treasurer in the form of Exhibit A. The Local Agency has delivered a Certificate Designating Authorized Agency Representatives to the State Treasurer in the form of Exhibit B. That 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 that Certificate is sufficient to bind the Local Agency under this Local Agency Financing Lease with respect to any of the undertakings contemplated herein.

Section 1.3 Performance by Representatives. Any authority granted or duty imposed upon the State hereunder may be undertaken and performed by the State Treasurer or the Treasurer Representative. Any authority or duty imposed upon the Local Agency hereunder may be undertaken and performed by the Authorized Agency Representative.

Section 1.4 Sublease of Property. The State subleases to the Local Agency, upon the terms and conditions set forth in this Local Agency Financing Lease, the Site legally described in Exhibit C, together with all improvements, if any, to be constructed on the Site, including but not limited to the Project (collectively, the "Property"), subject to all easements, covenants, conditions and restrictions existing as of the Dated Date.

The Local Agency acknowledges and agrees that this Local Agency Financing Lease shall be subject and subordinate in all respects to the terms and provisions of the Master Financing Lease. The Local Agency at all times during the term of this Local Agency Financing

Lease, subject to the provisions of Section 7.1, shall peaceably and quietly hold and enjoy all of the Property without suit, trouble or hindrance from the State.

Section 1.5 Agency Rent Payments. In consideration of the sublease of the Property and the covenants and agreements of the State in this Local Agency Financing Lease, the Local Agency 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, consisting of an Agency Principal Component and/or an Agency Interest Component as set forth in Exhibit D; 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 #1# Agreements, within 30 days following receipt of an invoice from the State that includes (i) a brief description of each item of 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 1.6 Term. The term of this Local Agency Financing Lease shall commence on the Dated Date, and shall end on the scheduled termination date for this Local Agency Financing Lease as set forth in Section 8.2, unless the term is extended or sooner terminated as provided in Section 8.2.

ARTICLE II ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.1 Local Agency Financing Lease Consolidated with Master Financing Lease. The Local Agency acknowledges that the State Treasurer, acting on behalf of the State Finance Committee, has consolidated this Local Agency Financing Lease with the Master Financing Lease pursuant to RCW 39.94.030(1)(a).

Section 2.2 Appointment as Agent; Acquisition and Construction of Project.

(a) *Appointment as Agent*. The Local Agency accepts its appointment in the Master Financing Lease as agent of the Corporation in connection with the design, acquisition and/or construction of the Project and the financing or refinancing of the Property and acknowledges that such appointment is irrevocable, and shall not be terminated by any act of the Local Agency, the State Treasurer or otherwise.

(b) *Acquisition and Construction of the Project*. The Local Agency agrees that (i) it has caused or will cause the Project to be designed, acquired and/or constructed with all reasonable dispatch, as agent for the Corporation, in accordance with the plans, specifications, bidding documents, and construction and other contracts approved by the Local Agency, and in accordance with applicable laws and regulations; and (ii) it will pay or cause to be paid the Project Costs from funds available to it pursuant to this Local Agency Financing Lease and the Master Financing Lease. The Local Agency shall file requisitions with the State Treasurer for the Project Costs of its Project or reimbursement therefor in such form as the State Treasurer shall reasonably require. Neither the Corporation nor the State shall have any responsibility, liability or obligation with respect to the design, acquisition and/or construction of the Project.

(c) *Payment of Project Costs if Project Fund Not Sufficient.* If money in the Project Fund allocable to the Local Agency shall not be sufficient to pay the Project Costs in full, the Local Agency shall cause the Project Costs in excess of the allocable amount in the Project Fund to be paid from other money of the Local Agency. Neither the Corporation nor the State Treasurer as agent for the Corporation for the disbursement of funds from the Project Fund makes any representation or warranty, either express or implied, that the money which will be deposited into the Project Fund allocable to the Local Agency will be sufficient to pay the Project Costs. Neither the Corporation nor the State Treasurer as agent for the Corporation for the disbursement of funds from the Project Fund shall have any obligation or liability for the payment of the Project Costs other than from the proceeds of the Certificates and any other amounts that may be provided by the Local Agency. If the Local Agency shall pay or cause the payment of any Project Costs in excess of the allocable amounts in the Project Fund available for such purpose from other funds, the Local Agency shall not be entitled to any reimbursement from the Corporation or the State Treasurer as agent for the Corporation for the disbursement of funds from the Project Fund for such payments, nor shall the Local Agency be entitled to any diminution, reduction, abatement, postponement, counterclaim, defense or set-off of the Agency Rent Payments, Additional Rent or other amounts otherwise required to be paid hereunder.

(d) *Additions to the Property.* The Local Agency shall have the right during the term of this Local Agency 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 Local Agency also shall have the right during the term of this Local Agency 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 Rent Payments, and will not, in an Opinion of Counsel, adversely affect the tax-exempt status of the Interest Component of Rent Payments evidenced and represented by the Certificates. If the Local 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 Trustee 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 this Local Agency 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 this Local Agency 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 Trustee with respect to the Property following the occurrence of an Event of Default.

(e) *Release of Property.* After design, acquisition, construction, financing or 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(d) 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 Local Agency 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 to the effect that the remaining portion of the Property has an estimated fair rental value for the remaining term of this Local Agency 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, the Trustee, 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 Local Agency Financing Lease, and such other documents, agreements and instruments, as the State shall deem necessary or desirable in connection with such release.

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 Local Agency 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 Local Agency Financing Lease and the rentals, income and profits to be received under this Local Agency Financing Lease, including without limitation the Agency Rent Payments. The Local Agency acknowledges and agrees to such assignment and transfer. The State irrevocably authorizes and directs the Local Agency, upon receipt of written notice from the Trustee, as assignee of the Corporation, that an Event of Default has occurred and is continuing under the Master Financing Lease, to pay to the Trustee, as assignee of the Corporation, the Agency Rent Payments and other amounts due and to become due hereunder. The State 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 Trustee as assignee of the Corporation.

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, 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 or codes, or as to compliance with applicable covenants, conditions or restrictions, or any other representation or warranty with respect to the Property.

Section 2.6 State Not Liable. The State and its officers and employees shall not be liable to the Local Agency or to any other Person 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 III
AGENCY RENT PAYMENTS; CONDITIONAL PAYMENT BY STATE; 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 Local Agency 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 shall be paid to or upon the order of the State Treasurer by electronic funds transfer (or by other means acceptable to the State Treasurer) in lawful money of the United States of America at such place as the State Treasurer shall direct in writing not less than 10 Business Days prior to the Agency Rent Payment Date. 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, and then to the Agency Principal Component.

The Agency Rent Payments and Additional Rent for each rental payment period during the term of this Local Agency 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 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 Local Agency Financing Lease. Anything herein to the contrary notwithstanding, the Local Agency 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) *Local Agency Financing Lease.* The Local Agency 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 of this Local Agency Financing Lease, the State shall execute and deliver the Master Financing Lease with the Corporation, pursuant to which the State agrees to make Rent Payments for the sublease of the Property for and on behalf of the Local Agency, at such times and in such amounts as provided therein, that will be sufficient in the aggregate to pay the Project Costs of the Project to be designed, acquired and/or constructed by the Local Agency, but only to the extent such Project Costs are financed under the Master Financing Lease. The Agency Rent Payments by the Local Agency under this Local Agency Financing Lease shall be sufficient in the aggregate to pay, on each Rent Payment Date, the Rent Payment for the Property subleased by the State from the Corporation for and on behalf of the Local Agency under the Master Financing Lease. The Local Agency pledges its full faith and credit to

make the Agency Rent Payments that are required to be paid to the State under this Local Agency Financing Lease.

Rent Payments allocable to Project Costs of 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 Sections 3.2(c) and 3.2(d) of the Master Financing Lease and Sections 3.2(b) and 3.2(c) of this Local Agency 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 Local Agency Financing Lease, pursuant to RCW 39.94.030(1), 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; but (i) only if the use of any such revenues or amounts to make such payments is otherwise authorized or permitted by State law, and (ii) only to the extent the Local Agency is otherwise entitled to receive such share of State revenues or other amounts. Such withholding shall continue until all such delinquent payments have been made. Amounts withheld by the State Treasurer pursuant to this Section 3.2(b) shall be applied to make any such payment due under this Local Agency Financing Lease on behalf of the Local Agency, or to reimburse the State for any such payment made pursuant to Section 3.2(c). The Local Agency 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 Local Agency Financing Lease, the State 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 (established under the Master Financing Lease) on behalf of such Local Agency within 15 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 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, 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 shall 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 shall remit each Agency Rent Payment to the State on each Agency Rent Payment Date and any Additional Rent when due hereunder from any legally available funds of the Local Agency.

Section 3.3 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 Local Agency Financing Lease shall be deemed and construed to be a "triple net lease" with respect to the State. The Local Agency shall pay the

Agency Rent Payments, Additional Rent and all other amounts due hereunder, as well as taxes, assessments, insurance, utilities, and all normal maintenance and operating costs for the Project, as further described in part in Sections 6.2(k), (l) and (n) of this Local Agency Financing Lease. The Local Agency shall pay such obligations without notice or demand, 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 Trustee, and/or any other Person, or for any other reason; *provided*, that nothing in this Section 3.3 shall be construed to release or excuse the State from the observance or performance of its obligations hereunder.

Section 3.4 Assignments by the Corporation. The Local Agency acknowledges and agrees that, concurrently with the execution and delivery of this Local Agency Financing Lease, the Corporation will unconditionally assign to the Trustee pursuant to the Master Assignment, without recourse, (i) all of its rights to the Sites pursuant to the Site Leases, (ii) all of its rights to receive the Rent Payments and any Additional Rent under the Master Financing Lease, (iii) its right to take all actions, exercise all remedies, and give all consents under 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 this Local Agency Financing Lease, and in and to the Property and any rents or profits from the Property, and (v) its right of access described in the Master Financing Lease, in consideration for the Trustee's causing to be paid to the State Treasurer, as agent of the Corporation, of the proceeds of the sale of the Certificates. The State and the Corporation have acknowledged and agreed that such assignment by the Corporation is intended to be a true sale of the Corporation's right, title and interest, and that upon such assignment the Corporation shall cease to have any rights or obligations under the Site Leases and Master Financing Lease or with respect to the Property, and the Trustee shall thereafter have all the rights and obligations of the Corporation under the Site Leases and Master Financing Lease as if the Trustee had been the original party thereto. Except where the context otherwise requires, every reference in the Site Leases, Master Financing Lease and this Local Agency Financing Lease to the Corporation shall be deemed to be a reference to the Trustee in its capacity as assignee of the Corporation.

ARTICLE IV

OPTIONAL AND EXTRAORDINARY PREPAYMENT OF AGENCY RENT PAYMENTS

Section 4.1 Optional Prepayment. (a) The Local Agency may, at its option and upon approval of the State Treasurer, prepay 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 to provide for the payment or defeasance of the portion of the State's Rent Payments corresponding thereto in accordance with Section 4.1(a) or 4.1(b), respectively, 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 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 provision for payment of the corresponding 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 such Local Agency, absent manifest error.

Section 4.2 Extraordinary Prepayments.

(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, and from the net proceeds of title insurance received pursuant to Section 5.2, Agency Principal Components then unpaid, in whole or in part on any date, at a prepayment price equal to the sum of the Agency Principal Components so prepaid, plus accrued interest to the date of prepayment. The aggregate annual Agency Rent Payments for the related Property from and after such prepayment date shall be in approximately equal amounts.

(b) *Insurance Proceeds.* The Local Agency may, at its option and upon approval of the State Treasurer, prepay or cause to be prepaid from net insurance proceeds received pursuant to Section 5.3, Agency Principal Components then unpaid, in whole or in part on any date, at a prepayment Price equal to the sum of the Agency Principal Components so prepaid, plus accrued interest to the date of prepayment. The aggregate annual Agency Rent Payments for the related Property from and after such prepayment date shall be in approximately equal amounts.

Section 4.3 Revision of Agency Rent Payments upon Prepayment. The Agency Principal Component and Agency Interest Component of the Agency Rent Payment due on each Agency Rent Payment Date on and after the date of any prepayment pursuant to Sections 4.1 or 4.2, as set forth in Exhibit D, shall be reduced by the State Treasurer to reflect such prepayment, 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).

Section 4.4 Discharge of Agency Local Agency Financing Lease. All right, title and interest of the State and all obligations of the Local Agency under this Local Agency Financing Lease shall terminate and be completely discharged and satisfied (except for the right of the State and the Corporation and the obligation of the Local Agency to have the money and Government Obligations set aside pursuant to Section 4.4(b) 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) money and/or Government Obligations in accordance with Section 4.1; and (B) an Opinion of Counsel to the effect that such actions are permitted under this Local Agency Financing Lease, the Master Financing Lease and 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 Rent Payments remain unpaid, provision shall have been made satisfactory to the Corporation for payment of all Additional Rent.

ARTICLE V
EMINENT DOMAIN; LOSS OF TITLE; DAMAGE AND DESTRUCTION

Section 5.1 Eminent Domain. If all of the Property subleased to the Local Agency pursuant to this Local Agency Financing Lease, or so much of it that the remainder becomes unsuitable for the Local Agency's then-existing needs, is taken under the power of eminent domain (or sold under threat of condemnation), the sublease of the Property pursuant to this Local Agency Financing Lease shall cease as of the day that the Local Agency is required to vacate the Property. If less than all of the Property is taken under the power of eminent domain (or sold under threat of condemnation), and the remainder is suitable for the Local Agency's then-existing needs, as reasonably determined by the State, then this Local Agency Financing Lease shall continue in effect as to the remainder, and the Parties waive any benefits of the law to the contrary. In that event, there shall be no abatement of the rental due from the Local Agency. So long as any Agency Rent Payments under this Local Agency 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). Any award or proceeds in excess of the amount necessary to prepay the Agency Rent Payments, and thereby to prepay or provide for the payment of the corresponding portion of the 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 which is insured under a policy or policies of title insurance, or so much of it that the remainder becomes unsuitable for the Local Agency's then-existing needs, then the Local Agency's sublease of the Property shall cease as of the day that the Local Agency is required to vacate the Property. If there is a loss of title to less than all of the Property, and the remainder is suitable for the Local Agency's then-existing needs, as reasonably determined by the State Treasurer, then this Local Agency Financing Lease shall continue in effect as to the remainder, and the Parties waive any benefits of the law to the contrary. In that event, there shall be no abatement of the rental due from the Local Agency. So long as any Agency Rent Payments under this Local Agency Financing Lease remain unpaid, any payments under any title insurance policy or policies with respect to the Property shall be applied to the prepayment of Agency Rent Payments as provided in Section 4.2(a). Any payment in excess of the amount necessary to prepay such Agency Rent Payments, and thereby to prepay or provide for the payment of the corresponding portion of the 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 Local Agency Financing Lease is damaged or destroyed by fire or other casualty, this Local Agency Financing Lease shall not terminate, and there shall be no abatement of the rent due from the Local Agency. So long as any Agency Rent Payments remain unpaid, any payments under the property insurance policy or policies with respect to the Property may be applied to the prepayment of Agency Rent Payments as provided

Section 4.2(b), 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 an “other agency” within the meaning of the Act, duly organized and validly existing under the Constitution and laws of the State.

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

(c) Neither the execution and delivery by the Local Agency of this Local Agency Financing Lease, nor the observance and performance of its terms and conditions, nor the consummation of the transactions contemplated by it, 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 Local Agency Financing Lease and the Master Financing Lease.

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

(e) This Local Agency Financing Lease constitutes valid and binding general obligation indebtedness 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 Local Agency 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 Local Agency Financing Lease.

(g) The useful life of the Property is equal to or exceeds the term of this Local Agency Financing Lease.

(h) The obligations of the Local Agency under this Local Agency 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 an “other 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 any necessary appropriations for all such Agency Rent Payments and Additional Rent.

(c) *Levy of Taxes*. If and to the extent authorized by law, the Local Agency covenants 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 be made by the Local Agency without a vote of its electors, to provide funds, together with other legally available money, sufficient to make the Agency Rent Payments and the other payments required under this Local Agency Financing Lease.

(d) *Notice of Nonpayment*. The Local Agency shall give written notice to the State Treasurer and 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 all or any portion of the Agency Rent Payment due on such date.

(e) *Tax-Exemption*. The Local Agency shall not make any use of the proceeds of this Local Agency 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 Rent Payments under Section 103 of the Code. The Local Agency shall not make any use of the proceeds of this Local Agency 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 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.

(f) *No Liens, Assignments or Subleases.* The Local Agency shall not create, incur or assume 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 Local Agency Financing Lease, and any such attempted grant, sale, transfer, assignment, pledge, conveyance or disposal shall be void.

(g) *Performance.* The Local Agency shall punctually pay the Agency Rent Payments and Additional Rent in conformity with the terms and provisions of this Local Agency Financing Lease, and will faithfully observe and perform all the covenants, terms 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 Local Agency Financing Lease.

(h) *Further Assurances.* The Local Agency will preserve and protect the rights of the State 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 the rights and benefits provided to it hereunder.

(i) *Use of Property.* During the term of this Local Agency 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) *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.

(k) *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, of the Property. 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 Section 6.2(m) 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.

(l) *Impositions.* If during the term of this Local Agency Financing Lease, any Imposition is imposed or incurred in connection with the sublease of the Property by the Corporation to the State to, or by the State to the Local Agency, or the ownership, operation, possession or use of the Property by the Corporation, the State or the Local Agency, or the payment of the Agency Rent Payments by the Local Agency, or the payment of the Rent Payments payable therefrom by the State, the Local Agency shall pay all such Impositions when due. The Local Agency at its own expense may contest any such Impositions until it obtains a final administrative or judicial determination with respect thereto, unless the Property is encumbered by any levy, lien or any other type of encumbrance because of the Local Agency's failure to pay such Impositions. If the Corporation or the State pays any such Impositions for which the Local Agency is responsible or liable hereunder, the Local Agency shall reimburse the Corporation or the State for such payments as Additional Costs.

(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 Trustee, 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 the Site 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, attorney's 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 Local Agency 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 Local Agency 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 Local Agency 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 Local Agency 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 and covering such risks as the Local Agency may reasonably determine from time to time, but in any event not less than the aggregate amount of the Agency 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 Trustee, 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 Trustee 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 Trustee, 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.

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

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 30 days after written notice from the State or the Trustee to the Local Agency specifying such failure and requesting that it be remedied; *provided, however*, that such period shall be extended for an additional 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 Local Agency 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 shall abandon or vacate the Property; and

(e) 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(e).

(f) 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 Local Agency 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 Corporation, 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 Following Agency Event of Default. Whenever an Agency Event of Default hereunder shall have occurred and be continuing, the State shall have the following rights and may exercise any one or more of the following remedies:

(a) *Continuation; Reentry and Reletting.* The State may continue this Local Agency 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 Local Agency 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 Local Agency 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 Local Agency Financing Lease constitute full and sufficient notice of the right of the State to reenter and relet the Property or any part thereof without effecting a surrender or termination of this Local Agency Financing Lease. Termination of this Local Agency 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 Local Agency Financing Lease, but solely upon written notice by the State 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, nor any proceeding in unlawful detainer or otherwise brought by the State for the purpose of effecting such reentry or obtaining possession, nor any surrender of the Property or any part thereof by the Local Agency, nor any other act shall operate to terminate this Local Agency Financing Lease, and no termination of this Local Agency Financing Lease on account of a Master Financing Lease Event of Default shall be or become effective by operation of law or acts of the Parties or otherwise, unless and until such notice of termination shall have been given by the State. 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) 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.

(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 Local Agency Financing Lease or by law. The terms and provisions of this Local Agency Financing Lease and the duties and obligations of the Local Agency hereunder, and the officers and employees thereof, shall be enforceable by the State 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.

(iii) Mandate. By writ of mandate or other action, suit or proceeding at law or in equity to enforce the State'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 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 Local Agency Financing Lease, the Local Agency shall be liable for the reasonable attorneys' fees of the State in connection therewith.

The Local Agency hereby waives any and all claims for damages caused or which may be caused by the State 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 Local Agency 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 hereunder, it shall not be necessary to give any notice, other than such notice as may be required hereunder. A waiver by the State of any default or Agency Event

of Default hereunder shall not constitute a waiver of any subsequent default or Agency Event of Default, 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 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 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 Local Agency Financing Lease or the exercise of rights or the performance of duties of the State or the Corporation under this Local Agency Financing Lease, the Master Financing Lease or the other Series #1# 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 Local Agency Financing Lease for any reason.

Section 8.2 Term. If on [Termination Date] (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, then the term of this Local Agency Financing Lease shall be extended until 10 days after all amounts due hereunder shall have been paid or the payment thereof so provided for, except that the term of this Local Agency Financing Lease shall in no event be extended more than five 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 Local Agency Financing Lease shall end 10 days thereafter or 10 days after written notice by the Local Agency to the State Treasurer, whichever is earlier.

Section 8.3 Termination. The Local Agency agrees, upon the termination of this Local Agency 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 Dated Date 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 of this Local Agency Financing Lease shall remain thereon. The Local Agency shall thereafter execute, acknowledge and deliver to the State such instruments of further assurance as in the reasonable opinion of the State Treasurer are necessary or desirable to confirm the State'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 OFFICE OF THE
STATE TREASURER

By _____
Treasurer Representative

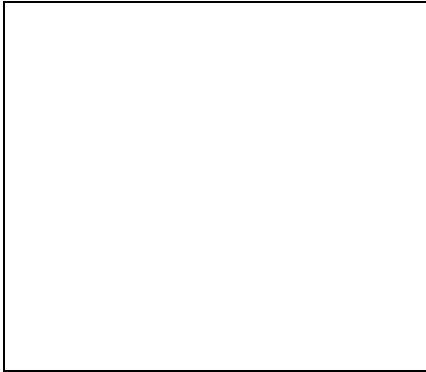
[AGENCY NAME]
as Local Agency

By _____
Authorized Agency Representative

STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)

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)

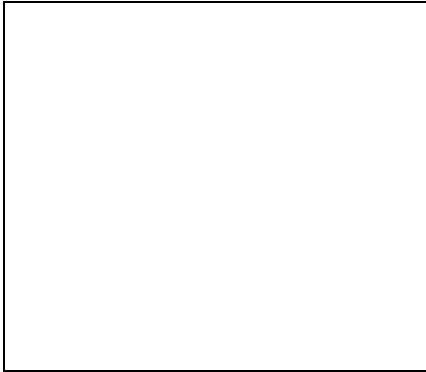
Notary public in and for the state of Washington, residing at

My commission expires _____

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

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 [AGENCY NAME] 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 B

CERTIFICATE DESIGNATING AUTHORIZED AGENCY REPRESENTATIVE

EXHIBIT C
LEGAL DESCRIPTION

EXHIBIT D

AGENCY RENT PAYMENTS

<u>Agency Rent Payment Date</u>	<u>Agency Principal Component</u>	<u>Agency Interest Component</u>	<u>Total Agency Rent Payment</u>
-------------------------------------	---------------------------------------	--------------------------------------	--------------------------------------

Total

**STATE AGENCY SITE LEASE
SERIES #1#**

by and between the

STATE OF WASHINGTON, as lessor

and the

WASHINGTON FINANCE OFFICERS ASSOCIATION, as lessee

Dated as of _____, 20__

**STATE AGENCY SITE LEASE
SERIES #1#**

THIS STATE AGENCY SITE LEASE, SERIES #1# (the "Site Lease"), dated as of _____, 20____, is entered into by and between the State of Washington (the "State"), acting by and through the _____ (the "State Agency"), and the Washington Finance Officers Association, a Washington nonprofit corporation (the "Corporation").

RECITALS:

The Parties are entering into this Site Lease based upon the following facts and expectations:

1. Chapter 39.94 RCW (the "Act") authorizes the State to enter into financing contracts for itself, including for state agencies, departments or instrumentalities, the state board for community and technical colleges, and any state institution of higher education (defined in Appendix 1 as "State Agencies"), for the use and purchase of real and personal property by the State; and

2. the State Legislature, by enacting [Insert Information regarding Legislative Authorization] has authorized the State Agency to enter into a financing contract in an amount not to exceed \$_____ plus financing expenses and required reserves pursuant to the Act to finance the real property and improvements described therein; and

3. the State has determined that it is necessary and desirable to lease the Site legally described in Exhibit A to the Corporation for the purpose of enabling the Corporation to sublease the Site to the State in order to provide financing or refinancing for the acquisition or construction of improvements on the Site (the "Project," and, together with the Site, the "Property"); and

4. simultaneously with the execution and delivery of this Site Lease, the State is entering into a Master Financing Lease, Series #1#, dated as of the Dated Date (the "Master Financing Lease"), with the Corporation to provide financing for the costs of acquisition or improvement of various parcels of real property for and on behalf of certain State Agencies and Local Agencies, including the State Agency, under the terms set forth therein; and

5. pursuant to the Master Financing Lease, the State is obligated to make Rent Payments on behalf of the State Agency to the Corporation for the lease by the State Agency of the Property; and

6. simultaneously with the execution and delivery of the Master Financing Lease, the Corporation also will sublease the Property to the State Agency pursuant to a State Agency Financing Lease, dated as of the Dated Date (the "State Agency Financing Lease"); and

7. the Corporation will grant, sell, assign, transfer and convey without recourse to the Trustee all of its rights to receive the Rent Payments scheduled to be made by the State under and pursuant to the Master Financing Lease, together with all of the Corporation's remaining right, title and interest in, to and under this Site Lease and the Property by means of a Master Assignment (the "Master Assignment"), dated as of the Dated Date; and

8. in consideration of such assignment and pursuant to the Trust Agreement (the "Trust Agreement"), dated as of the Dated Date, by and among the Trustee, the State and the Corporation, the Trustee has agreed to execute and deliver the State of Washington Certificates of Participation, Series #1# (_____), in the aggregate principal amount of \$_____ (the "Certificates"), a portion of the proceeds of which will be used to finance or refinance the Project Costs;

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. Appendix 1 is incorporated as part of this Site Lease by this reference. Appendix 1 provides (i) definitions for the capitalized terms used and not otherwise defined in this Site Lease; (ii) certain rules for interpreting this Site Lease; (iii) miscellaneous technical provisions that apply to this Site Lease; and (iv) rules on how this Site Lease may be amended or supplemented.

SECTION 2. Lease of the Site; Ownership.

(a) The State leases to the Corporation on the terms and conditions hereinafter set forth, the Site legally described in Exhibit A, subject to all easements, covenants, conditions and restrictions existing as of the Dated Date.

(b) The State represents and warrants that it is the owner [in fee of the Site/of the leasehold interest in the Site under the Land Lease], subject only to Permitted Encumbrances.

SECTION 3. Term.

The term of this Site Lease shall commence on the Dated Date, and shall end on _____, 20__ unless such term is extended or sooner terminated as hereinafter provided. If on such date, the State Agency Financing Lease shall not be discharged by its terms, then the term of this Site Lease shall be extended until 10 days after all amounts due under the State Agency Financing Lease shall have been paid and the State 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 _____, 20__ [THIS IS A DATE 5 YEARS AFTER TERM OF SITE LEASE REMOVE THIS NOTE IN FINAL]. If prior to _____, 20__, all amounts due under the State Agency Financing Lease shall have been paid and the State Agency Financing Lease shall have been discharged by its terms, the term of this Site Lease

shall end 10 days thereafter or 10 days after written notice by the State Agency to the Corporation, whichever is earlier.

SECTION 4. Rental.

The Corporation shall pay to the State, for the benefit of the State Agency pursuant to the State Agency Financing Lease, as the total rent due hereunder, the amount set forth in Exhibit B (the "Prepaid Site Lease Rent"), all of which prepaid rent shall be payable on the Closing Date. The Parties agree that the amount of the Prepaid Site Lease Rent represents fair consideration for the leasehold interest being granted under the Site Lease, given the purposes, terms and provisions hereof. The Corporation shall not be obligated to pay such rent other than from the proceeds of the Certificates. Anything herein to the contrary notwithstanding, the Corporation waives any right that it may have under the laws of the State to a rebate or repayment of any portion of such rent 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 subleasing the Property to the State pursuant to the Master Financing Lease and the State Agency 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 the State 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 State Agency Financing Lease, without the prior written consent of the State. The State consents to the sublease of the Property pursuant to the Master Financing Lease and the State Agency Financing Lease, and the assignment of the Corporation's right, title and interest hereunder to the Trustee 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 a Permitted Termination Event, the Corporation shall have the right, pursuant to the Master Assignment, the Trust Agreement, the Master Financing Lease and the State Agency 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 State, which approval shall not be unreasonably withheld or delayed.

SECTION 7. Right of Entry.

The State 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 State or the State 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 State. The Corporation shall thereafter execute, acknowledge and deliver to the State such instruments of further assurance prepared by or on behalf of the State as in the reasonable opinion of the State are necessary or desirable to confirm the State'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 60 days following notice and demand for correction thereof to the Corporation, the State may exercise any and all remedies granted by law, except that, as described in Section (k) of Part 3 of Appendix 1 hereto, no merger of this Site Lease shall be deemed to occur as a result thereof; *provided, however*, that the State 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 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 Trustee shall duly perform the terms and conditions of this Site Lease, the Master Financing Lease, State Agency Financing Lease, the Master Assignment and of the Trust Agreement, the Trustee shall be deemed to be and shall become the tenant of the State Agency and shall be entitled to all of the rights and privileges granted to the Corporation hereunder and under the Master Assignment, the State Agency 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 State hereunder, it shall not be necessary to give any notice, other than such notice as may be required hereunder. A waiver by the State 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 State 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 State.

SECTION 12. Taxes.

The State 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 or the lease of the Property pursuant to the State Agency Financing Lease; *provided, however*, that the State 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 State 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 State Agency under its State 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 State Agency pursuant to the State 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 State Agency.

IN WITNESS WHEREOF, the State, acting by and through the State 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 Dated Date.

CORPORATION

WASHINGTON FINANCE OFFICERS
ASSOCIATION, as Lessee

By _____
Authorized Corporation Representative

STATE

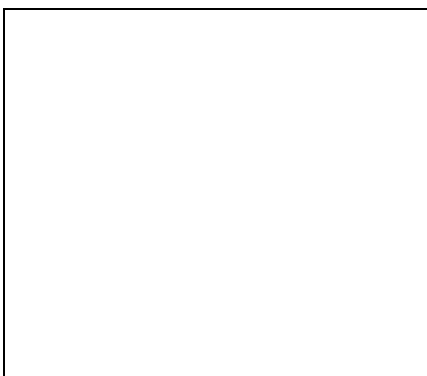
STATE OF WASHINGTON
STATE AGENCY, as Lessor

By _____
Authorized Agency Representative

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

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 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 _____
(Legibly Print or Stamp Name of Notary)

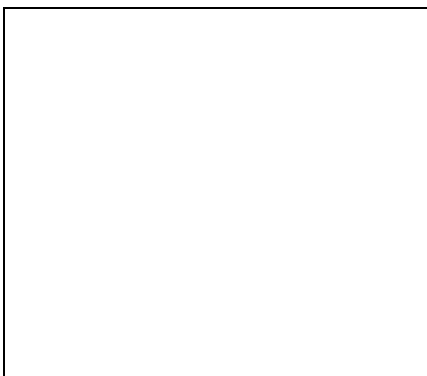
Notary public in and for the state of Washington, residing at

My commission expires _____

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

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 [STATE AGENCY NAME] 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
Description of Site

EXHIBIT B

Prepaid Site Lease Rent

The sum of Ten Dollars (\$10.00)

Transaction No. _____

LOCAL AGENCY SITE LEASE, SERIES #1#

by and between the

[Agency Name], as lessor

and the

WASHINGTON FINANCE OFFICERS ASSOCIATION, as lessee

Dated as of [Dated Date]

LOCAL AGENCY SITE LEASE, SERIES #1#

THIS LOCAL AGENCY SITE LEASE, SERIES #1# (the "Site Lease"), dated as of [Dated Date] (the "Dated Date"), is entered into by and between [Agency Name], a [Agency Type] 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 Washington nonprofit corporation (the "Corporation").

RECITALS:

The Parties are entering into this Site Lease based upon the following facts and expectations:

1. Chapter 39.94 RCW (the "Act") authorizes the state of Washington (the "State"), acting by and through the State Treasurer (the "State Treasurer"), to enter into financing contracts, including but not limited to financing leases, on behalf of certain "other agencies" (defined in Appendix 1 as "Local Agencies") for the use and acquisition for public purposes of real and personal property by such Local Agencies; and

2. the Local Agency has determined that it is necessary and desirable to lease the Site legally described in Exhibit A to the Corporation for the purpose of enabling the Corporation to sublease the Site to the State, and further to enable the State to sublease the Site back to the Local Agency, to provide financing or refinancing for the acquisition or construction of improvements on the Site (the "Project," and, together with the Site, the "Property"); and

3. simultaneously with the execution and delivery of this Site Lease, the State is entering into a Master Financing Lease, Series #1#, dated as of the Dated Date (the "Master Financing Lease"), with the Corporation to provide financing for the costs of acquisition or improvement of various 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

4. pursuant to the Master Financing Lease, the State is obligated to make Rent Payments to the Corporation for the lease of the Property; and

5. simultaneously with the execution and delivery of the Master Financing Lease, the State will sublease the Property to the Local Agency pursuant to a Local Agency Financing Lease, Series #1# (the "Agency Financing Lease"), dated as of the Dated Date; and

6. the Corporation will grant, sell, assign, transfer and convey without recourse to the Trustee all of its rights to receive the Rent Payments scheduled to be made by the State under 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, the Agency Financing Leases and the Property by means of a Master Assignment, Series #1# (the "Master Assignment"), dated as of the Dated Date; and

7. in consideration of such assignment and pursuant to the Trust Agreement, Series #1# (the "Trust Agreement"), dated as of the Dated Date, by and among the Trustee, the State and the

Corporation, the Trustee has agreed to execute and deliver the State of Washington Certificates of Participation, Series #1# (_____), in an aggregate principal amount of \$[**Aggregate Principal Amount**] (the “Certificates”), a portion of the proceeds of which will be used to finance or refinance the costs of the Project;

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

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

Appendix 1 is incorporated as part of this Site Lease by this reference. Appendix 1 provides (i) definitions for the capitalized terms used and not otherwise defined in this Site Lease; (ii) certain rules for interpreting this Site Lease; (iii) miscellaneous technical provisions that apply to this Site Lease; and (iv) rules on how this Site Lease may be amended or supplemented.

SECTION 2. Lease of the Site; Ownership.

(a) The Local Agency leases to the Corporation on the terms and conditions hereinafter set forth, the Site legally described in Exhibit A, subject to all easements, covenants, conditions and restrictions existing as of the date hereof.

(b) The Local Agency 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 _____ **[Termination Date (this is the last payment date for this agencies portion of the COP issue)]**, 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 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 _____ **[Maximum Termination Date (termination date plus 5 years)]**. If prior to **[Termination Date]**, 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 10 days thereafter or 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 the total rent due hereunder, the amount set forth in Exhibit B (the “Prepaid Site Lease Rent”), all of which shall be payable on the Closing Date. The Parties agree that the amount of the Prepaid Site Lease Rent 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 rent other than from the proceeds of the Certificates. Anything herein to the contrary notwithstanding, the Corporation waives any right that it may have under the laws of the State to a rebate or repayment of any portion of such rent 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 subleasing the Property to the State pursuant to the Master Financing Lease, to enable the State to sublease the Property to the Local Agency pursuant to the Local Agency 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 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 Trustee 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 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 1, 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 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 Trustee shall duly perform the terms and conditions of this Site Lease, the Master Assignment, the Master Financing Lease and of the Trust Agreement, the Trustee 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, 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 Dated Date.

[AGENCY NAME], as lessor

By _____
Authorized Agency Representative

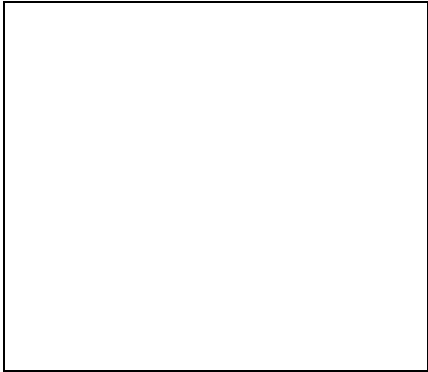
WASHINGTON FINANCE OFFICERS
ASSOCIATION, as lessee

By _____
Authorized Corporation Representative

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

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 [AGENCY NAME] 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)

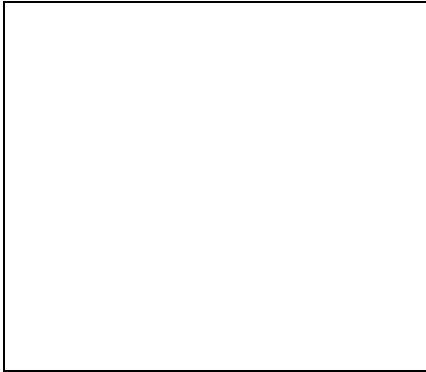
Notary public in and for the state of Washington, residing at

My commission expires _____

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

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 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 _____
(Legibly Print or Stamp Name of Notary)

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

EXHIBIT A
Description of Site

EXHIBIT B

Prepaid Site Lease Rent

Ten Dollars (\$10.00)