
LOCAL AGENCY FINANCING CONTRACT, SERIES 20__
(Personal Property)

by and between the

STATE OF WASHINGTON

and

[AGENCY NAME],
a municipal corporation
("Local Agency")

Relating to

State of Washington
Certificates of Participation, Series 20__
(_____)

Dated as of _____, 20__

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

**LOCAL AGENCY FINANCING CONTRACT
(Personal Property)**

This Local Agency Financing Contract (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 the Local Agency (as defined on the cover hereto), a municipal corporation 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. 1190 adopted on October 31, 2016; and

6. simultaneously with the execution and delivery of this Local Agency Financing Contract, the State is entering into a Master Financing Contract, 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 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 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]