

*In the opinion of K&L Gates LLP, Bond Counsel, assuming compliance with certain covenants of the District, interest on the 2010A Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the 2010A Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax and is not included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, interest on the 2010B Bonds is not excludable from gross income for federal income tax purposes. See "TAX MATTERS" herein.*



**\$313,575,000**

**WASHINGTON STATE CONVENTION CENTER PUBLIC FACILITIES DISTRICT  
Lodging Tax Bonds, 2010**

**\$13,025,000**

**Lodging Tax Bonds, 2010A**

**\$300,550,000**

**Lodging Tax Bonds, 2010B  
(Taxable Build America Bonds  
– Direct Payment)**

**DATED: Date of Delivery**

**DUE: July 1, as shown on inside cover**

The Washington State Convention Center Public Facilities District (the "District"), located in King County, Washington (the "County"), is issuing its Lodging Tax Bonds, 2010A (the "2010A Bonds") and Lodging Tax Bonds, 2010B (Taxable Build America Bonds – Direct Payment) (the "2010B Bonds," and together with the 2010A Bonds, the "Bonds"). The Bonds will be issued as fully registered bonds under a book-entry system, initially registered in the name of Cede & Co. (the "Registered Owner"), as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form in the principal amount of \$5,000 or any integral multiple thereof within a single series and maturity. Purchasers of the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial ownership interests in the Bonds.

Interest on the Bonds is payable on January 1 and July 1, commencing July 1, 2011, until maturity or prior redemption, by U.S. Bank National Association, Seattle, Washington, as trustee (the "Trustee"). As long as DTC or its nominee is the registered owner of the Bonds, such payments will be made by the Trustee to DTC, which will remit such principal and interest to the DTC Participants, which will in turn remit such payments to the Beneficial Owners of the Bonds as described herein in APPENDIX D—"Book-Entry-Only System."

**Maturity Dates, Principal Amounts, Interest Rates, Yields and CUSIP Numbers on Inside Cover**

The Bonds are being issued (a) to finance the cost of acquiring the Washington State Convention Center located in Seattle, Washington (the "WSCC"), (b) to undertake certain capital improvements to the WSCC, (c) to fund the Common Reserve Fund (as defined herein), and (d) to pay expenses incidental to the issuance of the Bonds. See "PURPOSE AND APPLICATION OF BOND PROCEEDS" and "THE WASHINGTON STATE CONVENTION CENTER."

Certain of the Bonds are subject to redemption prior to their stated dates of maturity as further described herein. See "THE BONDS—Redemption Provisions."

The Bonds are being issued pursuant to Resolution No. 2010-12 (the "Bond Resolution"), adopted on November 12, 2010 by the Board of Directors (the "Board") of the District and pursuant to Revised Code of Washington ("RCW") 36.100.060 and are within the amount that the District is authorized to issue without a vote of the people. The Bonds are secured by the Trust Estate (as defined herein) including amounts on deposit in the Common Reserve Fund and are payable from and secured by a pledge and assignment of Lodging Tax Revenues consisting of sales and use taxes imposed on lodging by the District pursuant to RCW 36.100.040(4) and (5) and remitted to the Trustee for deposit into the Lodging Tax Account held by the Trustee pursuant to the Trust Agreement, dated as of November 1, 2010 (the "Trust Agreement"), between the District and the Trustee. The District has reserved the right in the Bond Resolution to issue additional bonds on a parity with the Bonds and to issue subordinate obligations having a subordinate priority of claim on Lodging Tax Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

**The Bonds are not an obligation of the State of Washington, the County, or any other municipal corporation, subdivision or agency of the State other than the District. Principal of and interest on the Bonds are payable only from the Lodging Tax Revenues and the Trust Estate described in the Bond Resolution and the Trust Agreement. The District has limited taxing powers.** See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds are offered when, as and if issued, subject to the approving legal opinions of K&L Gates LLP, Seattle, Washington, Bond Counsel and Disclosure Counsel to the District. Certain matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Seattle, Washington. It is expected that the Bonds in book-entry form will be ready for delivery to the Trustee on behalf of DTC by Fast Automated Securities Transfer on or about November 30, 2010

**Citi**

**Loop Capital Markets**

**Morgan Stanley**

**Goldman, Sachs & Co.**

**PiperJaffray**

### **Maturity Schedules**

**\$313,575,000**

**Washington State Convention Center Public Facilities District  
Lodging Tax Bonds, 2010**

**\$13,025,000**

**Lodging Tax Bonds, 2010A**

<b>Maturity (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Yield</b>	<b>CUSIP No.*</b>
2013	\$ 6,385,000	4.00%	1.54%	93976AAA0
2014	6,640,000	5.00	2.02	93976AAB8

**\$300,550,000**

**Lodging Tax Bonds, 2010B  
(Taxable Build America Bonds – Direct Payment)**

<b>Maturity (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP No.*</b>
2015	\$ 6,970,000	3.530%	100%	93976AAK8
2016	7,130,000	3.923	100	93976AAC6
2017	7,315,000	4.323	100	93976AAD4
2018	7,520,000	4.821	100	93976AAE2
2019	7,755,000	5.021	100	93976AAF9
2020	8,005,000	5.221	100	93976AAG7
2021	5,855,000	5.421	100	93976AAJ1

\$250,000,000 6.790% Term Bonds due July 1, 2040 at a price of 100% CUSIP No. 93976AAH5\*

\*

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No dealer, broker, salesperson or other person has been authorized by the District or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the District and other sources which are believed to be reliable, but the information is not guaranteed as to accuracy or completeness. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and “forward-looking statements.” The words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except for the historical information described in the continuing disclosure undertaking of the District, the District does not plan to issue any updates or revisions to those forward-looking statements.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND NEITHER THE TRUST AGREEMENT NOR THE BOND RESOLUTION HAS BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The CUSIP numbers herein are provided by Standard and Poor’s, CUSIP Global Services. These numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for the convenience of reference only. CUSIP numbers are subject to change. The District takes no responsibility for the accuracy of such CUSIP numbers.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the Bonds, the Underwriters may overallocate or effect transactions that stabilize or maintain the market price of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The intended offering prices may be changed without prior notice.

**WASHINGTON STATE CONVENTION CENTER PUBLIC FACILITIES DISTRICT**

800 Convention Place  
Seattle, Washington 98101  
(206) 694-5000  
[www.wscc.com](http://www.wscc.com)\*

**DISTRICT BOARD OF DIRECTORS**

Frank K. Finneran	Chair
Deryl Brown-Archie	Vice Chair
Robert J. Flowers	Treasurer
Rick S. Bender	Member
Susana Gonzalez-Murillo	Member
Jerome L. Hillis	Member
J. Terry McLaughlin	Member
Harry G. Sladich	Member
Karen Wong	Member

**DISTRICT EXECUTIVE STAFF**

John Christison, CFE, CMP	President/Chief Executive Officer
Linda Willanger	Vice President Administration/Assistant General Manager
Ed Barnes, CMP	Vice President Operations
Chip Firth	Director of Finance
John Ryan	General Counsel

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Shoreline, Washington 98177  
(206) 577-0579

**TRUSTEE**

U.S. Bank National Association  
Seattle, Washington 98101

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\* This inactive textual reference to the District's website is provided for convenience. It is not a hyperlink and the website is not by its reference incorporated into this Official Statement.

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## **OFFICIAL STATEMENT**

**\$313,575,000**

**Washington State Convention Center Public Facilities District  
Lodging Tax Bonds, 2010**

**\$13,025,000**

**Lodging Tax Bonds, 2010A**

**\$300,550,000**

**Lodging Tax Bonds, 2010B  
(Taxable Build America Bonds  
– Direct Payment)**

## **INTRODUCTION**

The Washington State Convention Center Public Facilities District (the “District”) furnishes this Official Statement in connection with the offering of the District’s Lodging Tax Bonds, 2010A (the “2010A Bonds”) and the District’s Lodging Tax Bonds, 2010B (Taxable Build America Bonds – Direct Payment) (the “2010B Bonds,” and together with the 2010A Bonds, the “Bonds”). This Official Statement, which includes the cover page, inside cover page and appendices, provides information concerning the District, the Bonds, and the Washington State Convention Center (the “WSCC”).

Pursuant to chapter 15, Washington Laws of 2010 (SSB 6889) (the “Convention Center Act”), the Washington State Legislature authorized King County, Washington (the “County”) to create a public facilities district for the purpose of acquiring, owning and operating a trade and convention center to be transferred from the Washington State Convention Center public nonprofit corporation, a nonprofit corporation created by the State of Washington (the “State”). The Convention Center Act also established the requirements for the transfer of the property of the nonprofit organization to a newly created public facilities district and authorized the continuation of certain taxes and other revenues to facilitate such transfer. Pursuant to Ordinance No. 16883, adopted by the Metropolitan King County Council on July 19, 2010 (the “Ordinance”), the County created the District for the purpose of acquiring, owning and operating the WSCC. See “THE DISTRICT” and “THE DISTRICT—Transfer Agreement.” The District is a political subdivision of the State separate from the County. All liabilities incurred by the District are required to be satisfied exclusively from the assets, credit, and property of the District and no creditor or other person shall have any right of action against or recourse to the County, or any of its respective assets, credit, or services on account of any debts, obligations, liabilities, or omissions of the District.

The District is authorized to issue the Bonds pursuant to chapters 36.100 and 39.46 of the Revised Code of Washington (“RCW”) and pursuant to Resolution No. 2010-12 (the “Bond Resolution”), adopted by the Board of Directors of the District (the “Board”) on November 12, 2010. A copy of the Bond Resolution is included in this Official Statement as Appendix A. Capitalized terms used but not defined in the body of this Official Statement are defined in Appendix A to the Bond Resolution.

Proceeds of the Bonds are to be used (a) to finance the cost of acquiring the WSCC, (b) to undertake certain capital improvements to the WSCC, (c) to fund the Common Reserve Fund (as defined herein), and (d) to pay expenses incidental to the issuance of the Bonds. See “PURPOSE AND APPLICATION OF BOND PROCEEDS.”

## **THE BONDS**

### **Principal Amount, Date, Interest Rates and Maturities**

The Bonds will be dated and bear interest from their date of delivery. The Bonds will mature on the dates and in the principal amounts, and will bear interest (payable semiannually on January 1 and July 1, commencing July 1, 2011) at the respective rates as set forth on the inside front cover of this Official Statement. Interest is to be computed on the basis of a 360-day year of twelve 30-day months.

## **Designation of 2010B Bonds as Taxable Build America Bonds**

The District has made irrevocable elections to have Section 54AA of the Internal Revenue Code of 1986, as amended (the “Code”), apply to the 2010B Bonds so that the 2010B Bonds are treated as “Build America Bonds,” and further to have Subsection 54AA(g) of the Code apply to the 2010B Bonds so that the 2010B Bonds are treated as “qualified bonds” with respect to which the District will be allowed a credit payable by the U.S. Treasury to the District pursuant to Section 6431 of the Code in an amount equal to 35 percent of the interest payable on the 2010B Bonds on each interest payment date. As a result of these elections, interest on the 2010B Bonds is not excludable from gross income of owners of the 2010B Bonds for federal income tax purposes under Section 103 of the Code, and owners of the 2010B Bonds will not be allowed any federal tax credits as a result of ownership or receipt of interest payments on the 2010B Bonds. See “TAX MATTERS—2010B Bonds.” The obligation of the U.S. Treasury under Section 6431 of the Code to make direct payments to the District in respect of interest payments on the 2010B Bonds does not constitute a full faith and credit guarantee of the 2010B Bonds by the United States of America.

## **Federal Credit Payments for Build America Bonds**

The District has covenanted in the Bond Resolution to comply with its additional representations and covenants set forth in its tax and arbitrage certificate to be delivered at the closing and delivery of the 2010B Bonds with respect to Build America Bonds. Under the Trust Agreement, the Trustee is authorized and directed to receive from the U.S. Treasury the applicable federal credit payments in respect of the 2010B Bonds and to make the timely filing with the Internal Revenue Service of Form 8038-CP-Return for Credit Payments to Issuers of Qualified Bonds.

The Code establishes certain ongoing requirements that must be met subsequent to the delivery of the 2010B Bonds for the District to continue to receive federal credit payments. Many of these requirements are the same as those applicable to tax-exempt bonds, such as requirements relating to the use and expenditure of the available project proceeds of the 2010B Bonds, and yield and other restrictions on investments of available project proceeds. The federal credit payments made in respect of Build America Bonds such as the 2010B Bonds are treated in the same manner as refunds of overpayments of tax, which are required to be offset by any amounts owing to the United States. Accordingly, noncompliance by the District with any of the provisions required to claim the federal credit payments, or an internal revenue tax or other liability of the District (such as federal payroll tax liability) against which federal credit payments may be offset, could result in the District not receiving federal credit payments. The District’s obligation to deposit sufficient funds to the Bond Fund to provide for the payment of interest on the Bonds is not contingent upon the receipt of the federal credit payments, but the District may net out expected federal credit payments in making its monthly deposits. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

## **Registration and Payment**

The Bonds will be issued only as fully registered bonds under a book-entry system and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Purchasers of such interests will not receive certificates representing their interests in the Bonds.

Principal and interest are payable directly to DTC by the Trustee. To meet payment requirements for interest on and principal of the Bonds as the same becomes due and payable, pursuant to the Trust Agreement, the Trustee is required to remit principal and interest payments from the “Washington State Convention Center Public Facilities District Lodging Tax Revenue Bond Fund” (the “Bond Fund”) to DTC which, in turn, is required to disburse such principal and interest payments to its participants (the “DTC Participants”) in accordance with DTC policies. Payments by such DTC Participants to the Beneficial Owners of the Bonds will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers or registered in “street name,” and will be the responsibility of such DTC Participants and not of DTC, the Trustee or the District.

For so long as any Bonds are held in fully immobilized form, DTC, its nominee or a successor depository will be deemed to be the Registered Owner for all purposes under the Bond Resolution and the Trust Agreement, and all references to Registered Owners will mean DTC or its nominee or a successor depository and will not mean the Beneficial Owners. Neither the District nor the Trustee has any responsibility or obligation to DTC Participants or



to the persons for whom the DTC Participants act as nominees with respect to the Bonds regarding the accuracy of any records maintained by DTC or DTC Participants of any amount in respect of principal of or interest on the Bonds, or any notice that is permitted or required to be given to Registered Owners under the Bond Resolution (except such notice as is required to be given by the Trustee to DTC or its nominee or a successor depository).

Beneficial ownership interests in the Bonds will be subject to transfer and exchange pursuant to the operational arrangements of DTC in effect from time to time. See Appendix D for additional information. As indicated therein, the information in Appendix D has been provided by DTC. The District makes no representation as to the accuracy or completeness thereof. Beneficial Owners of the Bonds should confirm its contents with DTC or DTC Participants.

For so long as all Bonds are in fully immobilized form with DTC, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the District's Blanket Issuer Letter of Representations to DTC. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date, or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received by the Trustee at least 15 days prior to the applicable payment date), such payment shall be made by the Trustee by wire transfer to the account within the continental United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Trustee.

### **Redemption Provisions**

*Optional Redemption - 2010A Bonds.* The 2010A Bonds are not subject to redemption prior to maturity.

*Optional Redemption - 2010B Bonds.* The 2010B Bonds are subject to redemption, in whole or in part, on any date prior to their maturity at a redemption price equal to the greater of (i) 100% of the principal amount of such 2010B Bonds; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest (excluding any accrued interest for the period prior to the date fixed for redemption) on such 2010B Bonds to be redeemed discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 40 basis points; plus, in either case, accrued and unpaid interest on such 2010B Bonds being redeemed to the date fixed for redemption.

"Treasury Rate" means, with respect to any redemption date for a particular 2010B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) Selected Interest Rates (the "Statistical Release") that has become publicly available at least two Business Days, but not more than forty-five (45) calendar days, prior to the redemption date (excluding inflation-indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the 2010B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities, adjusted to a constant maturity of one year will be used). In the event that it is not practicable to determine the Treasury Rate in accordance with the foregoing method, the term "Treasury Rate" is to mean, with respect to any redemption date for particular 2010B Bonds, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price.

"Comparable Treasury Issue" means the U.S. Treasury security or securities selected by the Independent Investment Banker which has an actual or interpolated maturity comparable to the remaining weighted average life of the applicable 2010B Bonds to be redeemed and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining weighted average life of such 2010B Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any date fixed for redemption of a particular 2010B Bonds, the average of the Reference Treasury Dealer Quotations for such redemption date.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the District.

“Reference Treasury Dealers” means each of four firms, specified by the District from time to time, that are primary United States Government securities dealers in the City of New York (each, a “Primary Treasury Dealer”); provided, that if any of them ceases to be a Primary Treasury Dealer, the District will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means for each Reference Treasury Dealer and for a purposed redemption date for a 2010B Bond, the average, as determined by the Independent Investment Banker and communicated to the District, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quote in writing to the Independent Investment Banker and communicated to the District by such Reference Treasury Dealer at 3:30 p.m., New York City time, at least 2 days prior to the mailing of the redemption notice.

*Extraordinary Optional Redemption.* The 2010B Bonds are subject to redemption prior to their stated maturity dates at the option of the District, in whole or in part upon the occurrence of an Extraordinary Event (defined below), at a redemption price (the “Extraordinary Redemption Price”) equal to the greater of: (i) the issue price set forth on the inside cover page hereof (but not less than 100 percent) of the principal amount of such 2010B Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2010B Bonds are to be redeemed, discounted to the date on which such 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described above) plus 100 basis points; plus, in each case, accrued interest on such 2010B Bonds to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Code, pursuant to which the Subsidy Payments are reduced or eliminated.

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*Mandatory Sinking Fund Redemption.* The 2010B Bonds maturing on July 1, 2040 (“Term Bonds”) shall be redeemed prior to maturity (or paid at maturity), on July 1 in the years as shown below (to the extent such 2010B Bonds have not been previously redeemed (pursuant to optional redemption) or purchased) and in the principal amounts set forth below, without premium, together with the interest accrued to the date fixed for redemption:

#### 2010B 2040 Term Bonds

Redemption Years	Principal Amount
2021	\$ 2,425,000
2022	8,590,000
2023	8,970,000
2024	9,365,000
2025	9,780,000
2026	10,210,000
2027	10,660,000
2028	11,135,000
2029	11,625,000
2030	12,135,000
2031	12,675,000
2032	13,230,000
2033	13,815,000
2034	14,425,000
2035	15,065,000
2036	15,730,000
2037	16,420,000
2038	17,145,000
2039	17,905,000
2040*	18,695,000

\* Final Maturity.

#### Selection of Bonds for Redemption

The Trust Agreement provides that to the extent that the District shall have optionally redeemed or purchased any Term Bonds since the last scheduled mandatory redemption of such Term Bonds, the District may reduce the principal amount of the Term Bonds of the same series and maturity to be redeemed in like aggregate principal amount. Such reduction may be applied in the year or years specified by the District.

If the District elects to redeem less than all of the 2010B Bonds for optional or extraordinary optional redemption, the District shall select the principal amount and maturities to be redeemed.

*2010B Bonds.* If less than all of the 2010B Bonds of a particular maturity are called for any optional redemption, extraordinary optional redemption or mandatory sinking fund redemption: (1) if the 2010B Bonds are not registered in book-entry only form, any redemption of less than all of the respective 2010B Bonds is to be allocated among the registered owners of such 2010B Bonds being redeemed as nearly as practicable in proportion to the amounts of the principal amounts of the 2010B Bonds owned by each Registered Owner, in authorized denominations, calculated based on the following formula: (principal to be redeemed) x (principal amount owned by such owner) / (total principal amount outstanding), and the particular 2010B Bonds to be redeemed are to be determined by the Trustee in any manner as the Trustee in its sole discretion deems fair and appropriate; and (2) if the 2010B Bonds are in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2010B Bonds, any redemption of less than all of the 2010B Bonds is to be done in accordance with DTC’s procedures in effect at such time. It is the District’s intent that redemption allocations made by DTC or such other intermediaries that may exist between the District and the Beneficial Owners be made in accordance with these same proportional provisions; provided, however, that the District provides no assurance that DTC or any other intermediary is required to allocate redemptions among Beneficial Owners on such a proportional basis.

### **Notice of Redemption**

For so long as the book-entry-only system is in effect, notice of redemption shall be provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations, and no additional published or other notice is to be provided by the District. Notice of redemption, which in the case of optional redemption may be conditional, is to be given by the District to the Trustee, who is required by the Trust Agreement to give notice to DTC at least 20 days prior to the proposed date of redemption.

### **Effect of Redemption**

The Trust Agreement provides that if notice of a mandatory redemption has been given (or, in the event of an optional redemption, if notice of redemption has been duly given and money for the payment of the redemption price of the Bonds or portions thereof to be redeemed is held by the Trustee), then on the date fixed for redemption the Bonds or portions thereof so called for redemption are to become payable at the redemption price specified in such notice; and from and after the redemption date, interest thereon or on portions thereof so called for redemption is to cease to accrue, such Bonds or portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security of the Bond Resolution or the Trust Agreement. The Registered Owners of such Bonds or portions thereof are to thereafter have no rights in respect thereof except to receive payment of the redemption price upon delivery of such Bonds to the Trustee.

Any notice mailed as described above will be conclusively presumed to have been given, whether or not actually received by any owner of a Bond. The failure to mail notice with respect to any Bond will not affect the validity of the proceedings for the redemption of any other Bond with respect to which notice was so mailed.

### **Purchase of Bonds by the District**

The District may acquire Bonds by purchase of Bonds offered to the District at any time at such purchase price as the District deems appropriate, or by gift at any time on terms as the District deems appropriate. The District has reserved the right to use at any time any Lodging Tax Revenues available after providing for the payments required by paragraph First through Seventh of Section 9(c) of the Bond Resolution to purchase any of the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Creation of Funds and Accounts; Flow of Funds,” and “TAX MATTERS—2010B Bonds.”

### **Defeasance**

Any Bonds are required to be deemed to have been paid and not Outstanding under the Bond Resolution or the Trust Agreement and shall cease to be entitled to any benefit or security of the Bond Resolution or the Trust Agreement except the right to receive the money and the proceeds and income from Government Obligations set aside and pledged in the manner hereafter described, if (a) in the event that any or all of the Bonds are to be optionally redeemed, the District shall have given to the Trustee irrevocable instructions to give such notice of redemption of such Bonds as may be required by the provisions of the Bond Resolution or the Trust Agreement; and (b) there shall have been made an irrevocable deposit of money or Government Obligations in order to provide for the payment of all or a portion of the principal of, premium, if any, and interest on any Bonds, in trust, with the Trustee or with another corporate fiduciary of money in an amount which shall be sufficient and/or noncallable Government Obligations maturing in such amounts and at such time or times and bearing such interest to be earned thereon, without considering any earnings on the 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, premium, if any, and the interest on the defeased Bonds, when due in accordance with their terms, or upon the earlier prepayment thereof in accordance with a refunding plan.

As defined in chapter 39.53 RCW, “Government Obligations” means (a) direct obligations of or obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America and bank certificates of deposit secured by such obligations; (b) bonds, debentures, notes, participation certificates or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, federal land banks or the Federal National Mortgage Association; (c) public housing bonds and project notes fully secured by contracts with the United States; and

(d) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the federal savings and loan insurance corporation, to the extent insured or guaranteed as permitted under any other provision of State law.

Defeasance of any 2010B Bond may be deemed to be a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the 2010B Bond. See "TAX MATTERS—2010B Bonds."

## PURPOSE AND APPLICATION OF BOND PROCEEDS

Proceeds of the Bonds will be used (a) to finance the cost of acquiring the WSCC pursuant to the terms of the Convention Center Act and the Transfer Agreement, (b) to undertake certain capital improvements to the WSCC, (c) to fund the Common Reserve Fund, and (d) to pay expenses incidental to the issuance of the Bonds. For a description of the WSCC and the transfer of the WSCC from the Washington State Convention Center public nonprofit corporation to the District, see "THE DISTRICT" and "THE WASHINGTON STATE CONVENTION CENTER."

The proceeds of the Bonds are estimated to be applied as follows:

<b>Sources of Funds</b>	<b>2010A Bonds</b>	<b>2010B Bonds</b>	<b>Total</b>
Principal Amount of the Bonds	\$ 13,025,000	\$ 300,550,000	\$ 313,575,000
Original Issue Premium	1,077,701	--	1,077,701
Total Sources of Funds	<u>\$ 14,102,701</u>	<u>\$ 300,550,000</u>	<u>\$ 314,652,701</u>
<b>Uses of Funds</b>			
Acquisition Price Paid to State	\$ 12,143,867	\$ 258,804,261	\$ 270,948,128
Project Fund Deposit	960,714	20,474,286	21,435,000
Common Reserve Fund Deposit	874,930	18,646,086	19,521,016
Issuance Costs <sup>(2)</sup>	123,190	2,625,367	2,748,557
Total Uses of Funds	<u>\$ 14,102,701</u>	<u>\$ 300,550,000</u>	<u>\$ 314,652,701</u>

(1) Amounts shown in table are rounded to the nearest dollar.

(2) Includes bond rating fees, underwriters' discount, bond counsel fees, financial advisor fees, and other costs incurred in connection with the issuance of the Bonds.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General

The Bonds are being issued pursuant to RCW 36.100.060, and are within the amount of debt that the District is authorized to issue without a vote of the people. See "Statutory Debt Limitations" below. The Bonds are payable from and secured by Lodging Tax Revenues and by a pledge and assignment of the Trust Estate (defined below). Lodging Tax Revenues are composed exclusively of the proceeds of the sales and use taxes imposed and collected by the District pursuant to RCW 36.100.040(4) ("Regular Lodging Tax") and RCW 36.100.040(5) ("Additional Lodging Tax" and together with the Regular Lodging Tax, "Lodging Taxes"). The authority to impose the Additional Lodging Tax expires on the date that is the earlier of (a) July 1, 2029, or (b) the date on which all obligations issued or incurred by the District to implement any redemption, prepayment, or legal defeasance of outstanding obligations under RCW 36.100.230(3)(a) are no longer outstanding. The District has irrevocably covenanted in the Bond Resolution that for so long as any of the First Priority Bonds are outstanding, it will continue each year to impose the Regular Lodging Tax pursuant to RCW 36.100.040(4) and, for so long as statutorily permitted, the Additional Lodging Tax pursuant to RCW 36.100.040(5), respectively, and to apply the Lodging Tax Revenues as provided in the Bond Resolution and the Trust Agreement. See "Lodging Tax Revenues" below.

**The Bonds are not an obligation of the State, the County, or any other municipal corporation, subdivision or agency of the State other than the District. The District has limited taxing powers. The Bonds are not payable from or secured by a mortgage, deed of trust, lien or other security interest on or in the WSCC.**

### **Trust Estate**

Under the terms of the Bond Resolution and the Trust Agreement, the Bonds and any Additional First Priority Bonds are payable from Lodging Tax Revenues and are further secured by a pledge and assignment of the Trust Estate comprised of the following: (a) all right, title and interest of the District in the Interlocal Agreement, including but not limited to all right, title and interest of the District in and to the Lodging Tax Revenues; (b) all funds and accounts established under the Trust Agreement and the investments thereof, if any, and money, securities and obligations therein (subject to disbursements from any such fund or account upon the conditions set forth in the Trust Agreement), including all federal Subsidy Payments received for the 2010B Bonds as Build America Bonds; and (c) to the extent not described hereinabove, all proceeds of all of the foregoing.

The foregoing (collectively the “Trust Estate”) has been pledged and assigned to the Trustee for the benefit of the Owners of First Priority Bonds, including the Bonds, issued under and secured by the Bond Resolution and the Trust Agreement without privilege, priority or distinction as to the priority or otherwise of any of the First Priority Bonds over any of the other First Priority Bonds.

### **Lodging Tax Revenues**

The District’s Lodging Tax Revenues are to be pledged under the Bond Resolution and the Trust Agreement to pay principal of and interest on the Bonds and any Additional First Priority Bonds. The District is authorized under the Convention Center Act to impose and collect the Lodging Taxes after the date of transfer of the WSCC from the Washington State Convention Center public nonprofit corporation to the District. Such transfer is required to occur simultaneously with the issuance of the Bonds (the date of such issuance and transfer, the “Transfer Date”). Historically, the Lodging Taxes have been imposed and collected within the County and remitted to pay debt service on bonds issued by and obligations incurred by the State for WSCC purposes. To provide for the transfer of the WSCC to the District and the preservation of the stream of revenue, in the Convention Center Act the Washington State Legislature replaced the authority of the prior taxing jurisdictions to impose Lodging Taxes under chapter 67.40 RCW to fund the WSCC with authority for the District to impose and collect the Lodging Taxes at the same rates, without otherwise affecting the existing authority of the State, the County, cities, and other municipal corporations to impose taxes on the sale of or charge made for the furnishing of lodging within the District under existing caps on the aggregate rate that may be charged.

Lodging Tax Revenues are comprised of revenues generated by the Regular Lodging Tax and the Additional Lodging Tax, each described below.

*Regular Lodging Tax.* Pursuant to RCW 36.100.040(4), the District is authorized to impose an excise tax on the sale of or charge made for the furnishing of lodging and all other services by a hotel, rooming house, tourist court, motel, trailer camp, and the granting of any similar license to use real property for less than one month (as distinguished from the renting or leasing of real property) on any premises having 60 or more units that is subject to tax under chapter 82.08 RCW. The rate of the tax may not exceed 7 percent within the portion of the District that corresponds to the boundaries of the City of Seattle and may not exceed 2.8 percent in the remainder of the District.

*Additional Lodging Tax.* Pursuant to RCW 36.100.040(5), the District is also authorized to impose an excise tax on the sale of or charge made for the furnishing of lodging on any premises located within the boundaries of the City of Seattle that is subject to tax under chapter 82.08 RCW. The rate of the tax may not exceed 2 percent.

The Additional Lodging Tax is credited against the amount of the tax otherwise due to the State from those same taxpayers under chapter 82.08 RCW, and it may be imposed by the District only for the purpose of paying or securing the payment of the principal of and interest on obligations issued or incurred by the District (such as the Bonds) and paying annual payment amounts to the State as described below. The authority to impose the Additional Lodging Tax expires on the date that is the earlier of (a) July 1, 2029, or (b) the date on which all obligations issued

or incurred by the District to implement any redemption, prepayment, or legal defeasance of outstanding obligations under RCW 36.100.230(3)(a) are no longer outstanding.

Commencing with the first full fiscal year of the State after the Transfer Date and for so long as the District imposes the Additional Lodging Tax, the District is required to transfer to the State on June 30th of each State fiscal year an annual payment amount. The “annual payment amount” means an amount equal to revenues received by the District in the State fiscal year from the Additional Lodging Tax plus an interest charge calculated on one-half the annual payment amount times an interest rate equal to the average annual rate of return for the prior calendar year in the Washington state local government investment pool created in chapter 43.250 RCW.

If the District in any State fiscal year is required to apply Additional Lodging Tax Revenues to the payment of principal and interest on obligations it issues or incurs (such as the Bonds), and the District is unable to pay all or any portion of the annual payment amount to the State, the deficiency is deemed to be a loan from the State to the District for the purpose of assisting the District in paying such principal and interest and must be repaid with interest by the District to the State after providing for the payment of the principal of and interest on obligations issued or incurred by the District (such as the Bonds), as provided in the Transfer Agreement. See “THE DISTRICT—Transfer Agreement.”

*Pledge of Lodging Tax Revenues.* Pursuant to RCW 36.100.040, the Bond Resolution and the Trust Agreement, the District has pledged the Lodging Tax Revenues to the payment of principal of and interest on the Bonds and any Additional First Priority Bonds as described under “Creation of Funds and Accounts; Flow of Funds” below. The Convention Center Act provides that so long as the pledge of the Lodging Tax Revenues is in effect, the Washington State Legislature may not withdraw or modify the authority to levy and collect the Lodging Taxes at the rates permitted under RCW 36.100.040 and may not increase the annual payment amount to be transferred to the State as described above.

*Collection and Remittance of Taxes/Interlocal Agreement.* The Washington State Department of Revenue (“DOR”) is required to collect the Lodging Taxes on behalf of the District at no cost to the District. DOR accounts for the Lodging Taxes that are to be held on deposit with the State Treasurer. The District has entered into an Interlocal Agreement with DOR and the State Treasurer, effective November 30, 2010 (the “Interlocal Agreement”). Under the terms of the Interlocal Agreement, DOR has agreed to perform the ongoing functions of administration and collection of the Lodging Tax Revenues, as implemented on the Transfer Date. Administration and collection by DOR includes: receipt and recording of Lodging Tax Revenues paid by taxpayers (subject to the confidentiality conditions set forth in Section 5 of the Interlocal Agreement); provision of monthly distribution detail reports of Lodging Tax Revenues paid; attempts to identify Lodging Tax Revenues incorrectly paid or unpaid by taxpayers; performance of accounting corrections of tax found to be due based on District research and verification; assistance and education of taxpayers on proper reporting of Lodging Tax Revenues; collection of Lodging Tax Revenues identified as unreported or underpaid; assessment of unpaid Lodging Tax Revenues coincident to normal audit processes; issuance of refunds or credits for overpaid Lodging Tax Revenues due to taxpayer error; assistance to the State Treasurer in the monthly distribution of Lodging Tax Revenues to the District; and provision of other incidental functions necessary or appropriate to administer Lodging Tax Revenues, exclusive of criminal prosecution. DOR is required to deposit Lodging Tax Revenues remitted by taxpayers to the custody of the State Treasurer. Pursuant to Section 5(8) of the Convention Center Act, the State Treasurer is required to remit available Lodging Tax Revenues as directed by the DOR to the Trustee no less often than once each month following the Transfer Date.

The Trust Agreement requires the Trustee to deposit Lodging Tax Revenues, as received, into the Lodging Tax Account as described below under “Creation of Funds and Accounts; Flow of Funds.”

**Lodging Tax Revenues Collection History  
For Fiscal Years Ending June 30, 2006 Through 2010 (1)**

	<b>Regular Lodging Tax Revenues (2)</b>	<b>Additional Lodging Tax Revenues (3)</b>	<b>TOTALS</b>
2010	\$ 41,447,755	\$ 9,362,155	\$ 50,809,910
2009	46,763,890	10,488,751	57,252,641
2008	50,304,646	11,158,692	61,463,338
2007	45,770,495	10,223,552	55,994,047
2006	40,445,950	9,068,417	49,514,367

- (1) As collected under chapter 67.40 RCW. As provided in the Convention Center Act, beginning on the Transfer Date, these taxes will be imposed by the District, collected by the State and remitted to the Trustee at the same rate and charge as previously collected.
- (2) The term "Hotel/Motel Tax" used in the financial statements included as Exhibit F are referred to in this Official Statement as the "Regular Lodging Tax Revenues."
- (3) The terms "Transient Rental Tax" used in the financial statements included as Exhibit F are referred to in this Official Statement as the "Additional Lodging Tax Revenues."

*Source: The District.*

*Statutory Debt Limitations.* The Bonds are issued pursuant to RCW 36.100.060. The amount of indebtedness that the District may legally incur pursuant to RCW 36.100.060 is limited by the laws of the State. For State law purposes, "indebtedness" includes any unconditional obligation that is payable from and secured by a pledge of tax revenues, including the Bonds. Without the approval of its voters, the District may incur debt in the aggregate amount of up to one-half of one percent of the value of taxable property within the District. Upon the approval of 60 percent of the District's voters, the District can incur total indebtedness for capital purposes, including non-voted debt, in an amount not to exceed one and one-fourth of one percent of the value of taxable property within the District.

In determining the total amount of indebtedness outstanding, the District may offset certain assets against the aggregate amount of debt outstanding. Such assets include taxes and levies of the current year, uncollected taxes that are not delinquent for longer than six years, and cash on hand and received for general business purposes. The following table demonstrates the debt capacity of the District and the issuance of the Bonds within the effective debt limitation.

**District Debt Capacity Computation**

2009 Assessed Valuation for Collection Year 2010 (1)	\$ 341,971,517,465
Limited Tax (Non-voted) General Obligation Debt Capacity (0.5%)	\$ 1,709,857,587
Less: The Bonds	(313,575,000)
Less: Other Limited Tax General Obligations	0
Remaining Non-Voted General Obligation Debt Capacity	\$ 1,396,282,587
Unlimited Tax (Voted) General Obligation Debt Capacity (1.25%)	\$ 4,274,643,968
Less: Outstanding Unlimited Tax General Obligation Bonds	0
Less: Non-Voted Debt (the Bonds)	(313,575,000)
Remaining General Obligation Debt Capacity for General Purposes	\$ 3,961,068,968

- (1) Assessed valuation is based upon 100% of actual value of taxable property within the District.

*Source: The District, other than the 2009 Assessed Valuation for Collection Year, which has been provided by the King County Assessor.*



## **Creation of Funds and Accounts; Flow of Funds**

The District has entered into the Trust Agreement with the Trustee for the benefit of the owners and holders of the Bonds and any Additional First Priority Bonds. The form of the Trust Agreement is included in Appendix A. Under the terms of the Trust Agreement, the Trustee is to establish and maintain the “Washington State Convention Center Public Facilities District – Lodging Tax Account” (the “Lodging Tax Account”), the Bond Fund (and therein a Principal Account and an Interest Account), and the “Washington State Convention Center Public Facilities District Lodging Tax Revenue Bond Common Reserve Fund” (the “Common Reserve Fund”).

*Lodging Tax Account.* The Trust Agreement requires that the Trustee create and maintain a special fund of the District to be known as the Lodging Tax Account in the name of the District. The Trust Agreement, the Bond Resolution, and the Interlocal Agreement provide that for so long as the Bonds and any Additional First Priority Bonds remain outstanding, all Lodging Tax Revenues will be transferred to and deposited into the Lodging Tax Account on the date of receipt thereof from the State Treasurer.

The Trustee is required pursuant to the Trust Agreement to deposit the following sums into the Lodging Tax Account:

- (a) On the date of receipt thereof pursuant to the Interlocal Agreement, Lodging Tax Revenues received from the State Treasurer;
- (b) As received, all interest earnings on the Lodging Tax Account, the Interest Account, and the Principal Account;
- (c) Amounts received by the Trustee as Subsidy Payments if not required to be deposited into the Interest Account due to prior full funding pursuant to the Trust Agreement;
- (d) Upon the conditions set forth in the Trust Agreement regarding the funding of the Common Reserve Fund, money from the Common Reserve Fund in excess of the Common Reserve Requirement – First Priority; and
- (e) All other money delivered to the Trustee with written direction from District that such money shall be deposited into the Lodging Tax Account.

If the Trustee has not received a disbursement from the State Treasurer under the Interlocal Agreement or from other sources during any month that is sufficient to make the Required Monthly Deposits, the Trustee is required to notify the District Treasurer promptly but in no event later than the 24<sup>th</sup> day of the month, and the District is required to remit a Required Supplemental Deposit to the Trustee no later than two business days thereafter.

The term “Required Monthly Deposit” means (a) with respect to the Interest Account, an amount equal to one-sixth of the interest on Bonds coming due on the upcoming Interest Payment Date, net of First Priority Debt Service Offsets. In the case of the 2010B Bonds issued as Build America Bonds, the Required Monthly Deposit shall be equal to one-sixth of 65 percent of the interest coming due on the upcoming Interest Payment Date; (b) with respect to the Principal Account and commencing 12 months prior to the first scheduled Principal Payment Date, an amount equal to one-twelfth of the principal of Bonds coming due and payable on the upcoming Principal Payment Date; and (c) with respect to the Common Reserve Fund, the dollar amount required to establish or maintain the Common Reserve Requirement-First Priority at the times and in the amount required by the Trust Agreement.

If the Trustee does not have on deposit in the Interest Account an amount sufficient to pay interest on Bonds coming due on the upcoming Interest Payment Date or does not have on deposit in the Principal Account an amount sufficient to pay principal of the Bonds maturing or coming due on the upcoming Principal Payment Date as of the 24<sup>th</sup> day of the month immediately preceding a Debt Service Payment Date, the Trustee is required to notify the District Treasurer immediately, and the District is required to remit a Required Supplemental Deposit to the Trustee no later than two business days thereafter.

The term “Required Supplemental Deposit” means (a) the amount, if required, to pay the Required Monthly Deposits if the Trustee has not received a disbursement from the State Treasurer or other sources on or prior to the 24<sup>th</sup> day of any month sufficient to make the Required Monthly Deposits and (b) the amount, if required, to pay the principal of and/or interest on the Bonds coming due on an upcoming Debt Service Payment Date if and to the extent that the Trustee does not have on deposit in the Interest Account an amount sufficient to pay interest on Bonds coming due on the upcoming Interest Payment Date or does not have on deposit in the Principal Account an amount sufficient to pay principal of the Bonds maturing or coming due on the upcoming Principal Payment Date as of the 24<sup>th</sup> day of the month immediately prior to the Debt Service Payment Date.

The Trust Agreement requires that the Trustee disburse money in the Lodging Tax Account on the following dates and in the following amounts:

- (a) Upon receipt thereof, all funds received from the State Treasurer pursuant to the Interlocal Agreement and from the District (as described in (e) above) are to be disbursed immediately to make the Required Monthly Deposits (see “Flow of Funds” below);
- (b) Upon making the Required Monthly Deposits for any month (or upon confirmation by the Trustee that the Required Monthly Deposits have been made), the Trustee is required to disburse any Available Balance on hand in the Lodging Tax Account during that month to the District;
- (c) Upon confirmation by the Trustee that the balance on hand in the Interest Account is sufficient to pay interest on Bonds coming due on the upcoming Interest Payment Date, and all Required Monthly Deposits and Required Supplemental Deposits then required to be made have been made, the Trustee is required to disburse any available balance on hand in the Lodging Tax Account to the District;
- (d) Upon confirmation by the Trustee that the balance on hand in the Principal Account is sufficient to pay principal of Bonds maturing or subject to redemption on the upcoming Principal Payment Date, and all Required Monthly Deposits and Required Supplemental Deposits then required to be made have been made, the Trustee is required to disburse any available balance on hand in the Lodging Tax Account to the District; and
- (e) Upon the defeasance or redemption of all Outstanding First Priority Bonds, the balance therein to the District.

*Flow of Funds.* All Lodging Tax Revenues are required to be disbursed under the Trust Agreement and the Bond Resolution to make the following payments in the following order of priority:

First, to make the Required Monthly Deposits and Required Supplemental Deposits into the Interest Account held in the Bond Fund for the payment of upcoming interest on the Bonds and any Additional First Priority Bonds;

Second, to make the Required Monthly Deposits and Required Supplemental Deposits into the Principal Account held in the Bond Fund for the payment of principal of the Bonds and any Additional First Priority Bonds maturing or being redeemed by sinking fund redemption prior to scheduled maturity;

Third, to make all payments required to be made into the Common Reserve Fund to maintain the Common Reserve Requirement – First Priority for Covered Bonds and into any other reserve fund established for Additional First Priority Bonds that are Uncovered Bonds;

Fourth, to make all payments required on a monthly basis or otherwise to be made into any other bond redemption fund and debt service account created to pay the principal of, premium, if any, and interest on any Subordinate Priority WSCC Obligations;

Fifth, to make all payments required to be made into any other reserve account created to secure the payment of the principal of and interest on any Subordinate Priority WSCC Obligations;

Sixth, to make the annual payment amount and any loan repayment amounts owed to the State as required under the Convention Center Act and the Transfer Agreement (see “Lodging Tax Revenues” above);

Seventh, to pay operating expenses of the WSCC and to make payments into the Operating Reserve Account in order to maintain the required balance therein as required by the established Board policies and the Bond Resolution; and

Eighth, to retire by redemption or purchase any outstanding bonds or other obligations of the District as authorized in the various resolutions of the Board authorizing their issuance or to make necessary additions, betterments, improvements and repairs to or extension and replacements of the WSCC or for any other lawful District purposes.

The District has covenanted in the Bond Resolution that it will exercise due regard for the anticipated financial requirements to be satisfied as priorities First through Seventh described above in each Fiscal Year prior to authorizing or making any disbursement of Lodging Tax Revenues for the purposes identified as the Eighth priority. Upon receipt by the District, Lodging Tax Revenues are to be invested by the District Treasurer in any legal investment for District funds, and interest earnings are to accrue and be credited to the account or accounts specified by the District.

*Bond Fund.* The Bond Fund is held by the Trustee for the purpose of paying the principal of and interest on the First Priority Bonds, including the Bonds, as the same shall become due and payable.

(a) *Deposits into Interest Account.* The Trustee is required to deposit the following sums into the Interest Account:

(1) On the date of receipt in the Lodging Tax Account, the amount required to be deposited into the Interest Account as a Required Monthly Deposit;

(2) Amounts received by the Trustee as Subsidy Payments for the 2010B Bonds issued as Build America Bonds;

(3) A Required Supplemental Deposit from the District (A) if and to the extent that the Trustee has not received a disbursement from the State Treasurer under the Interlocal Agreement or from other sources during a month that is sufficient to make the Required Monthly Deposits as of the 24<sup>th</sup> day of the month and/or (B) if and to the extent that the Trustee does not have on deposit in the Interest Account an amount sufficient to pay interest on Bonds coming due on the upcoming Interest Payment Date as of the 24<sup>th</sup> day of the month immediately preceding an Interest Payment Date;

(4) On the business day prior to each day that a payment of interest is due with respect to First Priority Bonds issued as Covered Bonds (whether by redemption or maturity), to the extent that the balance on hand in the Bond Fund is not sufficient to make such payment, the Trustee is required to transfer money from the Common Reserve Fund to the Interest Account to be used for such purpose; and

(5) All other money delivered to the Trustee with written direction from District that such money is to be deposited into the Interest Account.

(b) *Deposits into Principal Account.* The Trustee is required to deposit the following sums into the Principal Account:

(1) On the date of receipt in the Lodging Tax Account, the amount required to be deposited into the Principal Account as a Required Monthly Deposit;

(2) A Required Supplemental Deposit from the District (A) if and to the extent that the Trustee has not received a disbursement from the State Treasurer under the Interlocal Agreement or from other sources during a month that is sufficient to make the Required Monthly Deposits as of the 24<sup>th</sup> day of the month

and/or (B) if and to the extent the Trustee does not have on deposit in the Principal Account an amount sufficient to pay principal of the Bonds maturing or coming due on the upcoming Principal Payment Date as of the 24<sup>th</sup> day of the month immediately preceding a Principal Payment Date;

(3) On the business day prior to each day that a payment of principal and premium is due with respect to First Priority Bonds issued as Covered Bonds (whether by redemption or maturity), to the extent that the balance on hand in the Bond Fund is not sufficient to make such payment, the Trustee is required to transfer money from the Common Reserve Fund to the Principal Account to be used for such purpose; and

(4) All other money delivered to the Trustee with written direction from District that such amount is to be deposited into the Principal Account.

(c) *Disbursements from Principal and Interest Accounts in the Bond Fund.* The Trustee is to disburse money in the Principal and Interest Accounts in the Bond Fund on the following dates and in the following amounts:

(1) To Registered Owners at such time required to pay on each date on which a payment of interest on First Priority Bonds comes due, an amount equal to the interest on all of the First Priority Bonds then Outstanding coming due on such date;

(2) To Registered Owners at such time required to pay on each date on which principal of the First Priority Bonds matures or is subject to redemption for as long as any of the First Priority Bonds are Outstanding and unpaid, an amount equal to the principal (including mandatory redemption amounts) of the First Priority Bonds maturing or subject to redemption on such date;

(3) To Registered Owners at such time required to pay on each date on which the First Priority Bonds are subject to redemption prior to maturity, whether by optional, mandatory or extraordinary redemption prior to maturity, the redemption price of the First Priority Bonds to be redeemed; and

(4) To the District, the balance therein upon the defeasance or redemption of all Outstanding First Priority Bonds.

### **Common Reserve Fund**

The Trustee will hold the Common Reserve Fund under the Trust Agreement for the benefit of the Owners of Covered Bonds. Covered Bonds include the Bonds and any Additional First Priority Bonds designated in the resolution authorizing their issuance as Covered Bonds additionally secured by the Common Reserve Fund. Alternatively, the District may elect to secure Additional First Priority Bonds with a separate debt service reserve fund. Such First Priority Bonds are referred to in the Bond Resolution as “Uncovered Bonds.” The District has covenanted in the Bond Resolution for so long as the Bonds or any other Covered Bonds remain outstanding to maintain a balance in the Common Reserve Fund in an amount at least equal to the Common Reserve Requirement – First Priority. The “Common Reserve Requirement – First Priority” is defined in the Bond Resolution to mean the lowest of (i) maximum Annual Debt Service with respect to Outstanding Covered Bonds; (ii) 125% of average Annual Debt Service with respect to Outstanding Covered Bonds; and (iii) 10% of the initial principal amount of each series then Outstanding of Covered Bonds. The Common Reserve Requirement – First Priority is required to be determined and calculated as of the date of issuance of each series of Covered Bonds (and recalculated upon the issuance of a subsequent series of Covered Bonds and also, at the District’s option, upon the payment of principal of Covered Bonds), and provided further that if, as a result of the issuance of Additional First Priority Bonds, the increase in the Common Reserve Requirement – First Priority of Additional First Priority Bonds would require that an amount be contributed to the Common Reserve Fund that is more than the Tax Maximum, the Common Reserve Requirement – First Priority is required to be adjusted to require a contribution equal to the Tax Maximum. For purposes of calculating the Common Reserve Requirement – First Priority, Debt Service is calculated net of First Priority Debt Service Offsets. The Common Reserve Requirement – First Priority at the time of issuance of the Bonds (\$19,521,015.76), which amount is equal to maximum annual debt service on the Bonds, will be satisfied at closing from a deposit of proceeds of the Bonds or legally available funds of the District. See APPENDIX A—“Forms of Bond Resolution and Trust Agreement.”

The Trustee is required to deposit the following amounts on the following dates into the Common Reserve Fund:

- (a) On the date of issuance of each series of Covered Bonds, including the Bonds, the District will assure that the amount on hand in the Common Reserve Fund shall be sufficient to meet the Common Reserve Requirement – First Priority;
- (b) If there shall be a deficiency in the Common Reserve Fund, the Trustee shall deposit Lodging Tax Revenues in the Lodging Tax Account as a Required Monthly Deposit pursuant to the Trust Agreement; and
- (c) Money received by the Trustee from the District with written direction that such money be deposited into the Common Reserve Fund.

The Trustee is required maintain and disburse the balances on hand in the Common Reserve Fund in accordance with the following provisions.

*Composition of Account; Valuation Requirement.* The Common Reserve Requirement – First Priority is required to be maintained by deposits of cash and/or qualified investments, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the extent that the District obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the Common Reserve Fund, all or a portion of the money on hand in the Common Reserve Fund is required to be transferred to the Lodging Tax Account. In computing the amount on hand in the Common Reserve Fund, Qualified Insurance and/or a Qualified Letter of Credit is to be valued at the lower of the face amount thereof and the amount available to be drawn thereunder, and all other obligations purchased as an investment of moneys therein are required to be valued by the Trustee on a marked to market basis, at least once annually. As used in the Bond resolution, the term “cash” includes U.S. currency, cash equivalents and evidences thereof, including demand deposits and a certified or cashier’s check; and the deposit to the Common Reserve Fund may be satisfied by the transfer of investments to such account. If a deficiency in the Common Reserve Requirement – First Priority exists as a result of the foregoing valuation, such deficiency may be made up within one year after the valuation date.

*Application of Balances if Common Reserve Fund is Fully Funded.* If the balance on hand in the Common Reserve Fund is sufficient to satisfy the Common Reserve Requirement – First Priority, amounts in excess of such Common Reserve Requirement – First Priority is required to be applied as described in the following sentences. Whenever there is a sufficient amount in the Bond Fund and the Common Reserve Fund to pay the principal of, premium, if any, and interest on all Outstanding Covered Bonds, the money in the Common Reserve Fund may be used to pay such principal and interest. If the balance on deposit in the Common Reserve Fund is at least equal to the Common Reserve Requirement – First Priority, money in the Reserve Fund in excess of the Common Reserve Requirement – First Priority may be transferred to the Lodging Tax Account.

*Application of Balances if there is a Deficiency in the Bond Fund.* If a deficiency in the Bond Fund occurs with respect to Covered Bonds, such deficiency is to be made up from the Common Reserve Fund by the withdrawal of cash therefrom for that purpose and by the sale or redemption of investments held in the Common Reserve Fund, in such amounts as will provide cash in the Common Reserve Fund sufficient to make up any such deficiency with respect to the Covered Bonds, and if a deficiency still exists immediately prior to an interest payment date and after the transfer of cash from the Common Reserve Fund to the Bond Fund, the District is required to then draw from any Qualified Letter of Credit or Qualified Insurance then credited to the Common Reserve Fund for the Covered Bonds in sufficient amount to make up the deficiency.

Any deficiency created in the Common Reserve Fund by reason of a withdrawal therefrom is required to be made up within one year after the withdrawal from Qualified Insurance or a Qualified Letter of Credit or out of Lodging Tax Revenues (or out of any other moneys on hand legally available for such purpose), in 12 equal monthly installments, after first making timely provision for all payments required to be made into the Bond Fund within such year.

If a Credit Event occurs, the Common Reserve Requirement – First Priority shall be satisfied, at the option of the District, either (A) within one year after the occurrence of such Credit Event with other Qualified Insurance or another Qualified Letter of Credit, or (B) within three years (in three equal annual installments) after the occurrence

of such Credit Event described in (c) below, out of Lodging Tax Revenues (or out of other money on hand and legally available for such purpose) after first making necessary provisions for all payments required to be made into the Bond Fund. A Credit Event occurs when (a) a Qualified Letter of Credit terminates, (b) the issuer of Qualified Insurance or a Qualified Letter of Credit shall become insolvent or no longer be in existence, or (c) a Qualified Letter of Credit or Qualified Insurance no longer meets the requirements established therefor in the definition thereof.

### **Additional Lodging Tax Revenues Subaccount**

Within the Lodging Tax Account, the District shall create a subaccount to be designated as the Additional Lodging Tax Revenues Subaccount (the “Additional Lodging Tax Revenues Subaccount”) for the purpose of holding and accounting for Additional Lodging Tax Revenues received by the District. Unless required to be used to pay debt service, Additional Lodging Tax Revenues are required to be remitted annually to the State. See “THE DISTRICT—Transfer Agreement.”

### **Operating Reserve Account**

The District has covenanted in the Bond Resolution that it will establish and review operating policies and procedures, including, *inter alia*, policies regarding the retention of reasonable operating balances in order to provide for fluctuations in the receipt of operating revenue and Lodging Taxes. A special fund of the District to be known as the “Operating Reserve Account” has been created in the office of the District Treasurer. The required balance of the Operating Reserve Account is to be established by the Board from time to time. The Bond Resolution and current Board policy establish the Operating Reserve Account balance at 100 days of budgeted operating expenditures. Immediately upon completion of the transfer, the required balance of the Operating Reserve is to be funded in the amount of \$6,700,000. Under current Board policy, the President and Chief Executive Officer is not permitted to make any expenditures from the Operating Reserve Account without prior consultation with the Chairman and the Finance Committee of the Board.

### **Additional Bonds**

In the Bond Resolution, the District reserves the right to issue Additional First Priority Bonds with an equal pledge of Lodging Tax Revenues and the Trust Estate. The issuance of Additional First Priority Bonds is required to be authorized by a resolution of the Board, which resolution is required to (a) designate the Additional First Priority Bonds as Covered Bonds or Uncovered Bonds, and (b) include certain additional covenants. See “Additional Covenants.” If the Additional First Priority Bonds are Covered Bonds, the Common Reserve Requirement – First Priority is required to be fully funded no later than the date of issuance of the Additional First Priority Bonds. The resolution authorizing Additional First Priority Bonds may provide for the appointment of a trustee or may provide for a supplement or amendment to the Trust Agreement. The District has covenanted in the Bond Resolution that for so long as any First Priority Bonds remain Outstanding, it will not issue any First Priority Bonds that constitute a charge upon the Lodging Tax Revenues equal to the priority thereon of Outstanding First Priority Bonds, unless at the time of the issuance of such bonds the District (A) is not in default under the Bond Resolution, and (B) unless the bonds are being issued for refunding purposes and the District meets the conditions described below in “Refunded Bonds,” there is to have been delivered prior to or on the date of the issuance of the First Priority Bonds a certificate prepared as described below and executed by the District stating that Regular Lodging Tax Revenues during any consecutive 12-month period selected by the District out of the 24-month period next preceding the date of issuance of an additional series of Additional First Priority Bonds (the “Base Period”) were at least equal to 175 percent of Annual Debt Service in each year following the issuance of the proposed First Priority Additional Bonds with respect to all First Priority Bonds then Outstanding and then proposed to be issued. For purposes of the foregoing requirement, Annual Debt Service is to be calculated net of any First Priority Debt Service Offsets (such as the Subsidy Payments to be received by the District in connection with the issuance of the 2010B Bonds).

The District’s certificate is required to be based upon the financial statements of the District for the Base Period, corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor’s office of the State of Washington, or any successor to the duties thereof, or by an independent certified public accounting firm for the Base Period. In the event that the tax rate for Regular Lodging Tax Revenue has been increased and such increase is pledged to the repayment of First Priority Bonds, then such increase may be reflected as if it had

been fully collected during the Base Period. See APPENDIX A—“Forms of the Bond Resolution and Trust Agreement.”

*Refunding Bonds.* Refunding bonds also may be issued as Additional First Priority Bonds. However, the Bond Resolution does not require a certificate as a condition to the issuance of Additional First Priority Bonds if the Additional First Priority Bonds are being issued for refunding purposes upon compliance with the provisions described below. The District may issue Additional First Priority Bonds for the purpose of refunding (including by purchase) First Priority Bonds including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase), any deposits to a reserve account or to purchase a Qualified Letter of Credit or Qualified Insurance, and the expenses of issuing the Additional First Priority Bonds and of effecting such refunding upon delivery of a certificate of the District as described above. Such refunding Additional First Priority Bonds also may be issued without such a certificate if:

(1) the latest maturity of the Additional First Priority Bonds to be issued is not later than the latest maturity of the First Priority Bonds to be refunded (were such refunding not to occur), and the increase in Annual Debt Service as a result of such refunding in any year is less than the greater of (A) \$25,000 or (B) 5 percent of such Annual Debt Service on the First Priority Bonds to be refunded; or

(2) the latest maturity of the Additional First Priority Bonds to be issued is later than the latest maturity of the First Priority Bonds to be refunded (were such refunding not to occur), and the Maximum Annual Debt Service on all First Priority Bonds to be Outstanding after the issuance of the refunding First Priority Bonds shall not be greater than Maximum Annual Debt Service were such refunding not to occur.

First Priority Bonds may be issued without the requirement of a certificate for the purpose of refunding (including by purchase) any First Priority Bonds at any time within one year prior to their maturity or mandatory redemption date if sufficient Lodging Tax Revenues or other moneys are not expected to be available for payment at maturity or mandatory redemption.

*Subordinate Bonds.* Nothing contained in the Bond Resolution prevents the District from issuing revenue bonds or other obligations which are a charge upon the Lodging Tax Revenues junior or inferior to the payments required by the Bond Resolution to be made out of such Lodging Tax Revenues to pay and secure the payment of any First Priority Bonds. Such junior or inferior obligations shall not be subject to acceleration. This prohibition against acceleration shall not be deemed to prohibit mandatory tender or other tender provisions with respect to variable rate obligations.

If the District has outstanding a “Repayment Deficiency Loan” from the State, the District has agreed in the Transfer Agreement that it will not incur additional indebtedness without the prior consent of the State Treasurer. See “THE DISTRICT—Transfer Agreement.”

## **Derivative Products**

*General.* The District retained the right under the Bond Resolution to enter into Derivative Products under which District Payments are secured and payable on a parity with the Outstanding First Priority Bonds, subject to certain conditions described below. As used in the Bond Resolution, the following terms have the following meanings:

1. “District Payment” means any regularly scheduled payment (designated as such by a supplemental resolution) required to be made by or on behalf of the District under a Derivative Product and which is in an amount set forth, or determined according to a formula set forth, in the Derivative Product.

2. “Derivative Facility” means a letter of credit, an insurance policy, a surety bond or other credit enhancement device, given, issued or posted as security for the District's obligations under one or more Derivative Products.

3. “Derivative Payment Date” means any date specified in the Derivative Product on which a District Payment is due and payable under the Derivative Product.

4. “Derivative Product” means a written contract or agreement between the District and a Reciprocal Payor that has (or whose obligations are unconditionally guaranteed by a party that has) (as of the date of the Derivative Product) at least an investment grade rating from a Rating Agency, (provided, however, that if the District's First Priority Bonds are rated by a Rating Agency, Reciprocal Payor is required to have a rating by that Rating Agency at least as high as that of the District) which provides that the District's obligations thereunder will be conditioned on the performance by the Reciprocal Payor of its obligations under the agreement, and

(A) under which the District will be obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the District Payments in exchange for the Reciprocal Payor's obligation to pay or to cause to be paid to the District, on scheduled and specified Derivative Payment Dates, the Reciprocal Payments;

(B) for which the District's obligations to make District Payments will be secured by a pledge and assignment of the Lodging Tax Revenues and the Trust Estate on an equal and ratable basis with the Outstanding First Priority Bonds;

(C) under which Reciprocal Payments are to be made directly into the Bond Fund;

(D) for which the District Payments are either specified to be one or more fixed amounts or are determined as provided by the Derivative Product; and

(E) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined as set forth in the Derivative Product.

5. “Reciprocal Payment” means any payment designated as such by a supplemental resolution) to be made to, or for the benefit of, the District under a Derivative Product by the Reciprocal Payor.

6. “Reciprocal Payor” means a party (other than the District) to a Derivative Product that is obligated to make one or more Reciprocal Payments thereunder.

*Conditions.* The Bond Resolution includes the following conditions precedent to the use of any Derivative Product on a parity with any Bonds:

1. Derivatives Policy. Prior to entering into a Derivative Product, the District is required to obtain the approval of its Board of Directors and is required to adopt a formal derivatives policy.

2. General Parity Tests. The Derivative Product is required to satisfy the requirements for Additional Bonds described above taking into consideration regularly scheduled District Payments and regularly scheduled Reciprocal Payments under the Derivative Product (in each case without regard to any termination payments and taking into consideration any basis risk). District Payments shall be added to interest payments on the related First Priority Bonds and the Reciprocal Payments shall be subtracted therefrom.

3. Opinion of Bond Counsel. The District is required to obtain an opinion of Bond Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by this resolution or the applicable provisions of any supplemental resolution and will not adversely affect the tax exempt of the interest on or tax advantaged status of any Outstanding First Priority Bonds.

4. Payments. Each Derivative Product is required to set forth the manner in which the District Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.

5. Supplemental Resolutions to Govern Derivative Products. Prior to entering into a Derivative Product, the District is required to adopt a resolution to:

(A) establish general provisions for the rights of providers of Derivative Products or Derivative Facilities; and



(B) set forth such other matters as the District deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of the Bond Resolution. See APPENDIX A—“Forms of the Bond Resolution and Trust Agreement.”

### **Additional Covenants**

In the Bond Resolution the District has made the following covenants and agreements with the owners and holders of each of the First Priority Bonds, including the Bonds, for as long as any of the same remain Outstanding.

*Maintenance of the WSCC.* The District will at all times keep and maintain or cause to be maintained the WSCC in good repair, working order and condition, and will at all times operate the same and the business or businesses in connection therewith in an efficient manner and at a reasonable cost.

*Property and Liability Insurance.* The District will keep all operating facilities insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the District deems necessary for the protection of the District.

*Books and Records.* The District will keep and maintain proper books of account and accurate records of all of its revenues, including Regular Lodging Tax Revenues and Additional Lodging Tax Revenues, received from any source whatsoever, and of all costs of administration and maintenance and operation of all of its business that are in accordance with generally accepted accounting principles as in effect from time to time. Additional Lodging Tax Revenues are required to be deposited and accounted for separately from other amounts received by the District. On or before 120 days after the end of each fiscal year, the District will prepare or cause to be prepared an operating statement of all of the business of the District for such preceding fiscal year. Each such annual statement shall contain a statement in detail of the Lodging Tax Revenues for such fiscal year and shall contain a statement as of the end of such year showing the status of all funds and accounts of the District pertaining to the operation of the WSCC and the status of all of the funds and accounts created by various resolutions of the Board authorizing the issuance of outstanding bonds and other obligations payable from the Lodging Tax Revenues. Copies of such statements shall be placed on file in the main office of the District, and shall be open to inspection at any reasonable time by the owners of First Priority Bonds.

*Interlocal Agreement.* The District has covenanted that it will observe and enforce the terms of the Interlocal Agreement. See “SECURITY AND SOURCES OF REPAYMENT FOR THE BONDS—Collection and Remittance of Taxes/Interlocal Agreement.”

### **No Acceleration of First Priority Bonds**

The First Priority Bonds, including the Bonds, are not subject to acceleration upon the occurrence of a default. The District, therefore, would be liable only for principal and interest payments as they become due. In the event of multiple defaults in payment of principal or interest on the First Priority Bonds, the Registered Owners would be required to bring a separate action for each such payment not made. This could give rise to a difference in interests between Registered Owners of earlier and later maturing First Priority Bonds. See APPENDIX A—“Forms of the Bond Resolution and Trust Agreement” for a description of the events that could give rise to an event of default.

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## DEBT SERVICE REQUIREMENTS

The following table shows the debt service on the Bonds. Upon the issuance of the Bonds, the Bonds will be the only outstanding debt obligations of the District.

Year (1)	2010A Bonds		2010B Bonds			Total (3)
	Principal	Interest	Principal	Interest	Less BABs Subsidy (2)	
2011	—	\$ 344,282	—	\$ 11,314,428	\$ (3,960,050)	\$ 7,698,660
2012	—	587,400	—	19,304,237	(6,756,483)	13,135,154
2013	\$ 6,385,000	587,400	—	19,304,237	(6,756,483)	19,520,154
2014	6,640,000	332,000	—	19,304,237	(6,756,483)	19,519,754
2015	—	—	\$ 6,970,000	19,304,237	(6,756,483)	19,517,754
2016	—	—	7,130,000	19,058,196	(6,670,369)	19,517,827
2017	—	—	7,315,000	18,778,486	(6,572,470)	19,521,016
2018	—	—	7,520,000	18,462,258	(6,461,790)	19,520,468
2019	—	—	7,755,000	18,099,719	(6,334,902)	19,519,817
2020	—	—	8,005,000	17,710,341	(6,198,619)	19,516,721
2021	—	—	8,280,000	17,292,400	(6,052,340)	19,520,060
2022	—	—	8,590,000	16,810,343	(5,883,620)	19,516,723
2023	—	—	8,970,000	16,227,082	(5,679,479)	19,517,603
2024	—	—	9,365,000	15,618,019	(5,466,306)	19,516,712
2025	—	—	9,780,000	14,982,135	(5,243,747)	19,518,388
2026	—	—	10,210,000	14,318,073	(5,011,326)	19,516,747
2027	—	—	10,660,000	13,624,814	(4,768,685)	19,516,129
2028	—	—	11,135,000	12,901,000	(4,515,350)	19,520,650
2029	—	—	11,625,000	12,144,934	(4,250,727)	19,519,207
2030	—	—	12,135,000	11,355,596	(3,974,459)	19,516,137
2031	—	—	12,675,000	10,531,630	(3,686,070)	19,520,559
2032	—	—	13,230,000	9,670,997	(3,384,849)	19,516,148
2033	—	—	13,815,000	8,772,680	(3,070,438)	19,517,242
2034	—	—	14,425,000	7,834,642	(2,742,125)	19,517,517
2035	—	—	15,065,000	6,855,184	(2,399,314)	19,520,870
2036	—	—	15,730,000	5,832,271	(2,041,295)	19,520,976
2037	—	—	16,420,000	4,764,204	(1,667,471)	19,516,732
2038	—	—	17,145,000	3,649,286	(1,277,250)	19,517,036
2039	—	—	17,905,000	2,485,140	(869,799)	19,520,341
2040	—	—	18,695,000	1,269,391	(444,287)	19,520,104
<b>Total (3)</b>	<b>\$ 13,025,000</b>	<b>\$ 1,851,082</b>	<b>\$ 300,550,000</b>	<b>\$ 387,580,190</b>	<b>\$(135,653,066)</b>	<b>\$ 567,353,205</b>

(1) Ending December 31.

(2) To be received in connection with the issuance of the 2010B Bonds.

(3) Totals may not foot due to rounding.

### Future Financings

The District does not plan to incur bonds or other obligations payable from Lodging Tax Revenues during the next 24 months. See “THE WASHINGTON STATE CONVENTION CENTER—Improvements to the WSCC.”

## THE DISTRICT

### Formation and Authority

Pursuant to the Convention Center Act, the Washington State Legislature authorized the County to create a public facilities district for the purpose of acquiring, owning and operating a trade and convention center transferred from the Washington State Convention Center public nonprofit corporation. The Convention Center Act also established the requirements for the transfer of the property of the nonprofit corporation to a newly created public facilities district and authorized the continuation of certain taxes and other revenues in order to facilitate such transfer. See “THE DISTRICT—Transfer Agreement.” Pursuant to Ordinance No. 16883, adopted on July 19, 2010 (the

“County Ordinance”), the County created the District for the purpose of acquiring, owning and operating the WSCC. The District is a separate municipal corporation, an independent taxing “authority” within the meaning of Article VII, section 1 of the state Constitution, and a “taxing district” within the meaning of Article VII, section 2 of the state Constitution. The boundaries of the District are coterminous with the boundaries of the County.

RCW 36.100.010 provides that the District constitutes a body corporate and possesses all the usual powers of a corporation for public purposes as well as all other powers that may now or hereafter be specifically conferred by statute, including, but not limited to, the authority to hire employees, staff, and services; to enter into contracts, including contracts with public and private parties; to acquire, own, sell, transfer, lease, and otherwise acquire or dispose of property; to grant concessions under terms approved by the District; to sue and be sued; to contract with the Seattle Convention & Visitors Bureau (the “Bureau”) or its successor in interest for marketing the WSCC and services; and to enter into contracts with a county for the purpose of exercising any powers of a community renewal agency under chapter 35.81 RCW. The District is authorized to do business as the “Washington State Convention Center.”

### **Transfer Agreement**

*General.* Pursuant to the Convention Center Act, the District has negotiated the terms of a Transfer Agreement with the State Treasurer pursuant to which all lands, facilities, equipment, assets, other interests in real, personal, and intangible property, and interests under contracts, leases, licenses and agreements of the public corporation that owned and operated the WSCC under the public corporation’s authorizing legislation, RCW 67.40.020, will be transferred to the District. A portion of the proceeds of the Bonds are to be delivered to the Office of State Treasurer of the State in satisfaction of the District’s obligations under the Convention Center Act and the Transfer Agreement to acquire the WSCC.

*Payment of Additional Lodging Taxes.* The Transfer Agreement also includes the terms under which the District will pay to the State all or a portion of the Additional Lodging Taxes collected annually. Commencing with the State’s 2012 fiscal year (July 1, 2011 through June 30, 2012) and annually for each State fiscal year thereafter until the expiration of the District’s authority to impose the Additional Lodging Taxes, the District is required to transfer to the State an amount equal to the revenues received by the District during such State fiscal year from the Additional Lodging Tax plus an interest charge calculated on one-half the amount of the Additional Lodging Tax times an interest rate equal to the average annual rate of return for the prior calendar year in the Washington state local government investment pool created in chapter 43.250 RCW. The District is required to pay this amount to the State on June 30 of each full State fiscal year during which the Additional Lodging Tax is collected.

The Transfer Agreement provides that in any State fiscal year during which the District is required to apply Additional Lodging Tax Revenues to the payment of principal and interest on obligations it issues or incurs and if the District is unable to pay to the State all or any portion of the annual repayment amount, the deficiency is deemed to be a “Repayment Deficiency Loan” from the State to the District for the purpose of assisting the District in paying such principal and interest and must be repaid by the District to the State.

The District is required to repay the State for each Repayment Deficiency Loan consistent with a repayment schedule proposed by the District and acceptable to the State Treasurer providing for full reimbursement of the principal amount of the Repayment Deficiency Loan plus any accrued interest over a term not to exceed the end of the State fiscal year five years after the State fiscal year for which each such Loan was incurred. Each Repayment Deficiency Loan is required to bear interest at a rate determined annually for each State fiscal year during which any Repayment Deficiency Loan is outstanding. The interest rate on any Repayment Deficiency Loan applicable during a State fiscal year is to be the average weekly twenty bond general obligation bond buyer index during the immediately preceding State fiscal year plus one percentage point, as calculated by the District, subject to confirmation of the State Treasurer. Such repayment is to have the same priority as the annual payment to the State. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Creation of Funds and Accounts; Flow of Funds.”

The Transfer Agreement provides that outstanding obligations, if any, to repay any loans deemed to have been made to the District as provided in any such agreements between the Treasurer and the District survive the expiration of the authority to impose the Additional Lodging Tax Revenues.

*Subordinate Priority WSCC Obligations.* Under the Transfer Agreement, the District has agreed with the State Treasurer that (for so long as the District is obligated to make annual payments of Additional Lodging Tax Revenues to the State), the District will not issue Subordinate Priority WSCC Obligations or Additional First Priority Bonds unless it delivers a certificate to the State Treasurer confirming that annual Regular Lodging Tax Revenues during a Base Period (as defined below) were at least equal to 125 percent of annual debt service on all First Priority Bonds and Subordinate Priority WSCC Obligations in each year following the issuance of the obligations proposed to be issued until the expiration of the District's authority to impose the Additional Lodging Tax. The Base Period shall consist of any 12-month period selected by the District out of the 24-month period next preceding the date of issuance of the obligations proposed to be issued. The certificate is required to be based upon the financial statements of the District for the Base Period, corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor's office of the State of Washington, or any successor to the duties thereof, or by an independent certified public accounting firm for the Base Period. In the event that the tax rate for the Regular Lodging Tax Revenues is increased in the future and such increase is pledged to the payment of the obligations proposed to be issued, then that increase may be reflected as if it had been fully collected during the Base Period.

### **Governance and Administration**

The District is a municipal corporation governed by a nine-member board of directors who establish and approve policy and budgets. The District's initial Board consists of the nine members of the Board who currently serve on the Board of Directors of the Washington State Convention Center public nonprofit corporation (the "Nonprofit Board"). The County Ordinance provides that the Nonprofit Board will continue as Board members of the District. Following the expiration of the terms of the initial members, three members must be nominated by the County Executive subject to confirmation by the County Council; three members must be nominated by the mayor of the City of Seattle subject to confirmation by the City Council; and three members must be appointed by the Washington State Governor. Initial board members will serve two-year terms or four-year terms, as designated by the Washington State Governor, who will also identify the board positions to which successors to initial directors are to be appointed by the City of Seattle and to which successors to the initial directors are to be appointed by the County. One of the Washington State Governor's appointments and one of the County's appointments must be representative of the lodging industry in the District and one of the City's appointments must be representative of organized labor; provided, however, these requirements do not apply to the initial board of the District.

The District's initial Board members are as follows:

***Frank K. Finneran, Chair***, was appointed to the Nonprofit Board in 1988, and served as Nonprofit Board treasurer from 1995 until becoming chairman in 2003. He is president and chief executive officer of Frank K. Finneran & Co., consultants to the hospitality industry. Mr. Finneran has more than 30 years of experience in hotel management, development and consulting. He is twice past president of the Washington State Hotel and Motel Association and a past president of the Seattle-King County Convention and Visitors Bureau. Mr. Finneran has received numerous honors for his contributions to the hotel industry and the community, including recognition as Washington's Hotelier of the Year.

***Deryl Brown-Archie, Vice Chair***, joined the Nonprofit Board in 2000 and became vice chair in 2003. She is a tribal attorney for the Muckleshoot Indian Tribe, focusing on business operations. Ms. Brown-Archie spent several years as corporate counsel in the insurance industry including serving as General Counsel for KPS Health Plans and Deputy General Counsel for Premera. Her civic involvement has included the Municipal League of King County, service as past president of the Seattle Women's Commission, and past president of the Loren Miller Bar Association. Affiliations include The Links, Inc. of Greater Seattle, the Junior League of Seattle, Association of Blacks in Healthcare, NAACP, Urban League and Washington Society of Health Care Attorneys.

***Robert J. Flowers, Treasurer***, was appointed to the Nonprofit Board in 1996. Mr. Flowers had a 34-year career with Washington Mutual, which began as a loan representative and ended with his retirement in January 2005 as Senior Vice President of Community Lending and Investment. Mr. Flowers has been involved in public and community affairs on a national, regional and local basis. He is a founder/director of Plaza Bank of Washington, serves on the board of AAA of Washington and is treasurer of Seattle Children's Hospital Board. Mr. Flowers is

currently board chair of KCTS Television and recently completed a term on the PBS Board of Directors where he served as vice chairman. Other civic activities include the Seattle Sports Commission and serving as president of the African American Heritage Foundation.

***Rick Bender***, was appointed to the Nonprofit Board in 1995. Mr. Bender was elected President of the Washington State Labor Council (“WSLC”), AFL-CIO, in March of 1993. He previously served as a WSLC Vice President, as Executive Secretary of the King County Labor Council and was Executive Secretary of the Seattle Building and Construction Trades Council. Mr. Bender was a State Legislator from 1973 to 1991, serving ten years in the House and eight years in the Senate. Mr. Bender is a member of Laborers Union Local 242. A veteran of the Vietnam War, he was awarded the Bronze Star for his service in that conflict.

***Susana Gonzalez-Murillo***, was appointed to the Nonprofit Board in 2003. Ms. Gonzalez-Murillo is a vice president at U.S. Bank, serving as country manager for Latin America, Canada, Spain and Portugal. She has worked in the local banking industry since 1979, joining U.S. Bank’s International Banking Division in 1993. She is the Past President of the U.S./Mexico Chamber of Commerce and was a board member of the Centro Mexicano of the state of Washington. Ms. Gonzalez-Murillo has served as a board member of the World Trade Club in Seattle and the Mayor’s Sister City Council. She has also been involved with the Hispanic Chamber of Commerce, Women in International Trade, Green River Community College’s business department advisory board and is a past president of the Northwest Letter of Credit Committee.

***Jerome L. Hillis***, was appointed to the Nonprofit Board in 2003. Mr. Hillis began his career in Washington, D.C. with the United States Justice Department. In January 1969, he started his own law firm and began focusing his practice on real estate, land use and environmental law. Mr. Hillis has coordinated real estate and land use issues involving numerous large development projects. Mr. Hillis is a past president and member of the board of trustees at Whitman College and has been active in several professional and community organizations, including the Washington State Independent College Associations, the Pacific Real Estate Institute, the Downtown Seattle Association and the Municipal League board of trustees.

***J. Terry McLaughlin***, was appointed to the Nonprofit Board in 2004. He served as Executive Vice President with the Basketball Club of Seattle for twelve years, before retiring in 2008. Mr. McLaughlin's duties with the club included managing administrative functions, government relations, human resources, information technology, Key Arena operations, concessions and retail. Prior to joining the Sonics and Storm, he was the Deputy Director of the Seattle Center. He is a past member of the board of directors of the Seattle-King County Convention and Visitors Bureau and a current member of the board of directors for the Seattle Aquarium Society.

***Harry Sladich***, was appointed to the Nonprofit Board in 2009. Mr. Sladich serves as Executive Vice President of Sales and Marketing for Red Lion Hotels Corporation and is a member of the corporation's senior management team. A native of Spokane, Mr. Sladich has been a participant in the hospitality industry since 1979, when he began his career at the former Sheraton Hotel in Spokane. Mr. Sladich served as President and Owner of Hospitality & Services Marketing, until its merger with GuestMark International. He became Vice President of Sales and Marketing for Sterling Hospitality Management before being named in 2005 as President and CEO of the Spokane Regional Convention and Visitors Bureau.

***Karen Wong***, was appointed to the Nonprofit Board in 2000. Ms. Wong is a retired general counsel for United Savings and Loan Bank. She is active in bar activities at the American Bar Association, Washington State Bar Association, and King County Bar Association and was an officer and board member of Washington Women Lawyers. She is a co-founder of the Asian Bar of Washington. Ms. Wong serves on the Virginia Mason Medical Center board of governors and as a member of the Law Fund Board. She is a member of the Rotary Club of Seattle, Seattle Art Museum Guild and the Rainier Club.

The executive staff members are as follows:

***John Christison, CFE, CMP, President/Chief Executive Officer***, has served as President and General Manager of the WSCC for twenty years. He previously held the position of Director of the Orlando Centroplex where he had responsibility for the Citrus Bowl Stadium, Orlando Expo Center, Bob Carr Performing Arts Center, Ben White Raceway, Tinker Field Baseball Stadium and the Orlando Arena. He also served as General Manager of the

Portland Memorial Coliseum and Civic Stadium in Portland, Oregon, and as the Assistant Director of the Tucson Convention Center. Mr. Christison is a graduate of the University of Arizona, with a B.S. in Public Administration. He is Past Chair of the World Council for Venue Management, Chair Emeritus of the Asia Pacific Exhibition & Convention Council (APECC), and is a Past President of the International Association of Assembly Managers (IAAM). Mr. Christison is also the recipient of IAAM's Charles McElravy Award. He has served as an adjunct professor for both the University of Central Florida and Washington State University's Schools of Hotel and Restaurant Management. He is also a principal in the consulting firm of Buckley-Christison, a firm specializing in the operation and management of Public Assembly Facilities.

**Linda Willanger, Vice President Administration/Assistant General Manager**, has served as Vice President Administration and Assistant General Manager for the WSCC since 2007. Her employment with the WSCC began in 1985, prior to construction of the original facility. She previously held positions as Director of Executive Services, Executive Assistant to the President, and Manager of Event Services. Ms. Willanger has a Masters degree in Organizational Management, a B.A. in Business Education and has taught Convention Facility Management as an adjunct professor for Washington State University. She has also completed courses at the IAAM Public Assembly Facility Management School and the Cornell University School of Hotel Administration. She is a member of the International Association of Assembly managers and serves as Chair of the Region IV Foundation Committee.

**Ed Barnes, CMP, Vice President Operations**, is the Vice President of Operations for the WSCC, with more than twenty years experience in the convention and entertainment industry. In his current role he directs the event management, set-up, custodial, public safety and plant services divisions of the WSCC. He has been a guest speaker for industry associations such as International Association of Exhibitions and Events, Professional Convention Management Association and the Association for Convention Operations Management. Mr. Barnes currently serves on the Diversification Committee of the IAAM. Recent community volunteer activities include Habitat for Humanity, Danny Woo Community Garden and the Riverview School District. His previous industry experience includes event management and systems administration at the Anaheim Convention Center and the Long Beach Convention and Entertainment Center in California.

**Chip Firth, Director of Finance**, has served as Director of Finance (formerly known as "Chief Financial Officer") for the WSCC since 1998. His employment with WSCC began in 1988 in the position of Controller. As Director of Finance, he is responsible for all budgeting, accounting, finance, and parking garages for the Convention Center. Prior to joining the WSCC he was employed as regional accounting manager with Amfac Supply Company and as a staff accountant with Cooper and Lybrand. Mr. Firth holds a B.A. in business administration and completed the IAAM Public Assembly Facility Management School. He is past president of the Greater Puget Sound Hospitality Financial & Technology Professionals and is a member of the Government Finance Officers Association, Washington Finance Officers Association, Washington Municipal Treasurers Association and the International Association of Assembly Managers.

**John Ryan, General Counsel**, serves as General Counsel to the Washington State Convention Center Public Facilities District. This is a new position for Mr. Ryan as of August 2010. However, he previously represented the Washington State Convention and Trade Center as its assigned Assistant Attorney General for approximately 3 years from 1993 to 1996. Mr. Ryan has been serving as in-house counsel for Toy Investments Inc. of Sumner, Washington, a leading toy and novelty distributor, with special emphasis on employee relations, international trade, business law and intellectual property law. As an Assistant Attorney General, Mr. Ryan served for ten years in the Special Litigation Division where his special emphasis included representing three revenue bond issuers and a certification in economic development finance, as well as providing legal counsel to a variety of state agencies, boards and commissions. He has served as President of the Kent Washington Chamber of Commerce and has held various executive positions, including President of the Emerald City Football Club. Mr. Ryan graduated from the University of Puget Sound School of Law (now known as Seattle University Law School) in 1983 with a Juris Doctor degree. He received his Bachelor of Arts degree from the University of Washington in 1980.

## Employees

The table below identifies the number of employees of the WSCC for fiscal years 2006 through 2010. Full-time classification is any employee who is regularly scheduled 40 hours per week. Part-time classification is any employee who is regularly scheduled to work at least 20 hours per week, but fewer than 35 hours per week. On-call classification is any employee who is intermittently scheduled on the basis of WSCC events and/or facility needs.

### WSCC Employees

<u>Year (1)</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>On-Call</u>	<u>Total</u>
2010	123	2	112	237
2009	127	2	120	249
2008	126	3	127	256
2007	125	3	128	256
2006	118	3	123	244

- (1) The State of Washington and Washington State Convention Center public nonprofit corporation fiscal year is July 1 through June 30, and this table reflects the July 1 through June 30 fiscal years. The District's fiscal year will be January through December.

*Source: The District.*

## Bargaining Groups

Upon the Transfer Date, by assignment the District will have one labor agreement with the Washington State Convention and Trade Center Labor Council (the "Council"), comprised of nine unions. Each union represents its own members and negotiates with the District as a member of the Council. The agreement between the District and the Council expires July 31, 2012. During the past 22 years during which District-Council agreements have been maintained and negotiations conducted, no work stoppages or strikes have occurred.

## Budgeting

The WSCC managers prepare the proposed annual budget along with the Vice Presidents for Operations and Administration, Director of Finance and the President/Chief Executive Officer.

The proposed annual target budget covers the upcoming January through December fiscal year and is prepared using guidelines in sufficient detail to enable the WSCC Board Finance Committee to determine whether the projected revenues and expenses are reasonable and the budget can be brought before the Board of Directors for approval. The budget includes the prior, current and projected budget including actual and anticipated revenues and expenditures.

Budgets are to be approved by the Board annually. The District is to use a calendar fiscal year, which is a departure from the State Agency fiscal year of July through June.

## Accounting and Auditing

Since its development began in 1982, the WSCC has been owned and operated by the nonprofit corporation, an instrumentality of the State. The Office of the State Treasurer acts on behalf of the nonprofit corporation in all activities involving management of cash and investments (other than private contributions the WSCC receives for promotional hosting, which are held by the WSCC in a separate account under the control of the Nonprofit Board). The WSCC funds and accounts are included in the State's Combined Annual Financial Report (the "CAFR"), Combining and Individual Fund Financial Statements for Non-Major Enterprise Funds, which is reported on an accrual basis. The State auditor audits the WSCC in conjunction with the other State agencies but does not render a separate opinion on the WSCC financial statements.

The WSCC staff also prepares annual reports of the nonprofit corporation that include separate, unaudited financial statements. Copies of unaudited financial reports for the nonprofit corporation's fiscal years ended June 30, 2009 and

2010 are included in this Official Statement as Appendix F. As described in Note 1 to each of the reports, the financial statements included in the reports are prepared by the WSCC's internal accounting system, which differs from the State-mandated payroll and accounting system. The financial statements also differ from the financial statements the District will be required to prepare as a municipal corporation.

As a municipal corporation, the District will be required to report financial statements using the State of Washington BARS financial codes and will be subject to audit by the State Auditor's Office. The District's Board of Directors intends also to employ a firm of independent public accountants to be selected by the District to audit the District's 2011 and future financial statements.

The Director of Finance of the District is to be responsible for preparing the District's financial statements. Because the District was formed in July 2010, the District does not have historical financial statements. The District's financial statements are to be prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. As required by GAAP, the financial statements are to be presented, in most respects, on a basis applicable to proprietary funds of governmental units. The account records of the District are to be maintained in accordance with methods prescribed by the State Auditor under the authority of chapter 43.09 RCW. The District is to be required to use the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Fixed asset purchases are to be capitalized and long term liabilities are accounted for in the appropriate funds. The District's financial statements are to include financial position, results of operations, and statement of cash flows of all enterprise operations which the District manages. The financial statements are to include, as well, the assets and liabilities of all funds for which the District has a custodial or trust responsibility.

### **Investments**

The District has adopted an investment policy that is to apply to all financial assets of the District. The policy was adopted by resolution of the Board. The intent of the investment policy is that all funds shall be invested in accordance with all federal, state and local governing statutes and that investments shall be made with the judgment and care which persons of prudence, discretion and intelligence would exercise, not for speculation but for the safety of capital and probable income. The primary objectives of the District's investment activities, in order of priority, are as follows:

- **Safety:** Safety of the principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- **Liquidity:** The investment portfolio will remain sufficiently liquid to enable WSCC to meet all operating requirements, debt payments and capital purchases which might be reasonably anticipated.
- **Return on Investment:** The portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Eligible investments are only those securities and deposits specifically authorized by state law.

### **Insurance**

The District has property and casualty insurance through Factory Mutual Insurance Company of Rhode Island through July 1, 2011 as follows: \$426 million dollars in total coverage for its facilities and operations including earthquake, flood and terrorism coverage. The total combined maximum deductible is \$250,000.

### **Employee Retirement Savings Plan**

The District has undertaken to offer a qualified retirement savings plan to its employees through the Standard Retirement Service Inc. that includes both a "401(a)" feature and "457" feature. Under the plan, participants can



elect to defer compensation up to the legal limit into the 457 account, and the District can make matching contributions and profit sharing contributions for participants into the “401(a)” account. The plan includes typical elements such as loans, participant fund management, and hardship withdrawals.

## **THE WASHINGTON STATE CONVENTION CENTER**

### **History**

In 1982, with the support of the Washington State Legislature, the Washington State Convention Center public nonprofit corporation was established to acquire land and to design, construct, promote and operate the WSCC. A site adjacent to and over Interstate 5 (“I-5”) at 800 Convention Place in Seattle was selected, and initial construction began in the fall of 1985. The WSCC’s first scheduled event took place on June 18, 1988. In 1992, the WSCC converted unused space into retail space, meeting rooms and an additional ballroom. Due to increased demand, the WSCC was expanded in July 2001 effectively to double the available event space. The WSCC is located in downtown Seattle within walking distance of regional and local transit, hotels, restaurants, retail, education, residential and entertainment facilities.

### **WSCC Services**

WSCC is a multi-use event, convention, exhibit, trade show, meeting space, parking and retail facility. The WSCC spans ten lanes of I-5 in downtown Seattle and features award-winning architecture, as well as a major art program. The WSCC is ranked 57<sup>th</sup> nationally in exhibit hall square feet, which is consistent with the mid-size convention center marketplace.

*Facility Rental Space.* WSCC provides 205,700 square feet of dedicated heavy-load exhibit space that is divisible into six halls and accommodates up to 965 10'x 10' booths and provides 20 covered bays at two loading docks; 45,000 square feet of carpeted ballroom space, divisible into four separate ballrooms; 57,000 square feet of carpeted meeting space, divisible into 61 meeting rooms; and four separate and independent registration lobbies. Staff at WSCC provide event planning, staffing and staging services, equipment rentals, and catering services. See “Convention Center Activity” below.

The newest meeting and event facility at WSCC, The Conference Center opened in July 2010 and features 71,000 square feet of meeting, exhibit, banquet and pre-function space; up to 17 flexible, fully carpeted meeting rooms; the ability to connect to 205,700 square feet of heavy load exhibit space; meeting rooms equipped with adjustable lighting, built-in sound system and programmable LCD screens at the entrances; complete sound separation between rooms; full service, on-site food and beverage service; freight elevator with 20,000 pound capacity to facilitate move in/move out; and wireless internet throughout.

Facility/building rent revenue for the fiscal year ended June 30, 2010 was \$4,075,000.

*Parking Facilities.* The WSCC operates two covered parking garages that adjoin each other and the facility. The two parking garages can accommodate approximately 1,490 vehicles. The parking facilities are managed by WSCC staff. WSCC parking is located in close proximity to two I-5 exits and is accessible from the eastside of the freeway. In the fiscal year ended June 30, 2010, gross parking revenues were approximately \$3,859,000.

*Retail Space.* The WSCC facilities include 22 retail spaces, which are leased to commercial tenants under a standardized lease document. The WSCC acts as its own property manager for the tenancies. Most of the tenants are long-term, with several ranging back 15 years or more. The retail offerings are primarily services, especially food and beverage, with a smaller number of merchandise sellers. Retail revenues in the fiscal year ended June 30, 2010 totaled \$678,152.

*Facility Services.* Three independently contracted vendors provide in-house technical services for the WSCC meeting and trade show clients. These services include audio visual (Audio Visual Factory), telecommunications, connectivity and internet (Convention Communication Provisioners, Inc.), electrical services (Edlen Electric Exhibition Services), in-house staffing and other services. Net revenues from facility services totaled approximately \$1,906,000 in the fiscal year ended June 30, 2010.

*Food Service.* WSCC also provides clients with catering and event food services. Such services are provided by the center's on-site Executive Chef and Culinary Institute of America trained culinary staff. The WSCC is known for its service and catering and was the winner of the 1999 National Association of Catering Executives Award for top catering in the United States. Net food service revenue totaled approximately \$4,595,000 in the fiscal year ended June 30, 2010.

*Security.* WSCC also has security personnel within the facility 24 hours per day, and video-monitoring systems placed throughout the exhibit areas, lobbies, galleries and building exterior.

Upon the Transfer Date, by assignment the District will hold the contracts for its parking facilities, retail space, facility services, food services, and security.

## **Sales and Marketing**

*Relationship between the District and the Seattle Convention & Visitors Bureau.* Upon the Transfer Date, by assignment the District will enter into a contractual relationship with the Bureau to provide marketing, promotion and long term sales activities for the District. A similar contractual relationship has been in effect between the Bureau and the WSCC for more than twenty years. The District determines on an annual basis a budget for the sales, marketing and promotion functions and negotiates a scope of work with the Bureau. The Bureau historically has reported and has agreed to continue to report on its activities to the District's Board of Directors on a monthly basis. The Board uses a variety of metrics to quantify the Bureau's performance, including number of bookings generated, hotel rooms generated from those bookings, economic impact of booked business, and the value of revenue to the WSCC from these bookings.

*Bureau Marketing Strategy and Competition.* At the direction of the District, the Bureau engages in a strategic marketing and sales effort for the District. The District establishes specific high-yield associations as its prime targets for convention booking. These associations include medical, scientific, and high-tech groups that typically generate more facility revenue and hotel occupancy and tax revenues. An additional focus is major corporate events for Seattle-area companies such as Microsoft, T-Mobile and Starbucks. The Bureau employs a group of professional sales people who specialize in these segmented markets. The Bureau also employs offices in Washington, D.C. and Chicago, where many of these associations are based. The key competition for the WSCC are major convention centers in western United States and Vancouver, British Columbia, including convention centers in Anaheim, San Diego, San Francisco, Salt Lake City, Denver, Portland and Vancouver, B.C. (also described in this Official Statement as the WSCC's "competitive set"). According to an annual study conducted by PriceWaterhouseCoopers, the WSCC books an average of 42 city-wide conventions per year. This average is substantially greater than the national average for similar convention centers.

## **Convention Center Activity**

WSCC hosted 423 events in the fiscal year ended on June 30, 2010, drawing a total of 393,576 attendees and providing approximately \$4,075,000 in gross building rent revenues. Delegate spending during their days in the District is estimated at approximately \$227 million. The largest convention ever held at the WSCC was the Alcoholics Anonymous convention with 45,000 attendees in 1990. The largest local tradeshow attendance of 90,000 was the Flower and Garden Show in 1993. In terms of generating the most room nights, the top ten conventions and trade shows in fiscal year 2010 used more than 129,700 total room nights.

Over the past five years, WSCC on average has hosted over 525 events per year, with an average of 42 city-wide conventions per year and an average delegate attendance for the past ten years of 3,750 per convention. The WSCC estimates that it annually has generated over 330,000 room nights as a result of convention and corporate events. According to a 2008 benchmarking study conducted by an independent third party, Eagle Teams, the WSCC produces more revenue per attending delegate and more revenue per rentable square feet than any other member of its competitive set, as identified above. The estimated economic impact from delegate spending on an annualized basis has averaged \$246.5 million over the past five years.

The WSCC's mix of convention business is approximately 80 percent professional associations and 20 percent corporate associations.

The fiscal years 2010 and 2009 were very difficult years for the entire hospitality industry. The WSCC, like most convention centers around the country, saw a noticeable trend of fewer events, lower attendance and less spending, because of the troubled economy. Although these decreases in several performance metrics were troubling, the WSCC did fare better than many centers during this same time period. During the first quarter of fiscal 2011 (July – September 2010), the WSCC has experienced an increase in business, attendance and spending of approximately 5 percent, which also appears to be a national trend in the convention industry.

The following chart shows actual events and attendance by fiscal year.

<b><u>Actual Events (1)</u></b>		
<b>Fiscal Year</b>	<b>Actual Number of Events</b>	<b>Number of Attendees</b>
2010	423	393,576
2009	474	430,771
2008	671	482,768
2007	601	398,555
2006	566	497,453
2005	507	398,684

(1) By Fiscal Year ended June 30.

Source: The District.

The following major events were held at the Convention Center during the fiscal year ended June 30, 2010:

<b><u>Major Events</u></b>	
<b>Meeting Name</b>	<b>Attendance</b>
Penny Arcade Expo	60,000
Northwest Flower & Garden Show	56,212
Asian NW Cultural Education Ass'n	18,218
Emerald City ComiCon	17,000
National College Fair	10,090
American Veterinary Medical Association – 2009 Annual Convention	9,488
Seattle SkiFever & Snowboard Show	9,346
Seattle Wedding Show	9,100
Pacific NW Dental Conference	8,500
NW Foodservice Show	8,000
Winter Gift Show	8,000
Microsoft – TechReady	7,414

Source: The District.

Currently, approximately 825 events are booked or are tentatively scheduled to be held from calendar years 2010-2013. These events are projected to include 1,398,002 attendees. 127 firm city-wide conventions are currently booked for future years with an estimated 1,640,000 room nights to be used. The following future major events are tentatively scheduled to be held at the WSCC:

### **Future Major Events**

<u><b>(Calendar) Fiscal Year</b></u>	<u><b>Meeting Name</b></u>	<u><b>Estimated Attendance</b></u>
2011	Lions Club	15,000
Annually	Asian NW Cultural Education Ass'n	18,500
Annually	Flower & Garden Show	55,100
Annually	Seattle Gift Show	22,000
2013 & 2019	American Librarian Ass'n	12,000
Annually	Penny Arcade Expo	60,000
2013 & 2016	Ass'n Research Vision & Ophthalmology	11,000
2011	Ass'n Computing Machinery / Institute	10,000
	Electrical Electronic Engineers	
2013	American Library Ass'n Mid-Winter Meeting	12,000
2013	Int'l Microwave Symposium	12,000
2014	American Osteopathic Association	9,000
2015	Nat'l Conference State Legislator	6,500
	Legislative Summit	

*Source: The District.*

### **Improvements to the WSCC**

*Capital Improvement Plan.* The District has identified numerous projects that it plans to undertake using the proceeds of the 2010 Bonds, both to maintain the facility and to keep the WSCC current with its competition. The list below is a summary of the current capital program for the next two years. The District utilizes a computer program to manage its capital assets. This software tracks useable life, scheduled repair and maintenance and renovation programs.

#### **Summary of 2011-2012 Planned Capital Improvement Program**

<u><b>Planned Capital Improvement</b></u>	<u><b>Projected Cost</b></u>
Update Fire/Life/Safety system	\$ 2,500,000
Signage Conversion	1,190,000
Renovations of Pathway between Parking Garage and Conference Center	80,000
Renovation Service Corridor	65,000
Renovations to Exhibit hall 4ABCEF	2,235,000
Renovation of 6 <sup>th</sup> Floor ballroom	3,225,000
Renovation of 6 <sup>th</sup> Floor lobbies and meeting rooms	3,505,000
Renovation of Galleria meeting and rest rooms	4,605,000
Lobby carpet	735,000
Concrete replacement	150,000
Scheduled refurbishment section of HVAC	120,000
Glass replacement	375,000
Purchase of chairs, tables & powered equipment	2,200,000
Wireless door locks	450,000
<b>Total</b>	<b><u>\$21,435,000</u></b>

*Source: The District.*

*Expansion.* The Board has considered potential additional improvements and expansion of the WSCC, but as of the date of this Official Statement has taken no formal action approving any future expansion or addition. Early due

diligence work indicates that there is a market for expanded facilities but no additional planning work has been undertaken due to economic conditions. If the District were to consider future expansion, it would be necessary to undertake considerable due diligence efforts, including re-visiting market demand, costs of construction, revenue streams required to support debt service and a myriad of other considerations. The District's present focus is the current change in governance and placing the District in a superior financial position.

*Previous Use of Certain WSCC Reserves.* During the past two years, the WSCC has supported tourism through a transfer of reserves equal to \$9 million to the State Tourism office. In addition, the WSCC has assisted in the financing of 1,300 units of low income housing. Most significantly, the State utilized \$66 million of WSCC fund reserves in order to balance the State's budget during the 2009-2010 biennium. No such transfers are required or will be made in the future.

## **HOSPITALITY INDUSTRY WITHIN THE DISTRICT**

The hospitality industry that services the business traveler, conventioner and tourist is one of the County's (whose boundaries are coterminous with the District) core industries and is a major source of jobs and income. The following table indicates the volume of visitors annually during the period from calendar years 2005 through 2009.

### **King County Visitor Volume 2005 — 2009**

Year (1)	Number of Visitors
2009	8,800,000
2008	9,300,000
2007	9,500,000
2006	9,400,000
2005	9,100,000

(1) Calendar year.

*Source: Dean Runyan, Associates for Seattle Convention & Visitors Bureau.*

In 2009, an estimated 8,800,000 people visited the District (whose boundaries are coterminous with King County), including 6,860,000 domestic visitors and 1,940,000 international visitors. Visitors are attracted to King County not only to do business with federal and international governmental agencies and regional businesses, but also to visit the historic sites, museums, and other major cultural attractions. According to the Bureau, approximately 66 percent of major downtown hotel business is transient business (business, international business and tourism) and 34 percent is related to meetings and conventions, with WSCC groups making up about 14 percent of the total.

The number of visitors to the District is projected to increase in future years. The following chart shows the total number of persons projected to visit the District each year from calendar years 2010 through 2014.

### **Total Visitation to King County Projected 2010 to 2014**

	International	Domestic	Total
2010	1,812,800	7,321,600	9,134,400
2011	1,867,184	7,687,680	9,554,864
2012	1,923,199	7,995,187	9,918,386
2013	1,961,663	8,235,042	10,196,705
2014	2,000,896	8,482,094	10,482,990

*Source: Seattle Convention & Visitors Bureau.*

**Ten Largest Hotels in Downtown Seattle by Number of Rooms  
Calendar Year 2010**

<b>Hotel</b>	<b>Number of Rooms</b>
Sheraton Seattle Hotel	1,258
The Westin, Seattle	891
Renaissance Seattle Hotel	553
The Fairmont Olympic Hotel, Seattle	450
Grand Hyatt, Seattle	425
W, Seattle	424
Crowne Plaza Hotel, Seattle	415
Seattle Marriott Waterfront	358
Hyatt at Olive 8	346
Red Lion Hotel On Fifth Avenue, Seattle	297

*Source: The District.*

Hotels use benchmarks that include average daily room rate (“ADR”) per occupied room. The ADR calculation is room revenue for the period divided by the number of rooms occupied. Room occupancy is another common benchmark and is the number of rooms occupied during the period, including transient, permanent, and complimentary rooms. Revenue per available room (“RevPAR”) is the average daily room revenue per available room. The calculation is room revenue for the period divided by the number of rooms available for sale.

The Seattle market has performed competitively with respect to ADR in comparison to many other cities in its competitive set (cities located in the western United States plus Vancouver, B.C. considered to be competitive with Seattle as travel destinations). According to Smith Travel Research, Inc., an industry analyst, in August 2010 (the most recent month for which data is available), the Seattle market had an ADR of \$165.29 for downtown hotels.

The seven other cities in the Seattle competitive set have an average August ADR of \$130.93. The table below sets out the August 2010 and August 2009 ADR for hotels in the Seattle competitive set.

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**Seattle Competitive Set  
August 2010 and 2009**

<b>Area</b>	<b>Occupancy %</b>		<b>ADR (1)</b>		<b>RevPAR (2)</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Seattle, Washington	81.4 %	77.4 %	\$ 118.34	\$ 114.12	\$ 96.31	\$ 88.30
King County, Washington	81.7	78.0	123.41	118.40	100.76	92.37
Seattle Downtown	88.2	83.9	165.29	157.48	145.77	132.14
Seattle BIA (3)	88.4	83.7	160.32	152.96	141.67	128.09
Anaheim, California, including Disneyland	77.8	70.0	109.40	103.22	85.10	72.24
San Diego, California	78.8	75.2	133.59	131.10	105.23	98.59
San Diego Downtown	83.4	79.9	161.88	156.21	134.99	124.76
San Francisco/San Mateo, California	88.5	84.5	138.41	127.69	122.51	107.90
San Francisco – Market Street	91.6	87.3	152.38	139.68	139.63	121.95
Denver, Colorado	73.0	66.9	95.17	89.78	69.49	60.07
Denver Downtown	76.1	69.4	138.46	124.39	105.35	86.38
Portland, Oregon	76.8	70.6	95.97	92.76	73.73	65.52
Salt Lake City-Ogden, Utah	72.1	64.2	85.38	80.27	61.52	51.50
Vancouver, British Columbia Downtown	88.8	88.3	173.25	160.27	153.90	141.53

(1) Average Daily Room Rate Per Occupied Room.

(2) Average daily room revenue per available room – room revenue for the period divided by the number of rooms available for sale.

(3) “BIA” means Business Improvement Areas.

Source: *Smith Travel Research, Inc.*

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The following table illustrates the historical performance of hotels in the Seattle market by average daily room rate and occupancy.

### Hotel ADR and Occupancy (1)

Calendar Year	Location within King County	ADR (2)	Occupancy (%)	RevPar (3)
2010 (4)	Downtown Seattle	\$ 150	74.0%	\$ 111
	Seattle/Tacoma Airport	95	87.1	83
	Bellevue and Eastside	134	76.3	102
2009	Downtown Seattle	154	69.5	107
	Seattle/Tacoma Airport	95	66.9	64
	Bellevue and Eastside	137	57.7	79
2008	Downtown Seattle	173	76.3	132
	Seattle/Tacoma Airport	107	73.9	79
	Bellevue and Eastside	157	66.8	105
2007	Downtown Seattle	164	77.0	126
	Seattle/Tacoma Airport	103	74.4	76
	Bellevue and Eastside	145	71.4	103
2006	Downtown Seattle	158	76.9	122
	Seattle/Tacoma Airport	94	73.4	69
	Bellevue and Eastside	134	69.8	93

(1) Information in this table reflects a separate source from figures in the preceding table and the results of the two studies are not identical.

(2) Average Daily Room Rate Per Occupied Room.

(3) Average daily room revenue per available room – room revenue for the period divided by the number of rooms available for sale.

(4) Average, January through August 2010.

Source: "Trends In The Hotel Industry" by Wolfgang Rood Hospitality Consulting.

## FINANCIAL INFORMATION

### Historical Financial Results

Since its development began in 1982, the WSCC has been owned and operated by the nonprofit corporation, an instrumentality of the State. The Office of the State Treasurer acts on behalf of the nonprofit corporation in all activities involving management of cash and investments (other than private contributions the WSCC receives for promotional hosting, which are held by the WSCC in a separate account under the control of the Nonprofit Board). The WSCC funds and accounts are included in the State's Combined Annual Financial Report (the "CAFR"), Combining and Individual Fund Financial Statements for Non-Major Enterprise Funds, which is reported on an accrual basis. The State auditor audits the WSCC in conjunction with the other State agencies but does not render a separate opinion on the WSCC financial statements.

The WSCC staff also prepares annual reports of the nonprofit corporation that include separate, unaudited financial statements. Copies of unaudited financial reports for the nonprofit corporation's fiscal years ended June 30, 2009 and 2010 are included in this Official Statement as Appendix F. As described in Note 1 to each of the reports, the financial statements included in the reports are prepared by the WSCC's internal accounting system, which differs from the State-mandated payroll and accounting system. The financial statements also differ from the financial statements the District will be required to prepare as a municipal corporation.

The following table presents a summary of revenues and expenses for the WSCC for Fiscal Years ended June 30, 2006 through 2010. The summaries for each of these Fiscal Years have been excerpted from the unaudited financial statements of the Washington State Convention Center public nonprofit corporation. The District's fiscal year will be the calendar year. See "Appendix F."



**Washington State Convention Center Public Nonprofit Corporation**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**(Dollars in Thousands)**

**Fiscal Years Ended June 30**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Total Operating Income</b>	<b>\$17,490</b>	<b>\$18,035</b>	<b>\$16,602</b>	<b>\$17,767</b>	<b>\$15,117</b>
Non-Operating Income					
Regular Lodging Tax	40,446	45,770	50,305	46,764	41,448
Additional Lodging Tax	<u>9,068</u>	<u>10,224</u>	<u>11,159</u>	<u>10,489</u>	<u>9,362</u>
<b>Total Non-Operating</b>	<b>49,514</b>	<b>55,994</b>	<b>61,464</b>	<b>57,253</b>	<b>50,810</b>
<b>Income</b>					
<b>Total Income</b>	<b>\$67,004</b>	<b>\$74,029</b>	<b>\$78,066</b>	<b>\$75,020</b>	<b>\$65,927</b>
Operating Expenses					
Personnel Costs	\$8,914	\$9,596	\$10,515	\$10,910	\$10,739
Marketing	5,652	5,704	6,935	6,704	5,944
Professional Services	4	115	29	166	174
Non-Capital Equipment	90	27	65	44	15
Goods and Services	5,204	5,525	6,749	5,316	4,998
Travel	<u>11</u>	<u>27</u>	<u>26</u>	<u>6</u>	<u>12</u>
<b>Total Operating Expenses</b>	<b>19,875</b>	<b>20,994</b>	<b>24,319</b>	<b>23,146</b>	<b>21,882</b>
Non-Operating Expenses					
Depreciation Expenses	8,410	8,368	8,321	8,227	8,204
Bond Interest Expense (1)	<u>19,654</u>	<u>18,826</u>	<u>12,810</u>	<u>16,139</u>	<u>16,340</u>
<b>Total Non-Operating</b>	<b>28,064</b>	<b>27,194</b>	<b>21,131</b>	<b>24,366</b>	<b>24,544</b>
<b>Expenses</b>					
<b>Total Expenses</b>	<b>\$47,939</b>	<b>\$48,188</b>	<b>\$45,450</b>	<b>\$47,512</b>	<b>\$46,426</b>
<b>Net Income</b>	<b>\$19,065</b>	<b>\$25,841</b>	<b>\$32,616</b>	<b>\$27,508</b>	<b>\$19,501</b>

- (1) Represents interest on the State's outstanding bonds and certificates of participation attributed to the WSCC. These bonds and certificates are to be called for redemption and/or defeased by the State after the Transfer Date.

Source: The District.

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## **REPORT OF THE INDEPENDENT CONSULTANT**

PKF Consulting, San Francisco, California (the “Independent Consultant”) has prepared its Report of the Independent Consultant dated as of October 26, 2010 (the “Independent Consultant’s Report”), which is included in Appendix E. In preparing its report the Independent Consultant relied upon its existing general knowledge of the Seattle and King County lodging market, additional interviews with hotel managements and a review of market performance of top Lodging Tax-producing hotels and many other smaller hotels located throughout King County. For a more detailed summary of the methodology utilized by the Independent Consultant, see the “Methodology” section of the Report.

**THE INDEPENDENT CONSULTANT’S REPORT SHOULD BE READ IN ITS ENTIRETY FOR AN UNDERSTANDING OF THE FINDINGS, UNDERLYING ASSUMPTIONS AND PROJECTIONS. ANY PROJECTION IS SUBJECT TO UNCERTAINTIES. INEVITABLY, SOME ASSUMPTIONS USED TO DEVELOP PROJECTIONS WILL NOT BE REALIZED AND UNANTICIPATED EVENTS AND CIRCUMSTANCES MAY OCCUR. THEREFORE, THERE ARE LIKELY TO BE DIFFERENCES BETWEEN PROJECTIONS AND ACTUAL RESULTS, AND THOSE DIFFERENCES MAY BE MATERIAL. SEE APPENDIX E—“REPORT OF THE INDEPENDENT CONSULTANT.”**

### **HISTORICAL AND PROJECTED FINANCIAL INFORMATION**

The following table shows historical debt service coverage of the District for the fiscal years ended June 30, 2006 through 2010 and projected Lodging Tax Revenues for calendar years 2011 and 2012. The historical results utilize historical Lodging Tax Revenues and estimated maximum annual debt service on the Bonds to calculate debt service coverage. The projected results are based upon Lodging Tax Revenues projections by the Independent Consultant. For a description of certain assumptions, see the Report of the Independent Consultant in Appendix E. Changes in these assumptions can have material effects on the projected financial performance.

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**Washington State Convention Center  
Historical and Projected Debt Service Coverage  
Based on Bonds Maximum Annual Net Debt Service (1), (2)  
(Dollars in Thousands)**

	Fiscal Year Ending June 30					Fiscal Year Ending December 31	
	2006	2007	2008	2009	2010	Projected 2011	Projected 2012
Regular Lodging Tax	\$40,446	\$45,770	\$50,305	\$46,764	\$41,448	\$47,899	\$52,213
Additional Lodging Tax	9,068	10,224	11,159	10,489	9,362	10,778	11,697
<b>Total Lodging Tax Revenue</b>	<b>\$49,514</b>	<b>\$55,994</b>	<b>\$61,464</b>	<b>\$57,253</b>	<b>\$50,810</b>	<b>\$58,677</b>	<b>\$63,910</b>
Maximum Annual Debt Service on the Bonds <sup>(1)</sup>	\$19,521	\$19,521	\$19,521	\$19,521	\$19,521	\$19,521	\$19,521
<b>Total Lodging Tax – Coverage</b>	<b>2.54x</b>	<b>2.87x</b>	<b>3.15x</b>	<b>2.93x</b>	<b>2.60x</b>	<b>3.01x</b>	<b>3.27x</b>

(1) Bonds debt service shown net of 2010B Build America Bonds subsidy receipt.

(2) For illustration purposes of coverage on maximum annual debt service on the Bonds only.

*Source: The District.*

The following table shows projected operating results and annual debt service coverage of the District for the fiscal years 2011 and 2012. The projected operating results utilize projected Lodging Tax Revenues provided by the Independent Consultant and various assumptions that affect financial performance and debt service on the Bonds for each projected year. Operating income, other revenue and operating expenses have been provided by the District based on historical trends and anticipated budget. For a description of certain assumptions, see the footnotes to the table below and the Report of the Independent Consultant in Appendix E. Changes in these assumptions can have material effects on the projected financial performance.

**Washington State Convention Center**  
**2011-2012 Projected Operating Results and Annual Debt Service Coverage (1), (2)**  
**(Dollars in Thousands)**

	Fiscal Year Ending December 31	
	2011	2012
	Projected	Projected
Regular Lodging Tax	\$47,899	\$52,213
Additional Lodging Tax	10,778	11,697
<b>Total Lodging Tax Revenue</b>	<b>\$58,677</b>	<b>\$63,910</b>
Debt Service on Bonds <sup>(1)</sup>	\$7,699	\$13,135
<b>Total Lodging Tax – Coverage</b>	<b>7.62x</b>	<b>4.87x</b>
Lodging Tax Revenue Available After Debt Service	\$50,978	\$50,775
Operating Income and Other Revenue	17,057	17,995
Less: Transfer of Additional Lodging Tax	(10,778)	(11,697)
Less: Operating Expenses	(22,950)	(23,022)
<b>Cash Available for Other Purposes</b>	<b>\$34,307</b>	<b>\$34,051</b>

(1) Bonds debt service shown net of 2010B Build America Bonds subsidy receipt.

(2) For illustration purposes only. Actual results may differ.

*Source: The District.*

### SEISMIC

The WSCC is in an area of seismic activity, with frequent small earthquakes and occasionally moderate and larger earthquakes. In the event of a major earthquake that has a significant impact on transportation and the hotel industry, any resulting significant reduction in tourist travel or business travel to the area and any significant reduction in convention-related travel would have a corresponding reduction in the collection of Lodging Tax Revenues and could affect the District's ability to pay Bond debt service when due. The District can give no assurance regarding the effect of an earthquake or other natural disaster that proceeds of insurance carried by the District would be sufficient, or available, to rebuild and reopen the WSCC or that major hotels and infrastructure would be rebuilt and reopened in a timely manner following a major earthquake or other natural disaster.

## **LITIGATION**

There is no controversy or litigation pending or, to the best knowledge of the District, threatened which will affect the issuance and delivery of the Bonds, the collection of Lodging Tax Revenues and other revenues to pay the principal and interest thereon, the proceedings and authority under which the Bonds are issued, or the validity of the Bonds.

The District may become a defendant from time to time in legal actions and claims that arise during the normal course of business. Some of these claims may be covered by insurance. As of the date of this Official Statement, the District is not aware of any legal actions that, in the opinion of District management, would have a material adverse effect on the financial position, operations or cash flows of the District.

## **LEGALITY**

Legal matters incident to the authorization, execution and delivery of the Bonds are subject to the unqualified approving legal opinion of K&L Gates LLP, Seattle, Washington, Bond Counsel and Disclosure Counsel to the District. Bond Counsel and Disclosure Counsel will be compensated only upon the issuance and sale of the Bonds.

All legal opinions with respect to the enforceability of the Bonds, the Bond Resolution and the Trust Agreement will be expressly subject to a qualification that enforceability thereof may be limited by bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws affecting the rights of creditors generally, and by general principles of equity. The forms of the opinions of Bond Counsel with respect to the Bonds are attached as Appendix B. Prospective investors concerned with the impact of any bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws should consult with their own independent counsel before purchasing any Bonds. The forms of the opinions are included in Appendix B of this Official Statement.

Certain legal matters will be passed on for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, Counsel to the Underwriters. The Underwriters' Counsel will be compensated only upon the issuance and sale of the Bonds.

## **TAX MATTERS**

### **2010A Bonds**

In the opinion of Bond Counsel, interest on the 2010A Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the 2010A Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax and is not included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2010A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States and requirements regarding the use of proceeds of the 2010A Bonds and the facilities financed with proceeds of the 2010A Bonds and certain other matters. The District has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the District comply with the above-referenced covenants and, in addition, will rely on representations by the District and its advisors with respect to matters solely within the knowledge of the District and its advisors, respectively, which Bond Counsel has not independently verified. If the District fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2010A Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2010A Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2010A Bonds. Owners of the 2010A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2010A

Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition and various withholding requirements.

Prospective purchasers of the 2010A Bonds should be aware that ownership of the 2010A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2010A Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the 2010A Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the 2010A Bonds, are in many cases required to be reported to the Internal Revenue Service (the “IRS”). Additionally, backup withholding may apply to any such payments made to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel’s opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel’s legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the District’s compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2010A Bonds. Owners of the 2010A Bonds are advised that, if the IRS does audit the 2010A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the District as the taxpayer, and the owners of the 2010A Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the 2010A Bonds until the audit is concluded, regardless of the ultimate outcome.

*Qualified Tax-Exempt Obligations.* The District has designated the 2010A Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.

*Premium.* An amount equal to the excess of the purchase price of a 2010A Bond over its stated redemption price at maturity constitutes premium on that 2010A Bond. A purchaser of a 2010A Bond must amortize any premium over that 2010A Bond’s term using constant yield principles, based on the Bond’s yield to maturity. As premium is amortized, the purchaser’s basis in the 2010A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2010A Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of 2010A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such 2010A Bonds.

## **2010B Bonds**

**This advice was written to support the promotion or marketing of the 2010B Bonds. This advice is not intended or written by K&L Gates LLP to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the U.S. Internal Revenue Code. Prospective purchasers of the 2010B Bonds should seek advice based on their particular circumstances from an independent tax advisor.**

The following discussion describes aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners (“Owners”) of 2010B Bonds. This summary is based on the Code, published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect).

This summary discusses only 2010B Bonds held as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, Owners holding the 2010B Bonds as part of a hedging transaction, “straddle,” conversion transaction, or other integrated transaction, or Owners whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the 2010B Bonds. ACCORDINGLY, INVESTORS WHO ARE OR MAY BE DESCRIBED WITHIN THIS PARAGRAPH SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH INVESTORS, AS WELL AS TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY, OF PURCHASING, HOLDING, OWNING AND DISPOSING OF THE 2010B BONDS, INCLUDING THE ADVISABILITY OF MAKING ANY OF THE ELECTIONS DESCRIBED BELOW, BEFORE DETERMINING WHETHER TO PURCHASE THE 2010B BONDS.

For purposes of this discussion, a “U.S. person” means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts (“Foreign Owners”) to the extent that their ownership of the 2010B Bonds is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain “single member entities” are disregarded for U.S. federal income tax purposes. Such Foreign Owners and Owners who are single member non-corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

*In General.* The District will make irrevocable elections to have the 2010B Bonds treated as “Build America Bonds” within the meaning of section 54AA(d) of the Code that are “qualified bonds” within the meaning of section 54AA(d) of the Code. As a result of these elections, interest on the 2010B Bonds is not excludable from the gross income of the Owners for federal income tax purposes. Owners of the 2010B Bonds will not be entitled to any tax credits as a result either of ownership of the 2010B Bonds or of receipt of any interest payments on the 2010B Bonds. In addition, a 2010B Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

*Payments of Interest.* Interest, including additional amounts of cash and interest, if any, paid on the 2010B Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner’s method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest income; whereas Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

*Disposition or Retirement.* Upon the sale, exchange or other disposition of a 2010B Bond, or upon the retirement of a 2010B Bonds (including by redemption), an Owner will recognize capital gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner’s adjusted tax basis in the 2010B Bonds. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes. If the District defeases any 2010B Bonds, such 2010B Bond may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. In such event, the Owner of a 2010B Bond would recognize a gain or loss on the 2010B Bonds at the time of defeasance.

The Code contains a number of provisions relating to the taxation of securities such as the 2010B Bonds (including, but not limited to the tax treatment of and accounting of interest, premium, original issue discount and market discount thereon, gain from the sale, exchange of other disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations.

**The federal tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the 2010B Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not U.S. persons.**

## ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on employee benefit plans subject to Title I of ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements under Title I, Part 4 of ERISA, including, but not limited to, the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to Title I of ERISA but are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons" (each a "Party in Interest")) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The fiduciary of a Plan that proposes to purchase and hold any 2010B Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest, (ii) the sale or exchange of any property between a Plan and a Party in Interest and (iii) the transfer to, or use by or for the benefit of, a Party in Interest, of any Plan assets within the meaning of 29 CFR Sec. 2510.3-102 as modified by ERISA Section 3(42). Depending on the identity of the Plan fiduciary making the decision to acquire or hold 2010B Bonds on behalf of a Plan and other factors, U.S. Department of Labor Prohibited Transaction Class Exemption ("PTCE") 75-1 (relating to certain broker-dealer transactions), PTCE 84-14 (relating to transactions effected by "qualified professional asset managers"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by an insurance company general account), or PTCE 96-23 (relating to transactions directed by certain "in-house asset managers") (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code for certain transactions between Plans and persons who are Parties in interest solely by reason of providing services to such Plans or that are affiliated with such service providers, provided generally that such persons are not fiduciaries (or affiliates of such fiduciaries) with respect to the "plan assets" of any Plan involved in the transaction and that certain other conditions are satisfied.

By its acceptance of a 2010B Bond, each purchaser will be deemed to have represented and warranted that either (i) no "plan assets" of any Plan have been used to purchase such 2010B Bond, or (ii) the purchase and holding of such 2010B Bonds either do not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, or are exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption.

Each Plan fiduciary (and each fiduciary for a governmental or church plan subject to the rules similar to those imposed on Plans under ERISA) should consult with its legal advisor concerning an investment in any of the 2010B Bonds.



## CONTINUING DISCLOSURE UNDERTAKING

(a) *Overview of District's Undertaking.* To meet the requirements of SEC Rule 15c2-12(b)(5) (the "Rule"), as applicable to a participating underwriter for the Bonds, the District has made the following written undertaking in the Bond Resolution, together with an additional closing certificate. For purposes of this section, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories. Section 18 of the Bond Resolution provides that:

(b) *Financial Statements/Operating Data.*

(1) *Annual Disclosure Report.* The District covenants and agrees that not later than six months after the end of each fiscal year (the "Submission Date"), commencing June 30, 2012 for the fiscal year ending December 31, 2011, the District shall provide or cause to be provided to the MSRB, if any, an annual report (the "Annual Disclosure Report") that is consistent with the requirements of part (2) of this subsection (b). The District may adjust such date if the District changes its fiscal year by providing written notice of the change of fiscal year and the new reporting date to the MSRB. The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in part (2) of this subsection (b); provided that any audited annual financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such audited financial statements are not available by the Submission Date. If the District's fiscal year changes, the District shall give notice of such change in the same manner as notice is to be given of the occurrence of an event listed in subsection (c) below, and if for any fiscal year the District does not furnish an Annual Disclosure Report to the MSRB, if any, by the Submission Date, the District shall send to the MSRB notice of its failure to furnish such report pursuant to (d) below.

(2) *Content of Annual Disclosure Reports.* The District's Annual Disclosure Report shall contain or include by reference the following:

(A) *Audited financial statements.* Audited financial statements, except that if any audited financial statements are not available by the Submission Date, the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the District, and the District's audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available.

(B) *Historical Operating Data and Financial Information of the District.* Historical financial information and operating data of the type contained in this Official Statement in the tables titled "Lodging Tax Revenues Collection History," "District Debt Capacity Computation," "Debt Service Requirements," "WSCC Employees," "Convention Center Activity – Actual Events; Major Events," "Washington State Convention Center Statements of Revenues, Expenses and Changes in Net Assets," "Historical and Projected Debt Service Coverage," and in the section entitled "WSCC Services (Facility Building Rent; Parking Facilities; Retail Space, Facility Services and Food Service)."

In lieu of providing the information in such Annual Disclosure Report, the District may cross-reference to other documents available to the public on the MSRB's internet website and, if such document is a final official statement within the meaning of the Rule, available from the MSRB. The District shall identify clearly each document so included by reference.

(c) *Material Events.* The District agrees to provide or cause to be provided, in a timely manner to the MSRB notice of the occurrence of any of the following events with respect to the Bonds not in excess of ten business days after the occurrence of the event:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;

- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material or events affecting the tax-exempt status of the Bonds;
- Modifications to rights of owners if material;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- Defeasances;
- Release, substitution or sale of property securing the repayment of the Bonds if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the District;
- The consummation of a merger, consolidation, or acquisition of the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement to undertake such an action, other than pursuant to its terms, if material; and
- Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.

Solely for purposes of information, but without intending to modify this agreement, with respect to the notice regarding property securing the repayment of the Bonds, the District advises that there is no property securing the repayment of the Bonds. The District shall promptly determine whether the events described above are material.

(d) *Notice Upon Failure to Provide Financial Data.* The District agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in subsection (b) above on or prior to the Submission Date.

(e) *Format for Filings with the MSRB.* All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) *Termination/Modification.* The District's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance (if notice of such defeasance is given as provided above) or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if the District (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this section, or any such provision, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies the MSRB, if any, of such opinion and the cancellation of this section. Notwithstanding any other provision of the Bond Resolution, the District may amend this undertaking (including the items in the closing certificate referenced above) and any provision of this undertaking may be waived, in accordance with the Rule; *provided that* (A) if the amendment or waiver relates to the provisions of subsections (b)(1), (b)(2) or (c) above, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (B) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (C) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the beneficial owners of the Bonds.

In the event of any amendment of or waiver of a provision of this undertaking, the District shall describe such amendment in the next Annual Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under (c) above, and (ii) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible,

in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(f) *Registered Owner's and Beneficial Owners' Remedies Under this Section.* A Registered Owner's and the beneficial owners' right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the District's obligations hereunder, and any failure by the District to comply with the provisions of this undertaking shall not be a default under the Bond Resolution.

(g) *Additional Information.* Nothing in this undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this undertaking or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of a material event, in addition to that which is required by this undertaking. If the District chooses to include any information in any Annual Disclosure Report or notice of the occurrence of a material event in addition to that specifically required by this undertaking, the District shall have no obligation under the Bond Resolution to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of a material event.

*Prior Undertakings.* The above-described undertaking is the first undertaking for the District under the Rule.

## **RATINGS**

Moody's Investors Service ("Moody's") and Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies ("S&P") have assigned their ratings of "Aa3" and "A+," respectively, to the Bonds. Certain information was supplied by the District to such rating agencies to be considered in evaluating the Bonds.

The foregoing ratings express only the views of the rating agencies and are not recommendations to buy, sell or hold the Bonds. An explanation of the significance of each of the ratings may be obtained from the rating agency furnishing the rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, or any of them, if, in their or its judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

## **UNDERWRITING**

The 2010A Bonds are to be purchased from the District at an aggregate purchase price of \$14,044,390.79 (the principal amount of the 2010A Bonds, less Underwriters' discount of \$58,310.21, and plus original issue premium of \$1,077,701.00) and the 2010B Bonds are to be purchased from the District at an aggregate purchase price of \$298,891,928.31 (the principal amount of the Bonds, less Underwriters' discount of \$1,658,071.69), in each case subject to the terms of a bond purchase contract between the District and the Underwriters. The bond purchase contract between the District and Citigroup Global Markets Inc., on its own behalf and on behalf of Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Loop Capital Markets LLC and Piper Jaffray & Co., provides that the Underwriters will purchase all of the Bonds if any are purchased and that the obligation of the Underwriters to accept and pay for the Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters.

The initial public offering prices or yields set forth on the inside cover pages may be changed from time to time by the Underwriters without prior notice. The Underwriters may offer and sell the Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside cover pages.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for District or the County, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District or the County.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an Underwriter of the Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of Bonds.

Goldman, Sachs & Co. ("Goldman Sachs"), one of the co-senior Underwriters of the Bonds, has entered into a master dealer agreement (the "Master Dealer Agreement") with Incapital LLC ("Incapital") for the distribution of certain municipal securities offerings, including the Bonds, to Incapital's retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any Bonds that Incapital sells.

Loop Capital Markets LLC, one of the co-managing Underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, Loop Capital Markets LLC will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

#### **FINANCIAL ADVISOR**

SDM Advisors, Inc. has served as financial advisor to the District relative to the preparation of the Bonds for sale, timing of the sale and other factors relating to the Bonds. The financial advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or other information provided relative to the Bonds. SDM Advisors, Inc. makes no guaranty, warranty or other representation on any matter related to the information contained in the Official Statement. The financial advisor is an independent financial advisory firm and is not engaged in the business of underwriting, marketing, trading or distributing municipal securities. All or a portion of the financial advisor's compensation is contingent on the sale and delivery of the Bonds.

#### **POTENTIAL CONFLICTS**

Some or all of the fees of the Underwriters, Financial Advisor, Bond Counsel and Disclosure Counsel, and Underwriters' Counsel are contingent upon the sale of the Bonds. K&L Gates LLP is serving as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. From time to time, Bond Counsel and Disclosure Counsel may serve as counsel to the District, the Underwriters, and to other parties involved with the Bonds with respect to transactions other than the issuance of the Bonds. From time to time, Underwriters' Counsel represents the State on transactions other than the issuance of the Bonds.

#### **TRUSTEE**

The District has appointed U.S. Bank National Association, a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Trust Agreement and Bond Resolution. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Official Statement or for the recitals contained in the Trust Agreement or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the District of any of the Bonds authenticated or delivered pursuant to the Trust Agreement and the Bond Resolution or for the use or application of the proceeds of such Bonds by the District. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee may be found at its website at <http://www.usbank.com/corporatetrust>. Neither the information on U.S. Bank's website, nor any links from that website, is a part of this Official Statement, nor should any such information be relied upon to make investment decisions regarding the Bonds.

#### **MISCELLANEOUS**

At the time of delivery of the Bonds, one or more officials of the District will furnish a certificate stating that to the best of his knowledge, this Official Statement, other than information about DTC, as of its date and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein, in light of the circumstances in which they were made, not misleading.

The preparation, execution and distribution of this Official Statement have been authorized by the District.

#### **WASHINGTON STATE CONVENTION CENTER PUBLIC FACILITIES DISTRICT**

By: /s/ John Christison  
John Christison, CFE, CMP, President/Chief  
Executive Officer

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## **APPENDIX A**

### **FORMS OF BOND RESOLUTION AND TRUST AGREEMENT**

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WASHINGTON STATE CONVENTION CENTER  
PUBLIC FACILITIES DISTRICT  
RESOLUTION NO. 2010-12  
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RESOLUTION NO. 2010-12

A RESOLUTION OF THE BOARD OF DIRECTORS OF WASHINGTON STATE CONVENTION CENTER PUBLIC FACILITIES DISTRICT, AUTHORIZING THE ISSUANCE AND SALE OF LODGING TAX BONDS OF THE PUBLIC FACILITIES DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$335,000,000 TO FINANCE THE COSTS OF ACQUIRING AND IMPROVING THE WASHINGTON STATE CONVENTION CENTER, FUNDING A RESERVE FUND AND TO PAY COSTS OF ISSUANCE; DELEGATING AUTHORITY FOR THE SALE OF THE BONDS AND THE PREPARATION AND DISSEMINATION OF A PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT; PROVIDING FOR CONTINUING DISCLOSURE; PROVIDING FOR A NEGOTIATED SALE OF THE BONDS TO CITIGROUP GLOBAL MARKETS INC., GOLDMAN, SACHS & CO., MORGAN STANLEY & CO. INCORPORATED, LOOP CAPITAL MARKETS LLC AND PIPER JAFFRAY & CO.

ADOPTED: NOVEMBER 12, 2010

Prepared by:  
K&L GATES LLP  
Seattle, Washington

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\* Neither this Table of Contents nor the preceding cover page is a part of this resolution.

November 12, 2010

**RESOLUTION NO. 2010-12  
OF THE  
WASHINGTON STATE CONVENTION CENTER  
PUBLIC FACILITIES DISTRICT**

A RESOLUTION OF THE BOARD OF DIRECTORS OF WASHINGTON STATE CONVENTION CENTER PUBLIC FACILITIES DISTRICT, AUTHORIZING THE ISSUANCE AND SALE OF LODGING TAX BONDS OF THE PUBLIC FACILITIES DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$335,000,000 TO FINANCE THE COSTS OF ACQUIRING AND IMPROVING THE WASHINGTON STATE CONVENTION CENTER, FUNDING A RESERVE FUND AND TO PAY COSTS OF ISSUANCE; DELEGATING AUTHORITY FOR THE SALE OF THE BONDS AND THE PREPARATION AND DISSEMINATION OF A PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT; PROVIDING FOR CONTINUING DISCLOSURE; PROVIDING FOR A NEGOTIATED SALE OF THE BONDS TO CITIGROUP GLOBAL MARKETS INC., GOLDMAN, SACHS & CO., MORGAN STANLEY & CO. INCORPORATED, LOOP CAPITAL MARKETS LLC AND PIPER JAFFRAY & CO.

WHEREAS, in 1982, with the support of the Washington state legislature, a nonprofit corporation was established to design, construct, promote and operate the Washington State Convention Center ("WSCC"); and

WHEREAS, in 2010, the state Legislature enacted Substitute Senate Bill 6889 (the "Convention Center Act"), which authorized King County (the "County") to create a public facilities district to acquire, own and operate a trade and convention center transferred from a public nonprofit corporation; and

WHEREAS, the Washington State Convention Center public facilities district (the "District") was formed by the County, pursuant to Ordinance 16883, adopted on July 19, 2010, for the specific purpose of acquiring, owning and operating the WSCC; and

WHEREAS, in order to finance the costs of acquisition of and improvements to the WSCC, the District is authorized by RCW chs. 36.100.060, 36.100.040 and 39.46 to issue bonds payable from tax receipts of the District; and

WHEREAS, the bonds authorized herein shall be sold pursuant to negotiated sale as herein provided;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE WASHINGTON STATE CONVENTION CENTER PUBLIC FACILITIES DISTRICT, as follows:

***Section 1. Definitions and Interpretation.***

Capitalized terms, unless some other meaning is plainly intended, used in this resolution have the meanings given such terms in Appendix A to this resolution or in Section 20, and the rules of interpretation also are set forth in Appendix A.

***Section 2. Authorization of Bonds.***

The District hereby authorizes the issuance and sale of Bonds for the purposes of paying the costs of acquisition of the WSCC and undertaking certain capital improvements, funding a reserve and for the additional purpose of paying the expenses incidental to the issuance of the Bonds.

The Bonds shall be in the aggregate principal amount of not to exceed \$335,000,000 and shall be issued in one or more series, as determined by the Authorized Representative pursuant to the authority granted in Section 17 of this resolution.

***Section 3. Bond Details.***

The Bonds shall be designated as "Washington State Convention Center Public Facilities District Lodging Tax Bonds, 2010" and if issued in more than one series, shall have the additional identifying designations set forth in the Bond Purchase Contract approved pursuant to Section 17 of this resolution. The Bonds of each series shall be registered as to both principal and interest, shall be issued in the aggregate principal amount set forth in the Bond Purchase Contract and the Trust Agreement, and shall be numbered separately in the manner and with any additional designation as the Trustee deems necessary for purposes of identification, shall be dated their date of delivery, shall be in the denomination of \$5,000 each or any integral multiple of \$5,000 within each series and maturity, and shall bear interest from their date of delivery until the Bonds bearing such interest have been paid or their payment duly provided for. The Bonds of each series shall bear interest at the per annum rates, payable on the interest payment dates and shall mature or be subject to prior redemption, in the principal amounts on the principal payment dates set forth in the Bond Purchase Contract and the Trust Agreement and as approved by the Authorized Representative pursuant to Section 17 of this resolution.

The Bonds shall be First Priority Bonds and shall be payable and secured as provided herein and in the Trust Agreement.

***Section 4. Redemption and Purchase.***

(a) *Optional Redemption.* The Bonds of each series may be subject to optional redemption and/or extraordinary optional redemption on the dates, at the prices and under the terms set forth

in the Bond Purchase Contract and the Trust Agreement and as approved by the Authorized Representative pursuant to Section 17 of this resolution.

(b) *Mandatory Redemption.* The Bonds of each series may be subject to mandatory redemption and/or extraordinary mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract and the Trust Agreement and as approved by the Authorized Representative pursuant to Section 17 of this resolution.

(c) *Purchase of Bonds.* The District may acquire Bonds by purchase of Bonds offered to the District at any time at such purchase price as the District deems appropriate, or by gift at any time on terms as the District deems appropriate. The District hereby reserves the right to use at any time any Lodging Tax Revenues available after providing for the payments required by paragraph First through Seventh of Section 9(c) of this resolution to purchase any of the Bonds.

**Section 5. Registration, Exchange and Payments.**

(a) *Trustee/Bond Register.* The Board hereby authorizes the Designated District Representative (i) to specify and adopt the system of registration and transfer for the Bonds approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agencies for the purposes of registering and authenticating the Bonds, maintaining the Bond Register and effecting transfer of ownership of the Bonds, or in the alternative (ii) to appoint the Trustee to act in the capacity of registrar, authenticating agent and paying agent. If the Trustee is appointed as the Registrar, the manner of registration, exchange and payment of the Bonds shall be as set forth in the Trust Agreement. The Trustee is hereby appointed as the initial Registrar for the Bonds.

**Section 6. Form of Bonds.**

The Bonds shall be in substantially the following form:

NO. \_\_\_\_\_ \$ \_\_\_\_\_

UNITED STATES OF AMERICA  
WASHINGTON STATE CONVENTION CENTER PUBLIC FACILITIES DISTRICT  
LODGING TAX BOND, 2010[\_\_\_\_\_]

INTEREST RATE:   %                      MATURITY DATE:                      CUSIP NO.:

Registered Owner:   CEDE & CO.

Principal Amount:

The Washington State Convention Center Public Facilities District (the "District"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, but solely from the Bond Fund, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from

\_\_\_\_\_, 2010, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on July 1, 2011, and semiannually thereafter on the first day of each succeeding January and July. Both principal of and interest on this bond are payable 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") from the District to The Depository Trust Company ("DTC"). Principal shall be paid as provided in the Letter of Representations to the Registered Owner or assigns upon presentation and surrender of this bond at the corporate trust office of U.S. Bank National Association, as trustee (the "Trustee").

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington, Resolution No. 2010-12 duly adopted by the Board of Directors of the District (the "Board") on November 12, 2010 (the "Bond Resolution") and the Trust Agreement, dated \_\_\_\_\_, 2010, between the District and the Trustee. Capitalized terms used in this bond have the meanings given such terms in the Bond Resolution.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution or the Trust Agreement until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Trustee.

This bond is one of an authorized issue of bonds of like date, tenor, rate of interest and date of maturity, except as to number and amount in the aggregate principal amount of \$ \_\_\_\_\_ and is issued pursuant to the Bond Resolution for providing funds to pay the cost of acquiring and improving the Washington State Convention Center ("WSCC"), to fund the Reserve Fund, and to pay costs of issuance. Simultaneously herewith, the District is issuing its Washington State Convention Center Public Facilities District Lodging Tax Bonds, 2010[\_\_\_\_\_](the "2010[ ] Bonds"). [Insert reference to Build America Bonds, as applicable.]

The bonds of this issue maturing on and prior to \_\_\_\_\_ are not subject to redemption prior to their stated maturities. The bonds of this issue maturing on and after \_\_\_\_\_ are subject to redemption at the option of the District on and after \_\_\_\_\_ in whole or in part on any date (with maturities to be selected by the District), at a price of par plus accrued interest to the date fixed for redemption.

[The bonds of this issue maturing on \_\_\_\_\_ 1, \_\_\_ shall be redeemed by the District on \_\_\_\_\_ 1 of the following years in the following principal amounts at a price of par plus accrued interest to the date fixed for redemption:

Redemption Dates	Amounts
	\$

\* Final Maturity]

The bonds of this series are not private activity bonds. The bonds of this series are not "qualified tax exempt obligations" eligible for investment by financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

The District hereby covenants and agrees with the owner and holder of this bond that it will keep and perform all the covenants of this bond, the Trust Agreement and the Bond Resolution.

The District does hereby pledge and bind itself to set aside from Lodging Tax Revenues, and to pay into the Bond Fund and the Reserve Fund the various amounts required by the Bond Resolution and the Trust Agreement to be paid into and maintained in said Funds, all within the times provided by said Trust Agreement and the Bond Resolution.

Said amounts so pledged to be paid out of Lodging Tax Revenues and the Trust Estate into the Bond Fund and the Reserve Fund are hereby declared to be a prior charge upon the Lodging Tax Revenues equal in rank to the priority upon such Lodging Tax Revenues of the amounts required to pay and secure the payment of the 2010[ ] Bonds and any bonds of the District hereafter issued on a parity with the bonds of this issue.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this bond have happened, been done and performed and that the issuance of this bond and the bonds of this issue does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the District may incur.

IN WITNESS WHEREOF, the Washington State Convention Center Public Facilities District has caused this bond to be executed by the manual or facsimile signatures of the Chair and Secretary of the Board of Directors, and the seal of the District to be impressed, imprinted or otherwise reproduced hereon, as of this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

WASHINGTON STATE  
CONVENTION CENTER PUBLIC  
FACILITIES DISTRICT

(SEAL)

/s/ facsimile or manual signature  
Chair, Board of Directors

ATTEST:

/s/ facsimile or manual signature  
Secretary, Board of Directors

The Trustee's Certificate of Authentication on the Bonds shall be in substantially the following form:

#### CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Resolution and Trust Agreement and is one of the Lodging Tax Bonds, 2010[ ] of the Washington State Convention Center Public Facilities District, dated \_\_\_\_\_, 2010.

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By \_\_\_\_\_

#### ***Section 7. Execution of Bonds.***

The Bonds shall be executed on behalf of the District with the manual or facsimile signatures of the Chair of the Board of Directors, attested by the Secretary of the Board, and the corporate seal of the District shall be impressed, imprinted or otherwise reproduced thereon.

In case either or both of the officers who shall have executed the Bonds shall cease to be an officer or officers of the District before the Bonds so signed shall have been authenticated or delivered by the Trustee, or issued by the District, such Bonds may nevertheless be authenticated, delivered and issued, and upon such authentication, delivery and issuance, shall be as binding upon the District as though those who signed the same had continued to be such officers of the District. Any Bond also may be signed and attested on behalf of the District by such persons as at the actual date of execution of such Bond shall be the proper officers of the District although at the original date of such Bond any such person shall not have been such officer of the District.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this resolution.

#### ***Section 8. Lost or Destroyed Bonds.***

If any Bonds are lost, stolen, mutilated or destroyed, the Trustee may authenticate and deliver a new Bond or Bonds of like series, amount, maturity and tenor to the Registered Owner upon the owner paying the expenses and charges of the Trustee and the District in connection with preparation and authentication of the replacement Bond or Bonds and upon his or her filing with the Trustee the mutilated Bond or filing with the Trustee and the District evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the District and the Trustee with indemnity satisfactory to both.

**Section 9. Trust Agreement; Lodging Tax Account; Funds; Flow of Funds.**

(a) *Trust Agreement.* The District shall enter into a Trust Agreement (the “Trust Agreement”) with U.S. Bank National Association, as trustee for the benefit of the owners and holders of the Bonds and Additional First Priority Bonds. A form of Trust Agreement has been provided to this Board, and the President of the Board is hereby authorized and directed to execute the Trust Agreement with such modifications as shall have been approved by him prior to its execution. Under the terms of the Trust Agreement, the Trustee shall establish and maintain the Lodging Tax Account, the Bond Fund and the Reserve Fund.

(a) *Lodging Tax Account.* A special fund of the District to be known as the “Washington State Convention Center PFD – Lodging Tax Account” (the “Lodging Tax Account”) is hereby authorized and directed to be created and maintained in the office of the Trustee. For so long as the Bonds and any Additional First Priority Bonds remain Outstanding, all Lodging Tax Revenues shall be transferred to and deposited into the Lodging Tax Account upon their transfer from the State Treasurer. Within the Lodging Tax Account, the District shall create a subaccount to be designated as the Additional Lodging Tax Revenues Subaccount (the “Additional Lodging Tax Revenues Subaccount”) for the purpose of holding and accounting for Additional Lodging Tax Revenues received by the District.

(b) *Other Funds and Accounts.* Pursuant to the terms of the Trust Agreement, the Trustee shall also establish the following funds and accounts for the purpose of paying and securing the payment of First Priority Bonds:

(1) “Washington State Convention Center Public Facilities District Lodging Tax Bond Fund” (the “Bond Fund”) and therein a Principal Account and an Interest Account; and

(2) “Washington State Convention Center Public Facilities District Lodging Tax Bond Common Reserve Fund” (the “Common Reserve Fund”).

Such funds and accounts shall be established and maintained as provided in the Trust Agreement.

(c) *Flow of Funds.* All Lodging Tax Revenues shall be disbursed to make the following payments in the following order of priority:

First, to make the Required Monthly Deposits and Required Supplemental Deposits into the Interest Account for the payment of upcoming interest on the Bonds and any Additional First Priority Bonds;

Second, to make the Required Monthly Deposits and Required Supplemental Deposits into the Principal Account for the payment of principal of the Bonds and any Additional First Priority Bonds maturing or being redeemed by sinking fund redemption prior to scheduled maturity;

Third, to make all payments required to be made into the Common Reserve Fund to maintain the Common Reserve Requirement – First Priority for Covered Bonds and into any other reserve fund established for Additional First Priority Bonds that are Uncovered Bonds;

Fourth, to make all payments required on a monthly basis or otherwise to be made into any other bond redemption fund and debt service account created to pay the principal of, premium, if any, and interest on any Subordinate Priority WSCC Obligations;

Fifth, to make all payments required to be made into any other reserve account created to secure the payment of the principal of and interest on any Subordinate Priority WSCC Obligations;

Sixth, to make the annual payment amount and any loan repayment amounts owed to the State as required by Section 5(6)(a) of the Convention Center Act and Section 2.3.3 of the Transfer Agreement;

Seventh, to pay operating expenses of the WSCC and to make payments into the Operating Reserve Account in order to maintain the required operating reserve balance therein as required by the policies established pursuant to Section 10 of this resolution; and

Eighth, to retire by redemption or purchase any outstanding bonds or other obligations of the District as authorized in the various resolutions of the Board authorizing their issuance or to make necessary additions, betterments, improvements and repairs to or extension and replacements of the WSCC or for any other lawful District purposes.

The District hereby covenants that it will exercise due regard for the anticipated financial requirements to be satisfied as priorities First through Seventh of this subsection (c) in each Fiscal Year prior to authorizing or making any disbursement of Lodging Tax Revenues for the purposes identified as the Eighth priority. Upon receipt by the District, Lodging Tax Revenues shall be invested by or at the direction of the District Treasurer in any legal investment for District funds, and interest earnings shall accrue and be credited to the account or accounts specified by the District. Funds or accounts held by the Trustee shall be invested as provided in the Trust Agreement.

**Section 10. Operating Reserve Account.**

A special fund of the District to be known as the “Operating Reserve Account” (the “Operating Reserve Account”) is hereby created in the office of the District Treasurer. The Board shall establish policies from time to time with respect to operating reserves, including the required balance of the Operating Reserve Account, and shall establish procedures with respect to the management of its operating funds in order to maintain fund balances as set forth in the then effective Board policy. Such policy shall provide that the required balance in the Operating Reserve Account shall be not less than 100-days of budgeted operating expenditures. Funds may be withdrawn from the Operating Reserve Account to pay operating and other expenses of the WSCC, even if as a result of such withdrawal, the balance on hand is less than the required minimum balance, and the District thereafter, with available funds re-establishes the balance in the Operating Reserve Account.

**Section 11. Pledge of Lodging Taxes and Credit.**

The District hereby irrevocably covenants and agrees for as long as any of the First Priority Bonds are outstanding that each year it will continue to impose the Lodging Tax pursuant to RCW 36.100.040(4) and (5) and in the case of the Additional Lodging Tax during the time period permitted under RCW 36.100.040(5), as the same may be amended from time to time or any successor statute and to apply the Lodging Taxes as provided in this resolution and the Trust Agreement. All Lodging Taxes shall be collected and applied as provided in this resolution and the Trust Agreement for the repayment of the Bonds and as provided herein and therein.

The First Priority Bonds and the pledge created and established hereunder and under the Trust Agreement shall be payable solely from and secured solely by Lodging Tax Revenues and the Trust Estate; provided, however, that any series of First Priority Bonds also may be payable from and secured by a credit facility pledged specifically to or provided for that series of First Priority Bonds.

From and after the time of issuance and delivery of the First Priority Bonds of each series and so long thereafter as any of the same remain Outstanding, the District hereby irrevocably obligates and binds itself to set aside and pay into the special funds created for the payment of each series of First Priority Bonds out of Lodging Tax Revenues on or prior to the date on which the interest on or principal of and interest on the First Priority Bonds shall become due, the amount necessary to pay such interest or principal and interest coming due on the First Priority Bonds of such series. The foregoing sentence shall constitute a pledge of Lodging Tax Revenues and the Trust Estate to the payment of First Priority Bonds.

Said amounts so pledged to be paid into the Bond Fund and the Principal Account and Interest Account therein are hereby declared to be a prior charge upon the Lodging Tax Revenues superior to all other charges of any kind or nature whatsoever except for charges equal in rank that may be made thereon to pay and secure the payment of the principal of and interest on Additional First Priority Bonds issued under authority of a future resolution in accordance with the provisions of Section 15 of this resolution.

Any amounts pledged to be paid into a debt service fund and or reserve account created to pay and secure the payment of Subordinate Priority WSCC Obligations shall, subject to the provisions of the prior paragraph of this Section 11 and the Trust Agreement, have the priority with respect to Lodging Tax Revenues set forth in the resolution authorizing their issuance.

The First Priority Bonds shall not in any manner or to any extent constitute general obligations of the County or of the state of Washington, or of any political subdivision of the state of Washington.

**Section 12. Defeasance.**

Any Bonds shall be deemed to have been paid and not Outstanding under this resolution and shall cease to be entitled to any benefit or security of this resolution and any money and

investments held hereunder, except the right to receive the money and the proceeds and income from Government Obligations set aside and pledged in the manner hereafter described, if:

(a) in the event that any or all of Bonds are to be optionally redeemed, the District shall have given to the Trustee irrevocable instructions to give such notice of redemption of such Bonds as may be required by the provisions of this resolution or the Trust Agreement; and

(b) there shall have been made an Irrevocable Deposit, in trust, with the Trustee or with another corporate fiduciary, of money in an amount that shall be sufficient and/or noncallable Government Obligations maturing in such amounts and at such time or times and bearing such interest to be earned thereon, without considering any earnings on the reinvestment thereof, as will provide a series of payments that shall be sufficient, together with any money initially deposited, to provide for the payment of the principal of and premium, if any, and the interest on the defeased Bonds, when due in accordance with their terms, or upon the earlier prepayment or redemption thereof in accordance with a refunding plan; and such money and the principal of and interest on such Government Obligations are set aside irrevocably and pledged in trust for the purpose of effecting such payment, redemption or prepayment.

Nothing contained in this Section 12 shall be construed to prohibit the partial defeasance of the pledge of this resolution and the Trust Agreement providing for the payment of one or more, but not all of the Outstanding Bonds. In the event of such partial defeasance, this resolution and the Trust Agreement shall be discharged only as to the Bonds so defeased.

The District shall cause notice of defeasance of Bonds to be provided to Registered Owners of Bonds being defeased and to each party entitled to receive notice in accordance with Section 18 of this resolution.

**Section 13. Transfer Agreement; Reserve Fund; Project Fund; Application of Bond Proceeds.**

The proceeds of sale of the Bonds shall be disbursed as provided in the closing memorandum for the Bonds approved by the Designated District Representative.

(a) *Common Reserve Fund.* A dollar amount equal to the Common Reserve Requirement – First Priority shall be remitted to the Trustee for deposit to the Common Reserve Fund.

(b) *Transfer Agreement.* Pursuant to the Convention Center Act, the District has negotiated the terms of a Transfer Agreement pursuant to which all lands, facilities, equipment, assets, other interests in real, personal, and intangible property, and interests under contracts, leases, licenses and agreements of the public corporation that own and operate the WSCC under RCW 67.40.020 shall be transferred to the District. Under the terms of the Transfer Agreement, *inter alia*, the District is obligated to make a payment to the State in consideration of the transfer, and the dollar amount of that payment will be set forth in the closing memorandum for the Bonds approved by the Designated District Representative.

(c) *Project Costs.* There is hereby authorized to be created an account of the District known as the “WSCC Project Fund” (the “Project Fund”), which fund is to be drawn upon for the purpose of paying costs of issuance of the Bonds and capital project costs for the WSCC.

The Bond proceeds deposited in the Project Fund or any subaccount therein and any investment earnings thereon shall be used to pay costs of issuance of the Bonds, then to pay costs of capital project costs and to pay arbitrage rebate if and to the extent attributable to earnings on moneys in the Project Fund as required under the Tax and Arbitrage Certificate.

#### **Section 14. Covenants.**

The District hereby makes the following covenants and agreements with the owners and holders of each of the First Priority Bonds for as long as any of the same remain Outstanding.

(a) *Maintenance of the WSCC.* The District will at all times keep and maintain or cause to be maintained the WSCC in good repair, working order and condition, and will at all times operate the same and the business or businesses in connection therewith in an efficient manner and at a reasonable cost.

(b) *Property and Liability Insurance.* The District will keep all operating facilities insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Board or the Designated District Representative shall deem necessary for the protection of the District.

(c) *Books and Records.* The District will keep and maintain proper books of account and accurate records of all of its revenue, including tax receipts, Regular Lodging Tax Revenues and Additional Lodging Tax Revenues, received from any source whatsoever, and of all costs of administration and maintenance and operation of all of its business that are in accordance with generally accepted accounting principles as in effect from time to time. Additional Lodging Tax Revenues shall be deposited and accounted for separately from other amounts received by the District. On or before 120 days after the end of each fiscal year, the District will prepare or cause to be prepared an operating statement of all of the business of the District for such preceding fiscal year. Each such annual statement shall contain a statement in detail of the Lodging Tax Revenues collected, received and applied for such fiscal year and shall contain a statement as of the end of such year showing the status of all funds and accounts of the District pertaining to the operation of the WSCC and the status of all of the funds and accounts created by various resolutions of the Board authorizing the issuance of outstanding bonds and other obligations payable from the Lodging Tax Revenues. Copies of such statements shall be placed on file in the main office of the District, and shall be open to inspection at any reasonable time by the owners of First Priority Bonds.

(d) *Interlocal Agreement.* The District shall observe and enforce the provisions of the Interlocal Agreement.

#### **Section 15. Additional Obligations.**

(a) *Conditions upon the Issuance of Additional First Priority Bonds.* As long as any Bonds remain outstanding, the District hereby further covenants and agrees that it will not issue any Additional First Priority Bonds except in accordance with the conditions of this Section 15. The District hereby reserves the right to issue additional obligations that will be payable from Lodging Tax Revenues and the Trust Estate as provided in this Section. The issuance of Additional First Priority Bonds shall be authorized by a resolution of the Board, which resolution shall (1) designate the Additional First Priority Bonds as Covered Bonds or Uncovered Bonds and (2) include the covenants set forth in Section 14 of this resolution. If the Additional First Priority Bonds are Covered Bonds, the Common Reserve Requirement – First Priority shall be fully funded no later than the date of issuance of the Additional First Priority Bonds. The resolution authorizing Additional First Priority Bonds may provide for the appointment of a trustee or may provide for a supplement or amendment to the Trust Agreement as permitted under the Trust Agreement. The Trust Estate held by the Trustee under the Trust Agreement is held by the Trustee for the benefit of all First Priority Bonds, as provided therein.

The District hereby further covenants and agrees with the owners and holders of each of the First Priority Bonds for as long as any of the same remain Outstanding that it will not issue any First Priority Bonds that constitute a charge upon the Lodging Tax Revenues and the Trust Estate equal to the priority thereon of Outstanding First Priority Bonds, unless at the time of the issuance of such First Priority Bonds

(A) the District is not in default under this resolution, and

(B) unless the District meets the conditions set forth in subsection (b) below, there shall have been delivered prior to or on the date of the issuance of the First Priority Bonds, a certificate prepared as provided below and executed by the Designated District Representative stating that Regular Lodging Tax Revenues during the Base Period were at least equal to 175 percent of Annual Debt Service in each year following the issuance of the proposed Additional First Priority Bonds with respect to all First Priority Bonds then Outstanding and then proposed to be issued.

The Designated District Representative’s certificate shall be based upon the financial statements of the District for the Base Period, corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor’s office of the State of Washington, or any successor to the duties thereof, or by an independent certified public accounting firm for the Base Period. In the event that the tax rate for Regular Lodging Tax Revenues has been increased and such increase is pledged (and the definition of Regular Lodging Tax Revenues has been amended to take such increase into account) to the repayment of First Priority Bonds, then such increase may be reflected as if it had been fully collected during the Base Period.

Compliance with the coverage requirements of this Section 15(a) shall be demonstrated conclusively by a certificate delivered in accordance with this subsection (a).

(b) *No Certificate Required.* A certificate shall not be required as a condition to the issuance of Additional First Priority Bonds if the Additional First Priority Bonds are being issued for refunding purposes upon compliance with the provisions of subsection (c)(1)(A) or (B) or (c)(2) of this section.

(c) *Additional First Priority Bonds For Refunding Purposes.* The District may issue Additional First Priority Bonds for refunding purposes, as follows:

(1) Additional First Priority Bonds may be issued at any time for the purpose of refunding (including by purchase) First Priority Bonds including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date fixed for redemption (or purchase), any deposits to a reserve account or to purchase a Qualified Letter of Credit or Qualified Insurance, and the expenses of issuing the Additional First Priority Bonds and of effecting such refunding upon delivery of a certificate as provided in subsection (a) above. Such refunding Additional First Priority Bonds also may be issued without a certificate if:

(A) the latest maturity of the Additional First Priority Bonds to be issued is not later than the latest maturity of the First Priority Bonds to be refunded (were such refunding not to occur), and the increase in Annual Debt Service as a result of such refunding in any year is less than the greater of (i) \$25,000 or (ii) 5% of such Annual Debt Service on the First Priority Bonds to be refunded; or

(B) the latest maturity of the Additional First Priority Bonds to be issued is later than the latest maturity of the First Priority Bonds to be refunded (were such refunding not to occur), and the Maximum Annual Debt Service on all First Priority Bonds to be Outstanding after the issuance of the refunding First Priority Bonds shall not be greater than Maximum Annual Debt Service were such refunding not to occur.

(2) First Priority Bonds may be issued without the requirement of a certificate pursuant to this section for the purpose of refunding (including by purchase) any First Priority Bonds at any time within one year prior to their maturity or mandatory redemption date if sufficient Lodging Tax Revenues or other moneys are not expected to be available for payment at maturity or mandatory redemption.

(d) *Priorities Subordinate to First Priority Bonds.* Nothing herein contained shall prevent the District from issuing revenue bonds or other obligations that are a charge upon the Lodging Tax Revenues junior or inferior to the payments required by this resolution to be made out of such Lodging Tax Revenues to pay and secure the payment of any First Priority Bonds. Such junior or inferior obligations shall not be subject to acceleration. This prohibition against acceleration shall not be deemed to prohibit mandatory tender or other tender provisions with respect to variable rate obligations or to prohibit the payment of a termination amount with respect to a Derivative Product.

#### ***Section 16. Tax Covenants; Special Designation.***

(a) *Tax Covenant.* The District covenants to undertake all actions required to maintain the tax-exempt status of interest on the Bonds issued as tax-exempt bonds under Section 103 of the Code as set forth in the Tax and Arbitrage Certificate and will comply with its additional representations and covenants set forth in the Tax and Arbitrage Certificate with respect to tax-advantaged bonds.

(b) *No Bank Qualification.* The Bonds shall not be qualified tax-exempt obligations pursuant to Section 265(b) of the Code for investment by financial institutions.

#### ***Section 17. Sale of Bonds.***

The Bonds shall be sold at negotiated sale to the Underwriters pursuant to the terms of the Bond Purchase Contract. The Chair or his designee, the President (the "Authorized Representative"), is hereby authorized to negotiate terms for the purchase of the Bonds and to execute the Bond Purchase Contract, with such terms pursuant to this section and consistent with this resolution. The Board has been advised by its financial advisor that market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Board. The Board has determined that it would be in the best interest of the District to delegate to the Authorized Representative for a limited time the authority with respect to each series to approve the final series and designations, interest rates, maturity dates, aggregate principal amount, principal amounts and prices of each maturity, redemption rights, and other terms and conditions of the Bonds. The Authorized Representative is hereby authorized to approve within each series, the final interest rates, maturity dates, aggregate principal amount, principal amounts of each maturity and redemption rights for the Bonds in the manner provided hereafter so long as the aggregate principal amount of the Bonds does not exceed the maximum principal amount set forth in Section 3 and so long as the true interest cost for the Bonds (in the aggregate and net of federal subsidy, if any) does not exceed 5.00%.

In determining the final interest rates, maturity dates, aggregate principal amount, principal maturities, redemption rights of the Bonds, the Authorized Representative, in consultation with District staff and the District's financial advisor, shall take into account those factors that, in his judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in terms and quality to the Bonds. Subject to the terms and conditions set forth in this section, the Authorized Representative is hereby authorized to execute the final form of the Bond Purchase Contract, upon the Authorized Representative's approval of the final interest rates, maturity dates, aggregate principal amount, principal maturities and redemption rights set forth therein. Following the execution of the Bond Purchase Contract, the Authorized Representative shall provide a report to the Board, describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Authorized Representative by this section shall expire on December 31, 2010. If a Bond Purchase Contract for the Bonds has not been executed by December 31, 2010, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless the Bonds shall have been re-authorized by resolution of the Board. The



resolution reauthorizing the issuance and sale of the Bonds may be in the form of a new resolution repealing this resolution in whole or in part (only with respect to the Bonds not issued) or may be in the form of an amendatory resolution approving a bond purchase contract or establishing terms and conditions for the authority delegated under this section.

Upon the adoption of this resolution, the proper officials of the District including the Authorized Representative and the Designated District Representative are authorized and directed to undertake all other actions necessary for the prompt execution and delivery of the Bonds to the Underwriters thereof and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Bond Purchase Contract.

The Authorized Representative and the Designated District Representative each is authorized to ratify and to approve for purposes of the Rule, on behalf of the District, the Official Statement (and any Preliminary Official Statement) and any supplement thereto relating to the issuance and sale of the Bonds and the distribution of the Bonds pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate.

The Authorized Representative and the Designated District Representative and other District officials, agents and representative are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds to the Underwriters and for the proper application and use of the proceeds of sale of the Bonds. In furtherance of the foregoing, the Authorized Representative and the Designated District Representative authorized to approve and enter into agreements for the payment of costs of issuance, including Underwriters' discount, the fees and expenses specified in the Bond Purchase Contract, including fees and expenses of Underwriters and other retained services, including bond counsel, rating agencies, financial advisory services, Trustee fees, accounting and verification services and other expenses customarily incurred in connection with issuance and sale of bonds.

#### **Section 18. Undertaking to Provide Ongoing Disclosure.**

(a) *Contract/Undertaking.* This section constitutes the District's written undertaking for the benefit of the beneficial owners of the Bonds to assist the Underwriters in complying with the Rule. For purposes of this section, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

(b) *Financial Statements/Operating Data.*

(1) *Annual Disclosure Report.* The District covenants and agrees that not later than six months after the end of each fiscal year (the "Submission Date"), commencing June 30, 2012 for the fiscal year ending December 31, 2011, the District shall provide or cause to be provided to the MSRB an annual report (the "Annual Disclosure Report") that is consistent with the requirements of part (2) of this subsection (b). The District may adjust such date if the District changes its fiscal year by providing written notice of the change of fiscal year and the new reporting date to the MSRB. The Annual Disclosure Report may be submitted as a single

document or as separate documents comprising a package and may include by reference other information as provided in part (2) of this subsection (b); provided that any audited annual financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such audited financial statements are not available by the Submission Date. If the District's fiscal year changes, the District shall give notice of such change in the same manner as notice is to be given of the occurrence of an event listed in subsection 18(c) hereof, and if for any fiscal year the District does not furnish an Annual Disclosure Report to the MSRB, if any, by the Submission Date, the District shall send to the MSRB notice of its failure to furnish such report pursuant to subsection 18(d). For as long as the District continues to be obligated to make Annual Payments or to repay an Repayment Deficiency Loan (as such terms are defined in the Transfer Agreement), the District shall also file Annual Reports with the State Treasurer.

(2) *Content of Annual Disclosure Reports.* The District's Annual Disclosure Report shall contain or include by reference the following:

(A) *Audited financial statements.* Audited financial statements, except that if any audited financial statements are not available by the Submission Date, the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the District, and the District's audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available.

(B) *Operating Data and Financial Information.* Updated versions of the type of information contained in the Official Statement and identified in a closing certificate executed by the Designated District Representative and referencing this section.

In lieu of providing the information in such Annual Disclosure Report, the District may cross-reference to other documents available to the public on the MSRB's internet website and, if such document is a final official statement within the meaning of the Rule, available from the MSRB. The District shall identify clearly each document so included by reference.

(c) *Material Events.* The District agrees to provide or cause to be provided, in a timely manner to the MSRB notice of the occurrence of any of the following events with respect to the Bonds not in excess of ten business days after the occurrence of the event:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material or events affecting the tax-exempt status of the Bonds;
- Modifications to rights of owners if material;

- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- Defeasances;
- Release, substitution or sale of property securing the repayment of the Bonds if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the District;
- The consummation of a merger, consolidation, or acquisition of the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement to undertake such an actions, other than pursuant to its terms, if material; and
- Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.

Solely for purposes of information, but without intending to modify this agreement, with respect to the notice regarding property securing the repayment of the Bonds, the District will state in its Preliminary and final Official Statements that there is no property securing the repayment of the Bonds. The District shall promptly determine whether the events described above are material.

(d) *Notice Upon Failure to Provide Financial Data.* The District agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in subsection (b) above on or prior to the Submission Date.

(e) *Format for Filings with the MSRB.* All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) *Termination/Modification.* The District's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance (if notice of such defeasance is given as provided above) or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if the District (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this section, or any such provision, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies the MSRB, if any, of such opinion and the cancellation of this section. Notwithstanding any other provision of this resolution, the District may amend this Section 18 (including the items in the closing certificate referenced above) and any provision of this Section 18 may be waived, in accordance with the Rule; *provided that* (A) if the amendment or waiver relates to the provisions of subsections (b)(1), (b)(2) or (c) above, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (B) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in

circumstances; and (C) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the beneficial owners of the Bonds.

In the event of any amendment of or waiver of a provision of this Section 18, the District shall describe such amendment in the next Annual Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection (c), and (ii) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(f) *Registered Owner's and Beneficial Owners' Remedies Under this Section.* A Registered Owner's and the beneficial owners' right to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the District's obligations hereunder, and any failure by the District to comply with the provisions of this undertaking shall not be a default under this resolution. A default under this section shall not constitute a Default under this resolution.

(g) *Additional Information.* Nothing in this Section 18 shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Section 18 or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of a material event, in addition to that which is required by this Section 18. If the District chooses to include any information in any Annual Disclosure Report or notice of the occurrence of a material event in addition to that specifically required by this Section 18, the District shall have no obligation under this resolution to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of a material event.

(h) *Disclosure Agent.* The District, at the option of the Designated District Representative, may enter into an agreement with the Trustee or any other agent to assist the District in complying with the terms of this undertaking.

#### **Section 19. Interlocal Agreement .**

The Board of Directors of the District hereby approves the Interlocal Agreement with the State Treasurer with respect to payment of Lodging Tax Revenues, substantially in the form presented to the Board on this date, and the President is hereby authorized and directed to execute and deliver the Interlocal Agreement and deliver the same to the State Treasurer. The Trustee and the Registered Owners shall be third party beneficiaries of the Interlocal Agreement.

#### **Section 20. Derivative Products.**

(a) *General.* To the extent permitted by state law, the District may enter into Derivative Products under which District Payments are secured and payable on a parity with the

Outstanding First Priority Bonds, subject to the conditions provided in this Section. For purposes of this resolution the following terms have the following meanings:

***Derivative Facility*** means a letter of credit, an insurance policy, a surety bond or other credit enhancement device, given, issued or posted as security for the District's obligations under one or more Derivative Products.

***Derivative Payment Date*** means any date specified in the Derivative Product on which a District Payment is due and payable under the Derivative Product.

***Derivative Product*** means a written contract or agreement between the District and a Reciprocal Payor that has (or whose obligations are unconditionally guaranteed by a party that has) (as of the date of the Derivative Product) at least an investment grade rating from a rating agency, (provided, however, that if the District's First Priority Bonds are rated by a Rating Agency, Reciprocal Payor shall have a rating by that Rating Agency at least as high as that of the District) which provides that the District's obligations thereunder will be conditioned on the performance by the Reciprocal Payor of its obligations under the agreement, and

(A) under which the District is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the District Payments in exchange for the Reciprocal Payor's obligation to pay or to cause to be paid to the District, on scheduled and specified Derivative Payment Dates, the Reciprocal Payments;

(B) for which the District's obligations to make District Payments are secured by a pledge and assignment of the Lodging Tax Revenues and the Trust Estate on an equal and ratable basis with the Outstanding First Priority Bonds;

(C) under which Reciprocal Payments are to be made directly into the Bond Fund;

(D) for which the District Payments are either specified to be one or more fixed amounts or are determined as provided by the Derivative Product; and

(E) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined as set forth in the Derivative Product.

***District Payment*** means any regularly scheduled payment (designated as such by a supplemental resolution) required to be made by or on behalf of the District under a Derivative Product and which is in an amount set forth, or determined according to a formula set forth, in the Derivative Product.

***Reciprocal Payment*** means any payment designated as such by a supplemental resolution) to be made to, or for the benefit of, the District under a Derivative Product by the Reciprocal Payor.

***Reciprocal Payor*** means a party (other than the District) to a Derivative Product that is obligated to make one or more Reciprocal Payments thereunder.

(b) ***Conditions.*** The following shall be conditions precedent to the use of any Derivative Product on a parity with any Bonds under this resolution:

(1) ***Derivatives Policy.*** Prior to entering into a Derivative Product, the District shall obtain the approval of its Board of Directors and shall adopt a formal derivatives policy.

(2) ***General Parity Tests.*** The Derivative Product must satisfy the requirements for Additional First Priority Bonds described in Section 15 of this resolution taking into consideration regularly scheduled District Payments and regularly scheduled Reciprocal Payments under the Derivative Product (in each case without regard to any termination payments and taking into consideration any basis risk). District Payments shall be added to interest payments on the related First Priority Bonds and the Reciprocal Payments shall be subtracted therefrom.

(3) ***Opinion of Bond Counsel.*** The District shall obtain an opinion of Bond Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by this resolution or the applicable provisions of any supplemental resolution and will not adversely affect the tax exempt of the interest on or tax advantaged status of any Outstanding First Priority Bonds.

(4) ***Payments.*** Each Derivative Product shall set forth the manner in which the District Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.

(5) ***Supplemental Resolutions to Govern Derivative Products.*** Prior to entering into a Derivative Product, the District shall adopt a resolution, within the limitations set forth in Section 21, which shall:

(A) establish general provisions for the rights of providers of Derivative Products or Derivative Facilities; and

(B) set forth such other matters as the District deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of this resolution.

#### ***Section 21. Supplements and Amendments.***

(a) ***Without Consent of Owner.*** This resolution and/or the Trust Agreement may be amended or supplemented from time to time, without the consent of the Registered Owners by a resolution or resolutions or amendatory or supplemental to this resolution adopted by the Board or by supplements or amendments for one or more of the following purposes:

(1) to add additional covenants of the Board or to surrender any right or power herein or in the Trust Agreement conferred upon the District; provided that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the District contained in this resolution or the Trust Agreement; or

- (2) to confirm as further assurance any pledge or provision for payment of the First Priority Bonds under and the subjection to any claim or pledge created or to be created by the provisions of this resolution and the Trust Agreement of the Lodging Tax Revenues and the Trust Estate or of any other moneys, securities or funds; or
- (3) to cure any ambiguity or to cure, correct or supplement any defective (whether because of any inconsistency with any other provision hereof or otherwise) provision of this resolution or the Trust Agreement in such manner as shall not be inconsistent with this resolution or to make any other provisions with respect to matters or questions arising under this resolution or the Trust Agreement, provided such action shall not impair the security hereof or thereof or materially and adversely affect the interests of the Registered Owners; or
- (4) to prescribe further limitations and restrictions upon the issuance of First Priority Bonds and the incurring of indebtedness by the District payable from the Lodging Tax Revenues and the Trust Estate that are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; or
- (5) to provide or modify procedures permitting Registered Owners to utilize a certificated system of registration for Bonds; or
- (6) to modify, alter, amend, supplement or restate this resolution and/or the Trust Agreement in any and all respects necessary, desirable or appropriate or in connection with the delivery of a Credit Facility, Liquidity Facility or other security or liquidity arrangement; or
- (7) to modify, alter, amend, supplement or restate this resolution and/or the Trust Agreement in any and all respects necessary, desirable or appropriate in order to satisfy the requirements of any Rating Agency which may from time to time provide a rating on the Bonds, or in order to obtain or retain such rating on any First Priority Bonds as is deemed necessary by the District; provided such action shall not impair the security hereof or materially and adversely affect the interests of the Registered Owners; or
- (8) to qualify this resolution and/or the Trust Agreement under the Trust Indenture Act of 1939, as amended; provided such action shall not impair the security hereof or materially and adversely affect the interests of the Registered Owners; or
- (9) for any purpose, if such amendment becomes effective only following a mandatory tender or redemption of all First Priority Bonds for purchase; or
- (10) to modify any of the provisions of this resolution and/or the Trust Agreement in any other respects; provided that such modifications shall not materially and adversely affect the rights of any First Priority Bondholders or that such modifications shall not take effect until all then Outstanding First Priority Bonds are no longer Outstanding; or
- (11) in connection with the issuance of Additional First Priority Bonds or the entering into of Derivative Products.

Notwithstanding anything in this Section 21(a) to the contrary, without the specific consent of the Registered Owners of each First Priority Bond, no supplement, amendment or such resolution amending or supplementing the provisions hereof or of the Trust Agreement or of any resolution shall reduce the percentage of First Priority Bonds, the Registered Owners of which are required to consent to any such resolution amending or supplementing the provisions hereof; or give to any First Priority Bond or First Priority Bonds any preference over any other First Priority Bond or First Priority Bonds secured hereby. No supplement, amendment or resolution amending or supplementing the provisions hereof or any resolution shall change the date of payment of the principal of any First Priority Bond, or reduce the principal amount or Accreted Value of any First Priority Bond, or change the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any First Priority Bond may first be called for redemption prior to its fixed maturity date (except as provided in the resolution authorizing the issuance of such First Priority Bond) without the specific consent of the Registered Owner of that First Priority Bond; and no such amendment shall change or modify any of the rights or obligations of any Trustee, paying agent or other agent for a series of First Priority Bonds without its written assent thereto.

(b) *Amendments with Consent.* This resolution and/or the Trust Agreement may be amended from time to time by a supplemental resolution or supplement or amendment to the Trust Agreement approved by the Registered Owners of a majority in aggregate principal amount or Accreted Value of the First Priority Bonds then Outstanding; provided, that (a) no amendment shall be made which affects the rights of some but fewer than all of the Registered Owners of the Outstanding First Priority Bonds without the consent of the Registered Owners of a majority in aggregate principal amount or Accreted Value of the First Priority Bonds so affected, and (b) except as expressly authorized hereunder, no amendment that alters the interest rates on any First Priority Bonds, the maturity date, interest payment dates, purchase upon tender or redemption provisions of any First Priority Bonds, this Section 21(b) without the consent of the Registered Owners of all Outstanding First Priority Bonds affected thereby. For the purpose of consenting to amendments under this Section 21(b) except for amendments that alter the interest rate on any First Priority Bonds, the maturity date, interest payment dates, purchase upon tender or redemption of any Bonds, the Credit Facility Issuer shall be deemed to be the sole Registered Owner of the Bonds that are payable from or guaranteed by such Credit Facility and that are then Outstanding (but only if the then outstanding rating of the Credit Facility Issuer is higher than the then outstanding underlying rating of the District).

(c) *Effective Date of Modification.* Upon the adoption of any supplemental resolution pursuant to the provisions of this section, this resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the District under this resolution shall thereafter be determined, exercised and enforced thereunder, subject in all respect to such modification and amendments, and all the terms and conditions of any such supplemental resolution shall be deemed to be part of the terms and conditions of this resolution for any and all purposes. A copy of each supplemental resolution shall be provided to the owners of the Bonds.

## **Section 22. Resolution a Contract.**

This resolution shall constitute a contract for the benefit of the Trustee and the owners of the Bonds, and its provisions may be enforced by the Trustee or any owner to the extent provided under the Trust Agreement.

**Section 23. Defaults and Remedies.**

The District hereby finds and determines that the deposit and disbursement of Lodging Tax Revenues are essential to the payment and security of the Bonds and the failure or refusal of the District or any of its officers to perform the covenants and obligations of this resolution will endanger the application of Lodging Tax Revenues and such other moneys, funds and securities to the purposes herein set forth. Accordingly, the provisions of this Section are specified and adopted for the additional protection of the owners from time to time of the Bonds. Any one or more of the following events shall constitute a "Default" under this resolution and under the Trust Agreement (but only with respect to the Bonds):

- (a) The District shall fail to make payment of the principal of any Bonds when the same shall become due and payable whether by maturity or scheduled redemption prior to maturity;
- (b) The District shall fail to make payments of any installment of interest on any Bonds when the same shall become due and payable;
- (c) The District shall default in the observance or performance of any other covenants, conditions, or agreements on the part of the District contained in this resolution or the Trust Agreement, and such default shall have continued for a period of 90 days; provided, however, that such default shall not constitute a Default unless the owners of at least a majority of the principal amount of Outstanding Bonds have requested the Trustee to declare such default as a Default.

The Trustee may, upon the happening of a Default and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Bondowners to collect any amounts due and owing the District, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this resolution or the Trust Agreement, and exercise all rights and remedies provided in the Trust Agreement.

Nothing herein contained shall be deemed to authorize or empower the Trustee to consent to accept or adopt, on behalf of any owner of said Bonds or appurtenant coupons, any plan of reorganization or adjustment affecting the said Bonds or any right of any owner thereof, or to authorize or empower the Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the District shall be a party.

Nothing in this resolution or the Trust Agreement or in the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to impose Lodging Taxes and to pay from Lodging Tax Revenues and the Trust Estate the principal of and interest on said Bonds

to the respective owners thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such owners to enforce such payments.

The remedies herein conferred upon or reserved to the owners of the Bonds and to the Trustee are not intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. The privileges herein granted shall be exercised from time to time and continued so long as and as often as the occasion therefor may arise and no waiver of any default hereunder, whether by the Trustee or by the owners of Bonds, shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon. No delay or omission of the Bondowners or of the Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein.

Upon any such waiver, such default shall cease to exist, and any Default arising therefrom shall be deemed to have been cured, for every purpose of this resolution; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

**Section 24. Severability.**

If any one or more of the covenants and agreements provided in this resolution to be performed on the part of the District shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

PASSED by a vote of \_\_\_\_ to \_\_\_\_ this 12th day of November, 2010.

WASHINGTON STATE CONVENTION  
CENTER PUBLIC FACILITIES DISTRICT

BY: \_\_\_\_\_  
Frank K. Finneran, Chair

## CERTIFICATE

I, the undersigned, Secretary of the Board of Directors of Washington State Convention Center Public Facilities District (herein called the "Board") and keeper of the records of the District, DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 2010-12 of the District (herein called the "Resolution"), as finally adopted at a special meeting of the Board held on the 12th day of November, 2010, and duly recorded in my office.
2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that quorum of the Board was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the adoption of said Resolution; that all other requirements and proceedings incident to the proper adoption of said Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of November, 2010.

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Linda Willanger, Secretary of the Board

## APPENDIX A

### DEFINITIONS AND RULES OF CONSTRUCTION

#### Part I. Definitions

Except as otherwise defined elsewhere in the Bond Resolution and the Trust Agreement, the following words, terms and phrases shall have the following meanings, unless the context or use indicates another meaning or intent:

***Accreted Value*** means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the initial principal amount of such First Priority Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such First Priority Bonds plus the amount of discounted principal which has accreted since the date of issue. In each case the Accreted Value shall be determined in accordance with the provisions of the resolution authorizing the issuance of such First Priority Bonds.

***Additional First Priority Bonds*** means any obligations incurred pursuant to Section 15 of the Bond Resolution.

***Additional Lodging Tax*** means an excise tax on the sale of or charge made for the furnishing of lodging on any premises and located within the boundaries of the City of Seattle that are subject to tax under chapter 82.08 RCW at the rate of 2%.

***Additional Lodging Tax Revenues*** mean the revenues generated by the Additional Lodging Tax imposed by the District pursuant to RCW 36.100.040 (5).

***Additional Lodging Tax Revenues Subaccount*** means the subaccount of that name or similar designation maintained by the District for the purpose of holding and accounting for Additional Lodging Tax Revenues.

***Annual Debt Service*** means the total amount of Debt Service for Outstanding First Priority Bonds in any Fiscal Year or Base Period.

***Annual Disclosure Report*** has the meaning given such term in Section 18(b) of the Bond Resolution.

***Authorized Representative*** means the Chair or his designee, the President.

***Available Balance(s)*** means the dollar amount remaining on hand in the Lodging Tax Account after confirmation by the Trustee that the Required Monthly Deposit for that month has been made.

**Balloon Maturity Bonds** means any First Priority Bonds that are so designated in the resolution pursuant to which such First Priority Bonds are issued. Commercial paper (obligations with a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Bonds.

**Base Period** means any consecutive 12-month period selected by the Designated District Representative out of the 24-month period next preceding the date of issuance of an additional series of Additional First Priority Bonds.

**Beneficial Owner** means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any First Priority Bonds (including persons holding First Priority Bonds through nominees, depositories or other intermediary).

**Board** means the Board of Directors of the District, the general legislative body of the District, as constituted from time to time.

**Bond Fund** means the “Washington State Convention Center Public Facilities District Lodging Tax Bond Fund” established pursuant to Section 9(b) of the Bond Resolution and maintained with the Trustee.

**Bond Purchase Contract** means the purchase contract for the Bonds between the District and the Underwriters entered into pursuant to the terms of Section 17 of the Bond Resolution.

**Bond Register** means the registration books maintained by the Trustee for the purpose of identifying ownership of the Bonds.

**Bond Resolution** means Resolution No. 2010-12, adopted by the Board on November 12, 2010.

**Bonds** means the lodging tax bonds of the District issued pursuant to the Bond Resolution.

**Build America Bonds** means bonds issued under authority of Section 54AA of the Code, enacted by the American Recovery and Reinvestment Act of 2009.

**Capital Appreciation Bonds** means First Priority Bonds all or a portion of the interest on which is compounded, accumulated and payable only upon redemption, conversion or on the maturity date of such First Priority Bonds. If so provided in the resolution authorizing their issuance, First Priority Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which First Priority Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

**Chair** means the Chair of the Board.

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**Code** means the Internal Revenue Code of 1986, as amended, and all applicable regulations and rulings relating thereto.

**Common Reserve Fund** means the “Washington State Convention Center Public Facilities District Lodging Tax Bond Common Reserve Fund” established pursuant to Section 9(b) of the Bond Resolution and maintained with the Trustee pursuant to Section 2.04 of the Trust Agreement.

**Common Reserve Requirement – First Priority** means the lowest of (i) maximum Annual Debt Service with respect to Outstanding Covered Bonds; (ii) 125% of average Annual Debt Service with respect to Outstanding Covered Bonds; and (iii) 10% of the initial principal amount of each series then Outstanding of Covered Bonds. The Common Reserve Requirement – First Priority shall be determined and calculated as of the date of issuance of each series of Covered Bonds (and recalculated upon the issuance of a subsequent series of Covered Bonds and also, at the District’s option, upon the payment of principal of Covered Bonds) and provided that if, as a result of the issuance of Additional First Priority Bonds, the increase in the Common Reserve Requirement – First Priority of Additional First Priority Bonds would require that an amount be contributed to the Common Reserve Fund that is more than the Tax Maximum, the Common Reserve Requirement – First Priority shall be adjusted to require a contribution equal to the Tax Maximum.

**Convention Center Act** means Chapter 15, Washington Laws of 2010 (SSB 6889).

**County** means King County, Washington.

**Covered Bonds** means the Bonds and those Additional First Priority Bonds, designated in the resolution authorizing their issuance as Covered Bonds secured by the Common Reserve Fund.

A **Credit Event** occurs when (a) a Qualified Letter of Credit terminates, (b) the issuer of Qualified Insurance or a Qualified Letter of Credit shall become insolvent or no longer be in existence, or (c) the issuer of a Qualified Letter of Credit is no longer rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies or the issuer of the Qualified Insurance is no longer rated in one of the two highest Rating Categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability.

**Credit Facility** means a policy of municipal bond insurance, a letter of credit, surety bond, guarantee or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or provide funds for the payment of financial obligations of the District, including but not limited to payment of the scheduled principal of and interest on First Priority Bonds.

**Credit Facility Issuer** means the issuer of any Credit Facility.

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**Date of Issue** means the date on which the Bonds are executed and delivered to the Underwriters pursuant to the Bond Purchase Contract.

**Debt Service** means, for any period of time and for the purpose of determining compliance with the conditions for issuance of First Priority Bonds set forth in Section 15 of the Bond Resolution and for the purpose of calculating the Common Reserve Requirement – First Priority and unless otherwise provided in Section 20 of the Bond Resolution,

(a) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds that are not designated as Balloon Maturity Bonds in the resolution authorizing their issuance, the principal amount equal to the Accreted Value thereof maturing or scheduled for redemption in such period, including the interest payable during such period and unless otherwise provided in Section 20 of the Bond Resolution;

(b) with respect to any Outstanding Fixed Rate Bonds, an amount equal to (1) the principal amount of such First Priority Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (2) the amount of any payments required to be made during such period into any sinking fund established for the payment of the principal of any such First Priority Bonds, plus (3) all interest payable during such period on any such First Priority Bonds Outstanding and, with respect to First Priority Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such First Priority Bonds on the date specified in the resolution authorizing such First Priority Bonds; and

(c) with respect to all other series of First Priority Bonds Outstanding, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and First Priority Bonds bearing variable rates of interest, an amount for any period equal to the amount which would be payable (1) as principal on such First Priority Bonds during such period (computed on the assumption that the amount of First Priority Bonds Outstanding as of the date of such computation would be amortized in accordance with the mandatory redemption provisions, if any, set forth in the resolution authorizing the issuance of such First Priority Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance to provide for essentially level annual debt service during such period) plus (2) interest at an interest rate equal to (A) the 10-year average of the SIFMA Municipal Swap Index, plus (B) 1.5%.

With respect to any First Priority Bonds payable in other than U.S. Dollars, Debt Service shall be calculated as provided in the resolution authorizing the issuance of such First Priority Bonds.

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Debt Service also shall be net of any principal and/or interest (not including any amount deposited in any reserve account for payment of principal and/or interest) funded from proceeds of any First Priority Bonds or from earnings thereon. For the purpose of determining compliance with the conditions for issuance of First Priority Bonds set forth in Section 15 of the Bond Resolution and for the purpose of calculating the Common Reserve Requirement – First Priority, Debt Service also shall be net of First Priority Debt Service Offsets.

Debt Service shall include reimbursement obligations (and interest accruing thereon) then owing to any Credit Facility Issuer or Liquidity Facility Issuer to the extent authorized in the Bond Resolution or in another resolution.

**Debt Service Payment Date** means an Interest Payment Date or a Principal Payment Date.

**Default** has the meaning given such term in Section 23 of the Bond Resolution.

**Designated District Representative** means the Board Chair, the Vice-Chair, the President and/or District Treasurer or their written designee.

**District** means the Washington State Convention Center public facilities district, a political subdivision duly organized and existing by virtue of the Constitution and laws of the State of Washington. From and after the Transfer Date, the District may do business as the Washington State Convention Center.

**District Treasurer** means the Director of Finance of the District, or any other public officer as may hereafter be designated pursuant to law to have the custody of District funds.

**DTC** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to the Trust Agreement.

**First Priority Bonds** means the Bonds and any Additional First Priority Bonds. The term **First Priority Bonds** may include reimbursement obligations of the District to the issuer of a Credit Facility.

**First Priority Debt Service Offsets** means receipts of the District from the federal government that are legally available and pledged by the District to pay debt service on First Priority Bonds. For purposes of the Bonds, the subsidy payments to be received for Build America Bonds and identified on Exhibit A to the Trust Agreement are First Priority Debt Service Offsets.

**Fiscal Year** means any 12-month period ending on December 31 or such other date as is authorized by statute and/or selected by the District.

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**Fitch** means Fitch, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **Fitch** shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Designated District Representative.

**Fixed Rate Bonds** means those First Priority Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under a resolution in which the rate of interest on such First Priority Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the resolution authorizing their issuance, First Priority Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term. Fixed Rate Bonds also shall include two or more series of First Priority Bonds simultaneously issued under a resolution and which, collectively, bear interest at a fixed and determinable rate for a specified period of time.

**Government Obligations** has the meaning given such term in Chapter 39.53 RCW, as the same may be amended or restated from time to time.

**Interlocal Agreement** means the Interlocal Agreement dated November 30, 2010 between and among the District the State Treasurer and the State of Washington Department of Revenue.

**Interest Payment Date** means each date on which a payment of interest on the Bonds is due and payable.

**Interest Account** means the account of such name authorized to be created and maintained in the Bond Fund pursuant to Section 9(b) of the Bond Resolution and Section 2.01 of the Trust Agreement.

**Irrevocable Deposit** means the irrevocable deposit of money or Government Obligations in order to provide for the payment of all or a portion of the principal of, premium, if any, and interest on any Bonds in accordance with, and simultaneously meeting all the requirements of, Section 12 of the Bond Resolution.

**Letter of Representations** means the blanket issuer letter of representations from the District to DTC.

**Liquidity Facility** means a line of credit, standby purchase agreement or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or to provide funds for the payment of the purchase price of First Priority Bonds.

**Liquidity Facility Issuer** means the issuer of any Liquidity Facility.

**Lodging Tax Account** means the special account authorized to be created and maintained in the office of the Trustee for the purpose of receiving all Lodging Tax Revenues pursuant to Section 9(a) of the Bond Resolution and the Trust Agreement.

**Lodging Tax Revenues** means the Regular Lodging Tax Revenues and the Additional Lodging Tax Revenues.

**Moody's** means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term **Moody's** shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or S&P) selected by the Designated District Representative.

**MSRB** means the Municipal Securities Rulemaking Board or any successors to its functions. Until otherwise designated by the MSRB or the SEC, any information, reports or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at [www.emma.msrb.org](http://www.emma.msrb.org).

**Operating Reserve Account** means the account of such name created pursuant to Section 10 of the Bond Resolution.

**Original Issue Discount Bonds** means First Priority Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds in the resolution authorizing their issuance.

**Outstanding**, when used as of any particular time with reference to Bonds, means all Bonds theretofore executed by the District and authenticated and delivered by the Trustee under the Trust Agreement which have not been paid or cancelled by the Trustee or surrendered to the Trustee for cancellation, the payment of which has not been fully provided for pursuant to Section 12 of the Bond Resolution and with respect to Additional First Priority Bonds, shall have the meaning given such term in the resolution authorizing their issuance.

**President** means the President/Chief Executive Officer of the WSCC or the successor in function to the President/Chief Executive Officer.

**Principal Account** means the account of such name authorized to be created and maintained in the Bond Fund pursuant to Section 9(b) of the Bond Resolution and the Trust Agreement.

**Principal Payment Date** means each date on which a payment of principal of the Bonds is due and payable, whether at maturity or upon a mandatory redemption date.

**Project Fund** means the “WSSC Project Fund” established pursuant to Section 13 of the Bond Resolution.

**Qualified Insurance** means any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) (i) which insurance company or companies are rated in one of the two highest Rating Categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability or (ii) if as a result of the issuance of its policies, the obligations insured thereby to be rated in one of the two highest Rating Categories by one or more of the Rating Agencies.

**Qualified Letter of Credit** means any irrevocable letter of credit issued by a financial institution, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

**Rating Agency** means Fitch, Moody’s or S&P.

**Rating Category** means the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

**Registered Owner** means the person named as the registered owner of the Bond in the Bond Register.

**Registrar** means, at the option of the Designated District Representative, either (i) the Trustee or (ii) the fiscal agency of the State of Washington, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting the transfer of ownership of the Bonds and paying interest on and principal of the Bonds or any Registrar hereafter appointed by the District Treasurer.

**Regular Lodging Tax** means the excise tax on the sale of or charge made for the furnishing of lodging on any premises having 60 or more units that is subject to tax under chapter 82.08 RCW at the rate of 7% within the portion of the District that corresponds to the boundaries of the City of Seattle and 2.8 percent in the remainder of the District

**Regular Lodging Tax Revenues** mean the revenues generated by the Regular Lodging Tax collected by the District at the rates in effect as of the Date of Issue pursuant to RCW 36.100.040 (4).

**Required Monthly Deposit** means:

(a) With respect to the Interest Account, an amount equal to one-sixth of the interest on Bonds coming due on the upcoming Interest Payment Date, net of First Priority Debt Service Offsets. In the case of the 2010B Bonds issued as Build America Bonds, the

Required Monthly Deposit shall be equal to 65% of the interest coming due on the upcoming Interest Payment Date;

(b) With respect to the Principal Account and commencing 12 months prior to the first scheduled Principal Payment Date, an amount equal to one-twelfth of the principal of Bonds coming due and payable on the upcoming Principal Payment Date; and

(c) with respect to the Common Reserve Fund, the dollar amount required to establish or maintain the Common Reserve Requirement-First Priority at the times and amounts required in accordance with the terms of Section 2.04(b) of the Trust Agreement.

A schedule of Required Monthly Deposits to the Interest Account and the Principal Account shall be delivered to the Trustee on or prior to the date of issuance of each series of First Priority Bonds.

**Required Supplemental Deposit** means (a) the amount, if required, to pay the Required Monthly Deposits if the Trustee has not received a disbursement from the State Treasurer or other sources on or prior to the 24<sup>th</sup> day of any month sufficient to make the Required Monthly Deposits and (b) the amount, if required, to pay the principal of and/or interest on the Bonds coming due on an upcoming Debt Service Payment Date if and to the extent that the Trustee does not have on deposit in the Interest Account an amount sufficient to pay interest on Bonds coming due on the upcoming Interest Payment Date or does not have on deposit in the Principal Account an amount sufficient to pay principal of the Bonds maturing or coming due on the upcoming Principal Payment Date as of the 24<sup>th</sup> day of the month immediately prior to the Debt Service Payment Date.

**Rule** means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as amended from time to time.

**SEC** means the Securities and Exchange Commission.

**SIFMA Municipal Swap Index** means the Securities Industry and Financial Markets Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by the Securities Industry and Financial Markets Association; *provided*, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then SIFMA Municipal Swap Index shall mean such other reasonably comparable index selected by the Designated District Representative.

**State Treasurer** means the office of the state treasurer of the state of Washington.

**Subordinate Priority WSSC Obligations** mean obligations of the District secured by Lodging Tax Revenue and the Trust Estate and having a claim thereon subordinate to the claim of the First Priority Bonds.

***Tax and Arbitrage Certificate*** means the federal tax certificate or certificates of the District pertaining to the tax exemption of interest on the Bonds issued on a tax-exempt basis, the qualification of Bonds issued on a tax-advantaged basis and the payment of any rebate amount to the United States.

***Tax Maximum*** means the maximum dollar amount permitted by the Code, including applicable regulations thereunder, to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield.

***Term Bonds*** mean any Bonds identified as Term Bonds in the Bond Purchase Contract.

***Transfer Agreement*** means the Transfer Agreement to be entered into between the State Treasurer and the District pursuant to Section 8 of the Convention Center Act.

***Trust Agreement*** means the Trust Agreement dated as of November 1, 2010 between the District and the Trustee.

***Trust Estate*** means the funds, accounts and rights identified in the granting clauses of the Trust Agreement.

***Trustee*** means U.S. Bank National Association and shall include any successor as provided in the Trust Agreement.

***Uncovered Bonds*** means Additional First Priority Bonds that will not be secured by the Common Reserve Fund.

***Underwriters*** mean Citigroup Global Markets Inc., Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Loop Capital Markets LLC and Piper Jaffray & Co.

***WSCC*** means the Washington State Convention Center.

## **Part II. Rules of Construction.**

In the Bond Resolution and the Trust Agreement, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in the Bond Resolution or the Trust Agreement, respectively, refer to the Bond Resolution or the Trust Agreement, respectively, as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of the Bond Resolution or the Trust Agreement, respectively.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the text of the several articles and Sections of the Bond Resolution and the Trust Agreement, respectively, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of the Bond Resolution, or the Trust Agreement, respectively, nor shall they affect its meaning, construction or effect.

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses thereof.

(f) Whenever any consent or direction is required to be given by the District, such consent or direction shall be deemed given when given by the Designated District Representative or his or her designee, respectively, and all references herein to the Designated District Representative shall be deemed to include references to his or her designee, as the case may be.

**TRUST AGREEMENT**  
  
between  
  
**WASHINGTON STATE CONVENTION CENTER  
PUBLIC FACILITIES DISTRICT**  
  
and  
  
**U.S. BANK NATIONAL ASSOCIATION**

Dated as of November 1, 2010

Washington State Convention Center Public Facilities District  
Lodging Tax Bonds, 2010A  
Lodging Tax Bonds, 2010B (Build America Bonds – Direct Payment)

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TRUST AGREEMENT

THIS TRUST AGREEMENT, made and dated as of November 1, 2010, by and between the WASHINGTON STATE CONVENTION CENTER PUBLIC FACILITIES DISTRICT, a municipal corporation of the state of Washington (the “District”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as Trustee (the “Trustee”);

WITNESSETH:

WHEREAS, in 1982, with the support of the Washington state legislature, a nonprofit corporation was established to design, construct, promote and operate the Washington State Convention Center (“WSCC”); and

WHEREAS, in 2010, the state Legislature enacted Substitute Senate Bill 6889 (the “Convention Center Act”), which authorized King County (the “County”) to create a public facilities district to acquire, own and operate a trade and convention center transferred from a public nonprofit corporation; and

WHEREAS, the Washington State Convention Center public facilities district (the “District”) was formed by the County, pursuant to Ordinance 16883, adopted on July 19, 2010, for the specific purpose of acquiring, owning and operating the WSCC; and

WHEREAS, in order to finance the costs of acquisition of and improvements to the WSCC, the District is authorized by RCW chs. 36.100.060, 36.100.040 and 39.46 to issue bonds payable from tax receipts of the District; and

WHEREAS, pursuant to authority granted in Resolution No. 2010-12, adopted by the Board of Directors of the District on November 12, 2010 (the “Bond Resolution”), the District has authorized the issuance and delivery of its Lodging Tax Bonds, 2010A and its Lodging Tax Bonds, 2010B (Build America Bonds – Direct Payment) (the “Bonds”); and

WHEREAS, the District is entering into this Agreement in order to provide for the receipt of Lodging Tax Revenues (as hereinafter defined), their disbursement and for the holding and investment of the Common Reserve Fund to secure the repayment of First Priority Bonds;

NOW, THEREFORE, THIS TRUST AGREEMENT

WITNESSETH:

GRANTING CLAUSES

The District, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds and any Additional First Priority Bonds by the Owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, to secure the payment of the principal of and interest on the Bonds according to their tenor and effect and the performance and observance by the District of

all the covenants expressed or implied herein and in the Bonds, does hereby bargain, sell, convey, mortgage, assign, pledge and grant, without recourse, the Trust Estate in trust to the Trustee and its successors and assigns forever all of the following (collectively, the "Trust Estate"):

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, to the Trustee and its respective successors and assigns in trust until discharged in accordance with this Trust Agreement:

I.

All right, title and interest of the District in the Interlocal Agreement, including but not limited to all right, title and interest of the District in and to the Lodging Tax Revenues;

II.

All funds and accounts established under this Trust Agreement and the investments thereof, if any, and money, securities and obligations therein, including all federal subsidy payments received for the 2010B Bonds issued as Build America Bonds and all other pledged federal subsidies (subject to disbursements from any such fund or account upon the conditions set forth in this Trust Agreement); and

III.

To the extent not covered hereinabove, all proceeds of all of the foregoing;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of First Priority Bonds issued under and secured by this Trust Agreement without privilege, priority or distinction as to the priority or otherwise of any of First Priority Bonds over any of the other First Priority Bonds;

PROVIDED, HOWEVER, that if the District, its successors or its assigns shall well and truly pay, or cause to be paid, the principal of and interest on all Outstanding First Priority Bonds due or to become due thereon, at the times and in the manner mentioned in the First Priority Bonds, or shall provide, as permitted hereby, for the payment thereof in accordance with the Bond Resolution and any resolution authorizing the issuance of Additional First Priority Bonds and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Trust Agreement to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as provided in the Bond Resolution, any resolution authorizing the issuance of Additional First Priority Bonds, this Trust Agreement and the rights hereby granted shall cease, terminate and be void, and the Trustee shall thereupon cancel and discharge this Trust Agreement and execute and deliver to the District such instruments in writing as shall be requisite to evidence the discharge hereof.

THIS TRUST AGREEMENT FURTHER WITNESSETH, that the District does hereby covenant to and agree with the Trustee, for the benefit of the Owners from time to time of the First Priority Bonds, as follows:

ARTICLE I  
DEFINITIONS; INTERPRETATION; BOND TERMS

SECTION 1.01. Definitions and Interpretation. Unless the context otherwise requires, the terms defined in Appendix A attached hereto or in Section 20 of the Bond Resolution and incorporated by this reference herein shall, for all purposes of this Trust Agreement and of any agreement supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

SECTION 1.02. Bond Details.

(a) *2010A Bonds.* The 2010A Bonds shall be issued in the aggregate principal amount of \$13,025,000, shall be dated as of the Date of Issue, shall bear interest from their Date of Issue until the Bond bearing such interest has been paid or its payment duly provided for, payable semiannually on the first days of each January and July, beginning on July 1, 2011, and shall mature on the following dates in the following years in the following amounts and bear interest at the following rates per annum:

Maturity Years (July 1)	Principal Amounts	Interest Rates
2013	\$ 6,385,000	4.00%
2014	6,640,000	5.00

(b) *2010B Bonds.* The 2010B Bonds shall be issued in the aggregate principal amount of \$300,550,000, shall be dated as of the Date of Issue, shall bear interest from their Date of Issue until the Bond bearing such interest has been paid or its payment duly provided for, payable semiannually on the first days of each January and July, beginning on July 1, 2011, and shall mature on the following dates in the following years in the following amounts and bear interest at the following rates per annum:

Maturity Years (July 1)	Principal Amounts	Interest Rates
2015	\$ 6,970,000	3.530%
2016	7,130,000	3.923
2017	7,315,000	4.323
2018	7,520,000	4.821
2019	7,755,000	5.021
2020	8,005,000	5.221
2021	5,855,000	5.421
2040	250,000,000	6.790

(c) *Conditions of Issuance.* At any time after the execution of this Trust Agreement, the District may execute and, upon satisfaction of the conditions set forth in this Section, the Trustee shall authenticate and, upon request of the District, deliver the Bonds. Prior to the authentication and delivery of any Bonds by the Trustee, there shall have been filed with the Trustee each of the following:

- (1) This Trust Agreement, duly executed;
- (2) A certified and conformed copy of the Bond Resolution;
- (3) A conformed copy of the executed Interlocal Agreement; and
- (4) The final approving opinions of Bond Counsel addressed to the Trustee, duly executed.

The Trustee shall be authorized to rely upon the fact of such delivery in authenticating and delivering the Bonds but shall not be required to make any independent investigation of the contents or underlying facts of any such agreements, policies, opinions or other documents.

SECTION 1.03. Redemption and Purchase.

(a) *Optional Redemption.*

(1) *2010A Bonds.* The 2010A Bonds are not subject to redemption prior to maturity.

(2) *2010B Bonds.* The 2010B Bonds are subject to redemption, in whole or in part, on any date prior to their maturity at a redemption price equal to the greater of (i) 100% of the principal amount of such 2010B Bonds; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest (excluding any accrued interest for the period prior to the date fixed for redemption) on such 2010B Bonds to be redeemed discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 40 basis points; plus, in either case, accrued and unpaid interest on such 2010B Bonds being redeemed to the date fixed for redemption.

“Treasury Rate” means, with respect to any redemption date for a particular 2010B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) Selected Interest Rates (the “Statistical Release”) that has become publicly available at least two Business Days, but not more than forty-five (45) calendar days, prior to the redemption date (excluding inflation-indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the 2010B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities, adjusted to a constant maturity of one year will be used. In the event that it is not practicable to determine the

Treasury Rate in accordance with the foregoing method, the term “Treasury Rate” shall mean, with respect to any redemption date for particular 2010B Bonds, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price.

“Comparable Treasury Issue” means the U.S. Treasury security or securities selected by the Independent Investment Banker which has an actual or interpolated maturity comparable to the remaining weighted average life of the applicable 2010B Bonds to be redeemed and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining weighted average life of such 2010B Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any date fixed for redemption of a particular 2010B Bonds, the average of the Reference Treasury Dealer Quotations for such redemption date.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the District.

“Reference Treasury Dealers” means each of four firms, specified by the District from time to time, that are primary United States Government securities dealers in the City of New York (each, a “Primary Treasury Dealer”); provided, that if any of them ceases to be a Primary Treasury Dealer, the District will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means for each Reference Treasury Dealer and for a purposed redemption date for a 2010B Bonds, the average, as determined by the Independent Investment Banker and communicated to the District, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quote in writing to the Independent Investment Banker and communicated to the District by such Reference Treasury Dealer at 3:30 p.m., New York City time, at least 2 days prior to the mailing of the redemption notice.

(b) *Extraordinary Optional Redemption.* The 2010B Bonds are subject to redemption prior to their stated maturity dates at the option of the District, in whole or in part upon the occurrence of an Extraordinary Event (defined below), at a redemption price (the “Extraordinary Redemption Price”) equal to the greater of: (i) the issue price set forth on the inside cover page of the Official Statement (as such term is defined in the Bond Purchase Contract) (but not less than 100 percent) of the principal amount of such 2010B Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2010B Bonds are to be redeemed, discounted to the date on which such 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described above) plus 100 basis points; plus, in each case, accrued interest on such 2010B Bonds to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if a material adverse change has occurred to Section 54AA of 6431 of the Internal Revenue Code of 1986, as amended (the “Code”), pursuant to which the federal subsidy for Build America Bonds is reduced or eliminated.

(c) *Mandatory Sinking Fund Redemption.* The 2010B Bonds maturing on July 1, 2040 (“Term Bonds”) shall be redeemed prior to maturity (or paid at maturity), on July 1 in the years as shown below (to the extent such 2010B Bonds have not been previously redeemed (pursuant to optional redemption) or purchased) and in the principal amounts set forth below, without premium, together with the interest accrued to the date fixed for redemption:

**2010B 2040 Term Bonds**

Redemption Years (July 1)	Principal Amounts
2021	\$ 2,425,000
2022	8,590,000
2023	8,970,000
2024	9,365,000
2025	9,780,000
2026	10,210,000
2027	10,660,000
2028	11,135,000
2029	11,625,000
2030	12,135,000
2031	12,675,000
2032	13,230,000
2033	13,815,000
2034	14,425,000
2035	15,065,000
2036	15,730,000
2037	16,420,000
2038	17,145,000
2039	17,905,000
2040*	18,695,000

\* Final Maturity.

To the extent that the District shall have optionally redeemed or purchased any Term Bonds since the last scheduled mandatory redemption of such Term Bonds, the District may reduce the principal amount of the Term Bonds of the same series and maturity to be redeemed in like aggregate principal amount. Such reduction may be applied in the year specified by the District.

(d) *Selection of 2010B Bonds for Redemption.* If the District elects to redeem less than all of the 2010B Bonds for optional or extraordinary optional redemption, the District shall select the amount and maturities to be redeemed.

If less than all of the 2010B Bonds of a particular maturity shall be called for any optional redemption, extraordinary optional redemption or mandatory sinking fund redemption: (1) if the 2010B Bonds are not registered in book-entry only form, any redemption of less than all of the respective 2010B Bonds will be allocated among the registered owners of such 2010B Bonds being redeemed as nearly as practicable in proportion to the amounts of the principal amounts of the 2010B Bonds owned by each Registered Owner, in authorized denominations, calculated based on the following formula: (principal to be redeemed) x (principal amount owned by such owner) / (total principal amount outstanding), and the particular 2010B Bonds to be redeemed will be determined by the Trustee in any manner as the Trustee in its sole discretion deems fair and appropriate; and (2) if the 2010B Bonds are in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2010B Bonds, any redemption of less than all of the 2010B Bonds will be done in accordance with DTC’s procedures in effect at such time. It is the District’s intent that redemption allocations made by DTC or such other intermediaries that may exist between the District and the Beneficial Owners be made in accordance with these same proportional provisions; provided, however, that the District provides no assurance that DTC or any other intermediary will allocate redemptions among Beneficial Owners on such a proportional basis.

(e) *Notice of Redemption.* For so long as the book entry-only system is in effect, notice of redemption, which notice may be conditional, shall be provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations, and no additional published or other notice shall be provided by the District. Notice of redemption, which may be conditional, shall be given by the District to the Trustee who shall give notice to DTC at least 20 days prior to the proposed date of redemption. The foregoing notice provisions of this section, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

(f) *Effect of Redemption.* Unless the District has revoked a notice of optional redemption (or unless the District provided a conditional notice and the conditions for redemption set forth therein are not satisfied), the District shall transfer to the Trustee amounts that, in addition to other money, if any, held by the Trustee, will be sufficient to redeem, on the redemption date, all the Bonds to be redeemed. If and to the extent that funds have been provided to the Trustee for the redemption of Bonds then from and after the date fixed for redemption for such Bond, interest on each such Bond shall cease to accrue, and such Bonds or portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security of the Bond Resolution or this Trust Agreement. The Registered Owners of such Bonds or portions thereof shall thereafter have no rights in respect thereof except to receive payment of the redemption price upon delivery of such Bonds to the Trustee.

Any notice mailed as described above will be conclusively presumed to have been given, whether or not actually received by any owner of a Bond. The failure to mail notice with respect to any Bond will not affect the validity of the proceedings for the redemption of any other Bond with respect to which notice was so mailed.



(g) *Purchase of Bonds.* The District may acquire Bonds by purchase of Bonds offered to the District at any time at such purchase price as the District deems appropriate, or by gift at any time on terms as the District deems appropriate. Bonds so acquired need not be surrendered to the Trustee for cancellation. The District has reserved the right to use at any time any Lodging Taxes available after providing for the payments required by paragraph First through Seventh of Section 9(c) of the Bond Resolution.

SECTION 1.04. Place and Medium of Payment. The principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a 360-day year (twelve 30-day months). For so long as all Bonds are in fully immobilized form, such payments of principal and interest thereon shall be made as provided in the operational arrangements of DTC as referred to in the Letter of Representations.

In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed (or by wire transfer, without transfer fee, to a Registered Owner of such Bonds in aggregate principal amount of \$1,000,000 or more who so requests) to the Registered Owners of the Bonds at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal and premium, if any, of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Trustee.

SECTION 1.05. Registration.

(a) *Trustee/Bond Register.* So long as any Bonds remain Outstanding, the Trustee shall create and maintain the Bond Register and make all necessary provisions to permit the exchange and registration of transfer of Bonds at its principal Corporate Trust Office. The Trustee is authorized, on behalf of the District, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds, the Bond Resolution and this Trust Agreement and to carry out all of the Trustee's powers and duties under this Trust Agreement. The Trustee shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) *Registered Ownership.* The District and the Trustee, each may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in Section 18 of the Bond Resolution), and neither the District nor the Trustee shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 1.04 hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 1.04 shall be valid and shall satisfy and discharge the liability of the District upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* To induce DTC to accept the Bonds as eligible for deposit at DTC, the District has executed and delivered to DTC the Letter of Representations.

Neither the District 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 Bonds 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 Bonds, any notice which is permitted or required to be given to Registered Owners under this Trust Agreement (except such notices as shall be required to be given by the District 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 Registered Owner. For so long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

If any Bond shall be duly presented for payment and funds have not been duly provided by the District on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until such Bond is paid.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond of each series maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, 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 District pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) 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 District to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the District 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.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Trustee shall, upon receipt of all Outstanding Bonds, together with a written request on behalf of the District, issue a single new Bond for each maturity of the Bonds 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 of the District.

(4) 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 District determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall not

longer be held in fully immobilized form. The District shall deliver a written request to the Trustee, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Trustee of all then Outstanding Bonds together with a written request on behalf of the District to the Trustee, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless such Bond is surrendered to the Trustee with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Trustee. Upon such surrender, the Trustee shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefore, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, series, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Trustee and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, series, maturity and interest rate, in any authorized denomination or denominations. The Trustee shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding the date any such Bond is to be redeemed.

(f) *Trustee's Ownership of Bonds.* The Trustee may become the Registered Owner of any Bond 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 member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Registration Covenant.* Until all Bonds have been surrendered and canceled, the Trustee will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

## ARTICLE II SECURITY FOR REPAYMENT OF FIRST PRIORITY BONDS

### SECTION 2.01. Establishment of Funds for all First Priority Bonds.

The following funds are hereby authorized to be established and maintained by the Trustee for the benefit of the Owners of all First Priority Bonds:

- (a) "Washington State Convention Center Public Facilities District – Lodging Tax Account";
- (b) "Washington State Convention Center Public Facilities District Lodging Tax Bond Fund" which shall include therein;
  - (1) an Interest Account; and
  - (2) a Principal Account; and
- (c) "Washington State Convention Center Public Facilities District Lodging Tax Bond Common Reserve Fund".

The Trustee may establish additional subaccounts as deemed necessary or desirable.

SECTION 2.02. Lodging Tax Account. The Lodging Tax Account shall be in the custody of the Trustee (or any of its affiliates satisfying the requirements of Section 4.01(e) hereof) but in the name of the District.

(a) *Deposits into Lodging Tax Account.* The Trustee shall deposit the following sums into the Lodging Tax Account:

- (1) On the date of receipt thereof pursuant to Section 4 of the Interlocal Agreement, Lodging Tax Revenues received from the State Treasurer shall be deposited by the Trustee into the Lodging Tax Account;
- (2) As received, all interest earnings on the Lodging Tax Account, the Interest Account, and the Principal Account shall be deposited by the Trustee into the Lodging Tax Account;
- (3) Amounts received by the Trustee pursuant to Section 2.03(d)(1) if not required to be deposited into the Interest Account under Section 2.03(d)(1);
- (4) Upon the conditions set forth in Section 2.04(b) of this Trust Agreement, the Trustee shall transfer money from the Common Reserve Fund in excess of the Reserve Requirement – First Priority to the Lodging Tax Account; and
- (5) All other money delivered to the Trustee with written direction from District that such money shall be deposited into the Lodging Tax Account.

If the Trustee has not received a disbursement from the State Treasurer under the Interlocal Agreement or from other sources during any month that is sufficient to make the Required Monthly Deposits, the Trustee shall notify the District Treasurer promptly but in no event later than the 24<sup>th</sup> day of the month, and the District shall remit a Required Supplemental Deposit to the Trustee no later than the second business day thereafter.

If the Trustee does not have on deposit in the Interest Account an amount sufficient to pay interest on Bonds coming due on the upcoming Interest Payment Date or does not have on deposit in the Principal Account an amount sufficient to pay principal of the Bonds maturing or coming due on the upcoming Principal Payment Date as of the 24<sup>th</sup> day of the month immediately preceding a Debt Service Payment Date, the Trustee shall notify the District Treasurer immediately, and the District shall remit a Required Supplemental Deposit to the Trustee no later than the second business day thereafter for deposit as described in Section 2.03.

(b) *Disbursements from Lodging Tax Account.* The Trustee shall disburse money in the Lodging Tax Account on the following dates and in the following amounts:

(1) Upon receipt thereof, all funds received from the State Treasurer pursuant to (a)(1) and/or from the District pursuant to (a)(5) shall be disbursed immediately to make the Required Monthly Deposits;

(2) upon making the Required Monthly Deposits for any month (or upon confirmation by the Trustee that the Required Monthly Deposits have been made) as provided in (b)(1), the Trustee shall disburse any Available Balance on hand in the Lodging Tax Account during that month to the District;

(3) Upon confirmation by the Trustee that the balance on hand in the Interest Account is sufficient to pay interest on Bonds coming due on the upcoming Interest Payment Date, and all Required Monthly Deposits and Required Supplemental Deposits then required to be made have been made, the Trustee shall disburse any available balance on hand in the Lodging Tax Account to the District;

(4) Upon confirmation by the Trustee that the balance on hand in the Principal Account is sufficient to pay principal of Bonds maturing or subject to redemption on the upcoming Principal Payment Date, and all Required Monthly Deposits and Required Supplemental Deposits then required to be made have been made, the Trustee is required to disburse any available balance on hand in the Lodging Tax Account to the District; and

(5) upon the defeasance or redemption of all Outstanding First Priority Bonds, to the District the balance therein.

A schedule of Required Monthly Deposits with respect to the Interest Account and the Principal Account is attached hereto as Exhibit B.

SECTION 2.03. Bond Fund. The Bond Fund shall be in the custody of the Trustee (or any of its affiliates satisfying the requirements of Section 4.01(e) hereof) but in the name of the District, and the District hereby authorizes and directs the Trustee to withdraw money from the Bond Fund sufficient to pay the principal of and interest on the First Priority Bonds as the same shall become due and payable. Attached hereto as Exhibit B is a schedule of Required Monthly Deposits to be made into the Interest Account and the Principal Account with respect to the Bonds. In reliance upon the procedures for the application and collection of the federal subsidy with respect to Build America Bonds, the schedule of Required Monthly Deposits into the Interest Account is pro rata net of the projected federal subsidy payments.

(a) *Deposits into Interest Account.* The Trustee shall deposit the following sums into the Interest Account:

(1) On the date of receipt in the Lodging Tax Account, the amount required to be deposited into the Interest Account as a Required Monthly Deposit;

(2) Amounts received by the Trustee pursuant to Section 2.03(d)(1) of this Section;

(3) A Required Supplemental Deposit from the District (A) if and to the extent that the Trustee has not received a disbursement from the State Treasurer under the Interlocal Agreement or from other sources, during a month that is sufficient to make the Required Monthly Deposits as of the 24<sup>th</sup> day of the month and/or (B), if and to the extent that the Trustee does not have on deposit in the Interest Account an amount sufficient to pay interest on Bonds coming due on the upcoming Interest Payment Date as of the 24<sup>th</sup> day of the month immediately preceding an Interest Payment Date;

(4) On the business day prior to each day that a payment of interest is due with respect to First Priority Bonds that are Covered Bonds (whether by redemption or maturity), to the extent that the balance on hand in the Bond Fund is not sufficient to make such payment, the Trustee shall transfer money from the Common Reserve Fund to the Interest Account to be used for such purpose; and

(5) All other money delivered to the Trustee with written direction from District that such money shall be deposited into the Interest Account.

(b) *Deposits into Principal Account.* The Trustee shall deposit the following sums into the Principal Account:

(1) On the date of receipt in the Lodging Tax Account, the amount required to be deposited into the Principal Account as a Required Monthly Deposit;

(2) A Required Supplemental Deposit from the District (A) if and to the extent that the Trustee has not received a disbursement from the State Treasurer under the Interlocal Agreement or from other sources during a month that is sufficient to make the Required Monthly Deposits as of the 24<sup>th</sup> day of the month and/or (B) if and to the extent the

Trustee does not have on deposit in the Principal Account an amount sufficient to pay principal of the Bonds maturing or coming due on the upcoming Principal Payment Date as of the 24<sup>th</sup> day of the month immediately preceding a Principal Payment Date;

(3) On the business day prior to each day that a payment of principal and premium is due with respect to First Priority Bonds that are Covered Bonds (whether by redemption or maturity), to the extent that the balance on hand in the Bond Fund is not sufficient to make such payment, the Trustee shall transfer money from the Common Reserve Fund to the Principal Account to be used for such purpose; and

(4) All other money delivered to the Trustee with written direction from District shall be deposited into the Principal Account.

(c) *Disbursements from Principal and Interest Accounts in the Bond Fund.* The Trustee shall disburse money in the Principal and Interest Accounts in the Bond Fund on the following dates and in the following amounts:

(1) To the Registered Owners at such time required to pay on each date on which a payment of interest on First Priority Bonds comes due, an amount equal to the interest on all of the First Priority Bonds then Outstanding coming due on such date;

(2) To the Registered Owners at such time required to pay on each date on which principal of the First Priority Bonds matures or is subject to redemption for as long as any of the First Priority Bonds are Outstanding and unpaid, an amount equal to the principal (including mandatory redemption amounts) of the First Priority Bonds maturing or subject to redemption on such date;

(3) To the Registered Owners at such time required to pay on each date on which the First Priority Bonds are subject to redemption prior to maturity, whether by optional, mandatory or extraordinary redemption prior to maturity, the redemption price of the First Priority Bonds to be redeemed; and

(4) To the District, the balance therein upon the defeasance or redemption of all Outstanding First Priority Bonds.

(d) *Build America Bonds.* The following procedures shall be followed with respect to any Bonds issued as Build America Bonds.

(1) Duties of the Trustee. The Trustee shall act as calculation and filing agent for the Bonds and in such capacity it shall:

(A) not less than 45 and not more than 90 days prior to each Debt Service Payment Date for the Bonds, perform the calculations necessary to complete Form 8038-CP (or any successor form) requesting payment of a credit equal to 35% of the interest payable on the Bonds for the period ending on each such Interest Payment Date, and a copy of

such Form 8038-CP shall be sent to the District. The debt service schedule and the expected credit payment for the Bonds are attached hereto as **Exhibit A**;

(B) secure the signature of an authorized officer of the District on such Form 8038-CP;

(C) file each Form 8038-CP with the Department of the Treasury at the Internal Revenue Service Center, Ogden, Utah 84201-0050 (unless notified by the District or the IRS in writing of a change of address therefore) not less than 45 and not more than 90 days prior to each interest payment date for the Bonds; and

(D) direct that payment of the amounts due from the Department of the Treasury be remitted directly to the Trustee.

In the event that the IRS modifies the Form 8038-CP or the filing instructions therefore (or any successor form), it shall be the responsibility of the Trustee to complete the correct form for filing for the credit payments and meet the applicable filing deadlines.

Immediately upon receipt thereof from the Department of Treasury pursuant to this subsection, such amount shall be deposited by the Trustee into the Interest Account or upon confirmation by the Trustee that the balance on hand in the Interest Account is sufficient to pay interest on Bonds coming due on the upcoming Interest Payment Date, shall be deposited in the Lodging Tax Account. The District hereby authorizes and directs such deposit and pledges the amounts received for the payment of debt service on the Bonds.

(2) Duties of the District. The District shall make an irrevocable election with respect to Bonds issued as Build America Bonds and shall cooperate with the Trustee in its performance of its duties under this Agreement and shall provide information, upon its request, in connection with the completion and execution of each Form 8038-CP so filed with the IRS, including without limitation furnishing to the Trustee a complete debt service schedule that provides a list of each Interest Payment Date, the total interest payable on such date, the total principal amount of Bonds expected to be outstanding on such date, the Direct Payment expected to be received from the IRS on such date, and the earliest date that Bonds can be called. Such information has been provided to the Trustee as of Date of Issue, and unless the District notifies the Trustee in writing as provided in this Agreement, the Trustee may rely upon the information so provided.

SECTION 2.04. Common Reserve Fund. The Common Reserve Fund shall be maintained by the Trustee for the purpose of securing the payment of the principal of, premium, if any, and interest on all Covered Bonds. On the date of issuance of each series of First Priority Bonds that are designated as Covered Bonds in the resolution authorizing their issuance and on each date of re-calculation, the District shall certify the amount of the Common Reserve Requirement-First Priority to the Trustee.

(a) *Deposits into the Common Reserve Fund.* The Trustee shall deposit the following amounts on the following dates into the Common Reserve Fund:

(1) On the date of issuance of each series of Covered Bonds, the District will assure that the amount on hand in the Common Reserve Fund shall be sufficient to meet the Common Reserve Requirement-First Priority;

(2) If there shall be a deficiency in the Common Reserve Fund, the Trustee shall deposit Lodging Tax Revenues in the Lodging Tax Account as a Required Monthly Deposit pursuant to the following provisions of this Section 2.04; and

(3) Money received by the Trustee from the District with written direction that such money be deposited into the Common Reserve Fund.

(b) *Disbursements from the Common Reserve Fund.* The Trustee shall maintain and disburse the balances on hand in the Common Reserve Fund in accordance with the following provisions.

The dollar amount required to be contributed to the Common Reserve Fund as the result of the issuance of Additional First Priority Bonds that are designated as Covered Bonds shall be no greater than the Tax Maximum. If the dollar amount required to be contributed at the time of issuance of a series of First Priority Bonds (designated as Covered Bonds) exceeds the Tax Maximum, then the amount required to be contributed shall be equal to the Tax Maximum; the Common Reserve Requirement-First Priority shall be adjusted accordingly and remain in effect until the earlier of (i) at the District's option, a payment of principal of Additional First Priority Bonds (designated as Covered Bonds) or (ii) the issuance of a subsequent series of Additional First Priority Bonds designated as Covered Bonds (when the Common Reserve Requirement-First Priority shall be re-calculated).

The Common Reserve Requirement-First Priority shall be maintained by deposits of cash and/or qualified investments, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. The Designated District Representative may decide to utilize Qualified Insurance or Qualified Letter(s) of Credit to satisfy all or a portion of the Common Reserve Requirement-First Priority. Upon such election, the Designated District Representative is hereby authorized to execute and deliver one or more agreements with issuers of Qualified Insurance or Qualified Letters of Credit to effect the delivery of the appropriate instrument. To the extent that the District obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the Common Reserve Fund, all or a portion of the money on hand in the Common Reserve Fund shall be transferred to the Lodging Tax Account. In computing the amount on hand in the Common Reserve Fund, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the lower of the face amount thereof and the amount available to be drawn thereunder, and all other obligations purchased as an investment of moneys therein shall be valued by the Trustee on a marked to market basis, at least once annually. As used herein, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check; and the deposit to the Common Reserve Fund may be satisfied by the transfer of investments to such account. If a deficiency in the Common Reserve Requirement-First Priority shall exist as a result of the foregoing valuation, such deficiency shall be made up within one year after the valuation date thereof.

If the balance on hand in the Common Reserve Fund is sufficient to satisfy the Common Reserve Requirement-First Priority, amounts in excess of such Common Reserve Requirement-First Priority shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the Bond Fund and the Common Reserve Fund to pay the principal of, premium, if any, and interest on all Covered Bonds, the money in the Common Reserve Fund may be used to pay such principal and interest. If the balance on deposit in the Common Reserve Fund is at least equal to the Common Reserve Requirement-First Priority, money in the Common Reserve Fund in excess of the Common Reserve Requirement-First Priority may be transferred to the Lodging Tax Account.

If a deficiency in the Bond Fund with respect to Covered Bonds shall occur, such deficiency shall be made up from the Common Reserve Fund by the withdrawal of cash therefrom for that purpose and by the sale or redemption of investments held in the Common Reserve Fund, in such amounts as will provide cash in the Common Reserve Fund sufficient to make up any such deficiency with respect to the Covered Bonds, and if a deficiency still exists immediately prior to an interest payment date and after the transfer of cash from the Common Reserve Fund to the Bond Fund, the District shall then draw from any Qualified Letter of Credit or Qualified Insurance then credited to the Common Reserve Fund for the Covered Bonds in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement may be made to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments required to be made in paragraphs First and Second of Section 9(c) of the Bond Resolution. If the District shall have failed to make any payment required to be made under such reimbursement agreement for Covered Bonds, the issuer shall be entitled to exercise all remedies available at law or under the Bond Resolution; provided, however, that no acceleration of Covered Bonds shall be permitted, and no remedies that adversely affect Registered Owners of Covered Bonds shall be permitted. Any deficiency created in the Common Reserve Fund by reason of any such withdrawal shall be made up within one year after the withdrawal from Qualified Insurance or a Qualified Letter of Credit or out of Lodging Tax Revenues (or out of any other moneys on hand legally available for such purpose), in 12 equal monthly installments, after first making timely provision for all payments required to be made into the Bond Fund within such year.

To the extent that the District has obtained Qualified Insurance or a Qualified Letter of Credit to satisfy its obligations under this Section 2.04, amounts then available to be drawn under such Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Common Reserve Fund by this Section 2.04(b) to the extent that such payments and credits are insured by the issuer of such Qualified Insurance, or are to be made or guaranteed by a Qualified Letter of Credit.

If a Credit Event occurs, the Common Reserve Requirement-First Priority shall be satisfied, at the option of the District, either (A) within one year after the occurrence of such Credit Event with other Qualified Insurance or another Qualified Letter of Credit, or (B) within three years (in three equal annual installments) after the occurrence of such Credit Event

described in (c) of the definition thereof, out of Lodging Tax Revenues (or out of other money on hand and legally available for such purpose) after first making necessary provisions for all payments required to be made into the Bond Fund.

SECTION 2.05. Money Held in Trust. All money required to be deposited with or paid to the Trustee for deposit into any fund held pursuant to this Article or account under any provisions hereof, and all money held by the Trustee hereunder, shall be held by the Trustee (or any of its affiliates satisfying the requirements of Section 4.01(e) hereof) in trust, and such money shall, while so held, constitute part of the Trust Estate and be subject to the terms hereof.

SECTION 2.06. Payment to District. Any money remaining in the fund or account held by the Trustee after the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the District under this Trust Agreement shall have ceased, terminated and become void and shall have been satisfied and discharged, shall be paid to the District.

SECTION 2.07. Investment of Money. All money held in any fund held pursuant to this Article II and all accounts therein shall be invested by the Trustee at the written direction of the District Treasurer, or upon oral direction promptly confirmed in writing as described in this sentence, solely in any investment that is a legal investment for public funds in the State of Washington which shall mature not later than the date when the amounts will foreseeably be needed for purposes set forth in this Trust Agreement. The Trustee shall have no obligation to approve or disapprove of any such direction and shall suffer no liability whatsoever in following such direction. In the event that the Trustee shall not have received written direction as to the investment of such funds, the Trustee shall invest such funds in a qualified investment agreed to by the District Treasurer and established on or before the delivery date of the Bonds as a short term investment until additional investment direction is received by the Trustee.

Investments in any and all funds and accounts may be commingled for purposes of making, holding, and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular funds and accounts amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Trust Agreement. 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 securities so purchased whenever it shall be necessary to provide money to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such security is credited. The Trustee may make any and all such investments through its own trust or investment department, or through any of its affiliates or subsidiaries. District acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the right to receive brokerage confirmations of security transactions, District waives receipt of such confirmations. The Trustee shall furnish to District periodic statements of account which include detail of all investment transactions made by the Trustee.

## ARTICLE III

### REMEDIES FOR DEFAULT

SECTION 3.01. Remedies Upon Default. Upon the occurrence and continuance of a Default, then and in every such case the Trustee may exercise all rights and remedies provided in the Bond Resolution, subject to the further limitations set forth in this Article.

SECTION 3.02. Trustee to Represent Registered Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of Bonds, the Bond Resolution, this Trust Agreement, the Interlocal Agreement and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of Bonds then Outstanding, and upon being indemnified against anticipated expenses and liabilities to its satisfaction therefore (which indemnity is a condition precedent to its duties hereunder, except that Trustee may not seek indemnification as a condition precedent to making payments on Bonds when due to the extent of funds available therefore), shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bond Resolution, this Trust Agreement, the Interlocal Agreement or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Trust Estate, pending such proceedings. All rights of action under this Trust Agreement or Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Trust Agreement.

SECTION 3.03. Registered Owners' Direction of Proceedings. Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, upon indemnification satisfactory to the Trustee, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Bond Resolution and this Trust Agreement, and that the Trustee shall have the right to decline to follow any such direction that in the sole discretion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

SECTION 3.04. Limitation on Bond Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Bond Resolution, this Trust Agreement, the Interlocal Agreement or any other applicable law with respect to such Bond, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Trust Agreement or the rights of any other Owners of Bonds, or to enforce any right under the Bond Resolution, this Trust Agreement, the Interlocal Agreement or other applicable law with respect to Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Bond Resolution and this Trust Agreement.

SECTION 3.05. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Owners, then in every such case the District, the Registrar, the Trustee and the Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the District, the Trustee and the Owners shall continue as though no such proceedings had been taken.

SECTION 3.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 3.07. No Waiver of Default. No delay or omission of the Trustee or of any Owner of Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Bond Resolution, this Trust

Agreement to the Trustee or to the Owners of Bonds may be exercised from time to time and as often as may be deemed expedient.

#### ARTICLE IV THE TRUSTEE

SECTION 4.01. Duties, Immunities and Liabilities of Trustee. The Trustee hereby accepts the trusts imposed upon it by this Trust Agreement, represents and covenants that it is fully empowered to accept said trusts, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee:

(a) The Trustee shall, prior to a Default, and after the curing of all Defaults that may have occurred, perform such duties and only such duties as are specifically imposed upon it as set forth in this Trust Agreement. The Trustee shall, during the existence of any Default (which has not been cured), exercise such of the rights and powers vested in it by the Bond Resolution and this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs; provided that, except as to disbursement of funds, making payments upon Bonds when due, if in the reasonable opinion of the Trustee any such action may tend to invoke expense or liability to the Trustee, it shall not be obligated to take such action unless it is first furnished with funds for payment of such expense or with indemnity therefore satisfactory to it.

(b) Upon 30 days' advance written notice to the Trustee, the District may remove the Trustee at any time unless a Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding (or their attorneys duly authorized in writing) or, without the necessity of advance written notice, if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon the District shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the District and by giving the Owners notice of such resignation by mail at the addresses shown on the Bond Register. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bond

Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the money, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the request of the District or the request of the successor Trustee, such predecessor Trustee shall, at the expense of the District and upon prior payment or indemnification therefore, execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the rights, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such money, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall direct the Registrar to mail a notice of the succession of such Trustee to the trusts hereunder, to the Rating Agency then maintaining rating(s) on Bonds and to the Bond Owners at the addresses shown on the Bond Register.

(e) It is the intention that there shall at all times be one or more trustees under this Trust Agreement qualified under the Trust Indenture Act, at least one of whom shall at all times be a bank or corporation organized and doing business under the laws of the United States or of any state or of the District of Columbia or a corporation or other person permitted to act as trustee by the SEC (herein and in the Trust Indenture Act referred to as the “institutional trustee”), which (A) is authorized under such laws to exercise corporate trust powers, and (B) is subject to supervision or examination by federal, state or District of Columbia authorities. Any Trustee appointed under the provisions of this Section in succession to U.S. Bank National Association as the initial Trustee, shall be a trust company or bank having the powers of a trust company qualified under the Trust Agreement Act to act as trustee, having a combined capital, surplus and undivided profits of at least \$100,000,000, subject to supervision or examination by federal, state, or District of Columbia authorities, and rated A3/P2 (or the equivalent) or higher by the Rating Agency, if any, then maintaining a rating for Bonds or each Rating Agency then maintaining a rating for Bonds provides written notice that the rating on Bonds will not be reduced or withdrawn upon such appointment. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) Notwithstanding anything to the contrary herein, the Trustee shall not be responsible for the preliminary or final official statement or any other offering materials relating to Bonds (except such statements provided by the Trustee for use in any such offering materials), or for the validity of the execution by District of this Trust Agreement, or for the validity of the execution of the Interlocal Agreement, the Bond Resolution or under any instrument or any supplemental instrument by the District or for the sufficiency of the security for Bonds issued hereunder or intended to be secured hereby or otherwise as to the maintenance of the security hereof; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the District, except as set forth herein, but the Trustee may require of the District full information and advice as to the performance of the covenants, conditions and agreements aforesaid. The Trustee shall not be accountable for the use of any Bonds authenticated or delivered by the Registrar.

(g) The Trustee’s rights to immunities and protection from liability hereunder and its rights to payment of fees and expenses shall survive its resignation or removal and the final payment or defeasance of Bonds or the discharge of the Bond Resolution and this Trust Agreement.

SECTION 4.02. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (c) of Section 4.01, shall be the successor to such Trustee without the executing or filing of any paper or any further act, anything herein to the contrary notwithstanding. Notice of such merger or consolidation shall be given to the District and the Registrar.

SECTION 4.03. Liability of Trustee.

(a) The recitals of facts herein and in Bonds shall be taken as statements of the District, and the Trustee shall have no responsibility for the correctness of the same or for the validity or sufficiency of this Trust Agreement, or any representations therein. The Trustee shall incur no responsibility in respect of any such documents, other than in connection with the duties or obligations herein. The Trustee shall not be liable for following any instruction that it is directed to follow hereunder, and shall not be liable otherwise in connection with the performance of its duties or exercise of discretion hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds as principal with the same rights it would have if it were not 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 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.



(c) 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 a majority in aggregate principal amount of Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Trust Agreement.

(e) The Trustee shall not be deemed to have knowledge of any Default hereunder unless and until its administrative corporate trust officers at the Corporate Trust Office shall have actual knowledge thereof or shall have received written notice thereof, at its Corporate Trust Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with Bonds, or as to the existence of a default or event of default (however defined) thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(f) No provision of this Trust Agreement or the Bond Resolution shall require the Trustee to expend, advance 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, if it shall have reasonable grounds for believing that prompt repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Notwithstanding the above, the Trustee shall not seek indemnity before making payments to the Registrar when due to the extent funds are available therefore.

(g) The Trustee shall have no responsibility for the recording or filing of this Trust Agreement or any financing statements or any other document or instrument whatsoever.

(h) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through affiliates, attorneys, accountants and other experts, agents, servicers, receivers, officers or employees and shall be answerable for the conduct of the same in accordance with the standard of conduct specified in this Trust Agreement. All reasonable costs incurred by the Trustee and all reasonable compensation to all such attorneys, accountants and other experts, agents and receivers as may reasonably be employed in connection with the trusts hereof shall be paid by the District.

(i) The Trustee shall not be required to enter into any supplement or amendment to this Trust Agreement that in the sole discretion of the Trustee may tend to involve it in liability or expense, or enlarge its duties hereunder or under any other instrument or agreement to which the Trustee is a party.

SECTION 4.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, direction,

report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. At the expense of the District, the Trustee may consult with counsel, who may be counsel of or to the District, and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith; provided, however, that with respect to legal questions concerning interpretation of this Trust Agreement, the Trustee shall be entitled to rely only on the advice of a firm of nationally recognized bond counsel selected by the District.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Trust Agreement in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

SECTION 4.05. Preservation and Inspection of Documents. All documents maintained by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject at all reasonable times to the inspection of the District and its agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

SECTION 4.06. Compensation. The District shall pay the Trustee as compensation for its ordinary services hereunder the fees set forth in the written fee schedule of the Trustee in effect as of the Date of Issue based upon its proposal, or as of the date of appointment of any successor Trustee, and also all reasonable fees, expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Trust Agreement. In the event that it should become necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation by the District therefore, and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided, that if such extraordinary services are due to the willful misconduct or negligence of the Trustee it shall not be entitled to compensation or reimbursement therefore.

#### ARTICLE V MODIFICATION OF THIS TRUST AGREEMENT AND OTHER DOCUMENTS

SECTION 5.01. Limitations. This Trust Agreement shall not be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as may be

expressly provided in the Bond Resolution. The Trustee shall not be obligated to enter into or consent to any, alteration, amendment or supplement to this Agreement that affects the duties, liabilities and immunities of the Trustee hereunder or the rights of the Trustee under Article IV hereof.

#### ARTICLE VI MISCELLANEOUS

SECTION 6.01. Successor Is Deemed Included in All References to Predecessor. Whenever in this Trust Agreement either the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the District and the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 6.02. Limitation of Rights to Parties and Bond Owners. Nothing in this Trust Agreement or in Bonds expressed or implied is intended or shall be construed to give to any person other than the District, the Trustee and the Owners of Bonds, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision therein or herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Trustee and the Owners of Bonds.

SECTION 6.03. Waiver of Notice. Except as otherwise provided herein, whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 6.04. Severability of Invalid Provisions. If any one or more of the provisions contained in this Trust Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Trust Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

SECTION 6.05. Notices. Any notice to or demand upon the following parties shall be given by first class mail, return receipt requested, as set forth below, or to such other addresses as may from time to time be furnished, effective upon the receipt of notice thereof given as provided for in this Section 6.05.

If to District: Washington State Convention Center  
800 Convention Place  
Seattle, Washington 98101  
Attention: President

If to the Trustee: U.S. Bank National Association  
1420 5th Ave, PD-WA-T7CT  
7th Floor  
Seattle, Washington 98101  
Attention: Corporate Trust

SECTION 6.06. Applicable Provisions of Law. This Trust Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 6.07. Execution in Several Counterparts. This Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Washington State Convention Center Public Facilities District has caused this Trust Agreement to be signed in its name by its President, and U.S. Bank National Association, in accepting the trusts created hereunder, has caused this Trust Agreement to be signed in its corporate name by its officer thereunder duly authorized, all as of the day and year first above written.

WASHINGTON STATE CONVENTION  
CENTER PUBLIC FACILITIES  
DISTRICT

By \_\_\_\_\_  
President

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By \_\_\_\_\_  
Vice President

## APPENDIX A

### DEFINITIONS AND RULES OF CONSTRUCTION

#### Part I. Definitions

Except as otherwise defined elsewhere in the Bond Resolution and the Trust Agreement, the following words, terms and phrases shall have the following meanings, unless the context or use indicates another meaning or intent:

**Accreted Value** means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the initial principal amount of such First Priority Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such First Priority Bonds plus the amount of discounted principal which has accreted since the date of issue. In each case the Accreted Value shall be determined in accordance with the provisions of the resolution authorizing the issuance of such First Priority Bonds.

**Additional First Priority Bonds** means any obligations incurred pursuant to Section 15 of the Bond Resolution.

**Additional Lodging Tax** means an excise tax on the sale of or charge made for the furnishing of lodging on any premises and located within the boundaries of the City of Seattle that are subject to tax under chapter 82.08 RCW at the rate of 2%.

**Additional Lodging Tax Revenues** mean the revenues generated by the Additional Lodging Tax imposed by the District pursuant to RCW 36.100.040 (5).

**Additional Lodging Tax Revenues Subaccount** means the subaccount of that name or similar designation maintained by the District for the purpose of holding and accounting for Additional Lodging Tax Revenues.

**Annual Debt Service** means the total amount of Debt Service for Outstanding First Priority Bonds in any Fiscal Year or Base Period.

**Annual Disclosure Report** has the meaning given such term in Section 18(b) of the Bond Resolution.

**Authorized Representative** means the Chair or his designee, the President.

**Available Balance(s)** means the dollar amount remaining on hand in the Lodging Tax Account after confirmation by the Trustee that the Required Monthly Deposit for that month has been made.

**Balloon Maturity Bonds** means any First Priority Bonds that are so designated in the resolution pursuant to which such First Priority Bonds are issued. Commercial paper (obligations with a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Bonds.

**Base Period** means any consecutive 12-month period selected by the Designated District Representative out of the 24-month period next preceding the date of issuance of an additional series of Additional First Priority Bonds.

**Beneficial Owner** means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any First Priority Bonds (including persons holding First Priority Bonds through nominees, depositories or other intermediary).

**Board** means the Board of Directors of the District, the general legislative body of the District, as constituted from time to time.

**Bond Fund** means the “Washington State Convention Center Public Facilities District Lodging Tax Bond Fund” established pursuant to Section 9(b) of the Bond Resolution and maintained with the Trustee.

**Bond Purchase Contract** means the purchase contract for the Bonds between the District and the Underwriters entered into pursuant to the terms of Section 17 of the Bond Resolution.

**Bond Register** means the registration books maintained by the Trustee for the purpose of identifying ownership of the Bonds.

**Bond Resolution** means Resolution No. \_\_\_\_, adopted by the Board on November \_\_\_\_, 2010.

**Bonds** means the lodging tax bonds of the District issued pursuant to the Bond Resolution.

**Build America Bonds** means bonds issued under authority of Section 54AA of the Code, enacted by the American Recovery and Reinvestment Act of 2009.

**Capital Appreciation Bonds** means First Priority Bonds all or a portion of the interest on which is compounded, accumulated and payable only upon redemption, conversion or on the maturity date of such First Priority Bonds. If so provided in the resolution authorizing their issuance, First Priority Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which First Priority Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

**Chair** means the Chair of the Board.

**Code** means the Internal Revenue Code of 1986, as amended, and all applicable regulations and rulings relating thereto.

**Common Reserve Fund** means the “Washington State Convention Center Public Facilities District Lodging Tax Bond Common Reserve Fund” established pursuant to Section 9(b) of the Bond Resolution and maintained with the Trustee pursuant to Section 2.04 of the Trust Agreement.

**Common Reserve Requirement – First Priority** means the lowest of (i) maximum Annual Debt Service with respect to Outstanding Covered Bonds; (ii) 125% of average Annual Debt Service with respect to Outstanding Covered Bonds; and (iii) 10% of the initial principal amount of each series then Outstanding of Covered Bonds. The Common Reserve Requirement – First Priority shall be determined and calculated as of the date of issuance of each series of Covered Bonds (and recalculated upon the issuance of a subsequent series of Covered Bonds and also, at the District’s option, upon the payment of principal of Covered Bonds) and provided that if, as a result of the issuance of Additional First Priority Bonds, the increase in the Common Reserve Requirement – First Priority of Additional First Priority Bonds would require that an amount be contributed to the Common Reserve Fund that is more than the Tax Maximum, the Common Reserve Requirement – First Priority shall be adjusted to require a contribution equal to the Tax Maximum.

**Convention Center Act** means Chapter 15, Washington Laws of 2010 (SSB 6889).

**County** means King County, Washington.

**Covered Bonds** means the Bonds and those Additional First Priority Bonds, designated in the resolution authorizing their issuance as Covered Bonds secured by the Common Reserve Fund.

A **Credit Event** occurs when (a) a Qualified Letter of Credit terminates, (b) the issuer of Qualified Insurance or a Qualified Letter of Credit shall become insolvent or no longer be in existence, or (c) the issuer of a Qualified Letter of Credit is no longer rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies or the issuer of the Qualified Insurance is no longer rated in one of the two highest Rating Categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability.

**Credit Facility** means a policy of municipal bond insurance, a letter of credit, surety bond, guarantee or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or provide funds for the payment of financial obligations of the District, including but not limited to payment of the scheduled principal of and interest on First Priority Bonds.

**Credit Facility Issuer** means the issuer of any Credit Facility.

**Date of Issue** means the date on which the Bonds are executed and delivered to the Underwriters pursuant to the Bond Purchase Contract.

**Debt Service** means, for any period of time and for the purpose of determining compliance with the conditions for issuance of First Priority Bonds set forth in Section 15 of the Bond Resolution and for the purpose of calculating the Common Reserve Requirement – First Priority and unless otherwise provided in Section 20 of the Bond Resolution,

(a) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds that are not designated as Balloon Maturity Bonds in the resolution authorizing their issuance, the principal amount equal to the Accreted Value thereof maturing or scheduled for redemption in such period, including the interest payable during such period and unless otherwise provided in Section 20 of the Bond Resolution;

(b) with respect to any Outstanding Fixed Rate Bonds, an amount equal to (1) the principal amount of such First Priority Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (2) the amount of any payments required to be made during such period into any sinking fund established for the payment of the principal of any such First Priority Bonds, plus (3) all interest payable during such period on any such First Priority Bonds Outstanding and, with respect to First Priority Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such First Priority Bonds on the date specified in the resolution authorizing such First Priority Bonds; and

(c) with respect to all other series of First Priority Bonds Outstanding, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and First Priority Bonds bearing variable rates of interest, an amount for any period equal to the amount which would be payable (1) as principal on such First Priority Bonds during such period (computed on the assumption that the amount of First Priority Bonds Outstanding as of the date of such computation would be amortized in accordance with the mandatory redemption provisions, if any, set forth in the resolution authorizing the issuance of such First Priority Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance to provide for essentially level annual debt service during such period) plus (2) interest at an interest rate equal to (A) the 10-year average of the SIFMA Municipal Swap Index, plus (B) 1.5%.

With respect to any First Priority Bonds payable in other than U.S. Dollars, Debt Service shall be calculated as provided in the resolution authorizing the issuance of such First Priority Bonds.

Debt Service also shall be net of any principal and/or interest (not including any amount deposited in any reserve account for payment of principal and/or interest) funded from proceeds of any First Priority Bonds or from earnings thereon. For the purpose of determining compliance with the conditions for issuance of First Priority Bonds set forth in Section 15 of the Bond Resolution and for the purpose of calculating the Common Reserve Requirement – First Priority, Debt Service also shall be net of First Priority Debt Service Offsets.

Debt Service shall include reimbursement obligations (and interest accruing thereon) then owing to any Credit Facility Issuer or Liquidity Facility Issuer to the extent authorized in the Bond Resolution or in another resolution.

**Debt Service Payment Date** means an Interest Payment Date or a Principal Payment Date.

**Default** has the meaning given such term in Section 23 of the Bond Resolution.

**Designated District Representative** means the Board Chair, the Vice-Chair, the President and/or District Treasurer or their written designee.

**District** means the Washington State Convention Center public facilities district, a political subdivision duly organized and existing by virtue of the Constitution and laws of the State of Washington. From and after the Transfer Date, the District may do business as the Washington State Convention Center.

**District Treasurer** means the Director of Finance of the District, or any other public officer as may hereafter be designated pursuant to law to have the custody of District funds.

**DTC** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to the Trust Agreement.

**First Priority Bonds** means the Bonds and any Additional First Priority Bonds. The term **First Priority Bonds** may include reimbursement obligations of the District to the issuer of a Credit Facility.

**First Priority Debt Service Offsets** means receipts of the District from the federal government that are legally available and pledged by the District to pay debt service on First Priority Bonds. For purposes of the Bonds, the subsidy payments to be received for Build America Bonds and identified on Exhibit A to the Trust Agreement are First Priority Debt Service Offsets.

**Fiscal Year** means any 12-month period ending on December 31 or such other date as is authorized by statute and/or selected by the District.

**Fitch** means Fitch, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **Fitch** shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Designated District Representative.

**Fixed Rate Bonds** means those First Priority Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under a resolution in which the rate of interest on such First Priority Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the resolution authorizing their issuance, First Priority Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term. Fixed Rate Bonds also shall include two or more series of First Priority Bonds simultaneously issued under a resolution and which, collectively, bear interest at a fixed and determinable rate for a specified period of time.

**Government Obligations** has the meaning given such term in Chapter 39.53 RCW, as the same may be amended or restated from time to time.

**Interlocal Agreement** means the Interlocal Agreement dated \_\_\_\_\_, 2010 between and among the District the State Treasurer and the State of Washington Department of Revenue.

**Interest Payment Date** means each date on which a payment of interest on the Bonds is due and payable.

**Interest Account** means the account of such name authorized to be created and maintained in the Bond Fund pursuant to Section 9(b) of the Bond Resolution and Section 2.01 of the Trust Agreement.

**Irrevocable Deposit** means the irrevocable deposit of money or Government Obligations in order to provide for the payment of all or a portion of the principal of, premium, if any, and interest on any Bonds in accordance with, and simultaneously meeting all the requirements of, Section 12 of the Bond Resolution.

**Letter of Representations** means the blanket issuer letter of representations from the District to DTC.

**Liquidity Facility** means a line of credit, standby purchase agreement or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or to provide funds for the payment of the purchase price of First Priority Bonds.

**Liquidity Facility Issuer** means the issuer of any Liquidity Facility.

**Lodging Tax Account** means the special account authorized to be created and maintained in the office of the Trustee for the purpose of receiving all Lodging Tax Revenues pursuant to Section 9(a) of the Bond Resolution and the Trust Agreement.

**Lodging Tax Revenues** means the Regular Lodging Tax Revenues and the Additional Lodging Tax Revenues.

**Moody's** means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term **Moody's** shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or S&P) selected by the Designated District Representative.

**MSRB** means the Municipal Securities Rulemaking Board or any successors to its functions. Until otherwise designated by the MSRB or the SEC, any information, reports or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at [www.emma.msrb.org](http://www.emma.msrb.org).

**Operating Reserve Account** means the account of such name created pursuant to Section 10 of the Bond Resolution.

**Original Issue Discount Bonds** means First Priority Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds in the resolution authorizing their issuance.

**Outstanding**, when used as of any particular time with reference to Bonds, means all Bonds theretofore executed by the District and authenticated and delivered by the Trustee under the Trust Agreement which have not been paid or cancelled by the Trustee or surrendered to the Trustee for cancellation, the payment of which has not been fully provided for pursuant to Section 12 of the Bond Resolution and with respect to Additional First Priority Bonds, shall have the meaning given such term in the resolution authorizing their issuance.

**President** means the President/Chief Executive Officer of the WSCC or the successor in function to the President/Chief Executive Officer.

**Principal Account** means the account of such name authorized to be created and maintained in the Bond Fund pursuant to Section 9(b) of the Bond Resolution and the Trust Agreement.

**Principal Payment Date** means each date on which a payment of principal of the Bonds is due and payable, whether at maturity or upon a mandatory redemption date.

**Project Fund** means the "WSCC Project Fund" established pursuant to Section 13 of the Bond Resolution.

**Qualified Insurance** means any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) (i) which insurance company or companies are rated in one of the two highest Rating Categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability or (ii) if as a result of the issuance of its policies, the obligations insured thereby to be rated in one of the two highest Rating Categories by one or more of the Rating Agencies.

**Qualified Letter of Credit** means any irrevocable letter of credit issued by a financial institution, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

**Rating Agency** means Fitch, Moody's or S&P.

**Rating Category** means the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

**Registered Owner** means the person named as the registered owner of the Bond in the Bond Register.

**Registrar** means, at the option of the Designated District Representative, either (i) the Trustee or (ii) the fiscal agency of the State of Washington, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting the transfer of ownership of the Bonds and paying interest on and principal of the Bonds or any Registrar hereafter appointed by the District Treasurer.

**Regular Lodging Tax** means the excise tax on the sale of or charge made for the furnishing of lodging on any premises having 60 or more units that is subject to tax under chapter 82.08 RCW at the rate of 7% within the portion of the District that corresponds to the boundaries of the City of Seattle and 2.8 percent in the remainder of the District

**Regular Lodging Tax Revenues** mean the revenues generated by the Regular Lodging Tax collected by the District at the rates in effect as of the Date of Issue pursuant to RCW 36.100.040 (4).

**Required Monthly Deposit** means:

(a) With respect to the Interest Account, an amount equal to one-sixth of the interest on Bonds coming due on the upcoming Interest Payment Date, net of First Priority Debt Service Offsets. In the case of the 2010B Bonds issued as Build America

Bonds, the Required Monthly Deposit shall be equal to 65% of the interest coming due on the upcoming Interest Payment Date;

(b) With respect to the Principal Account and commencing 12 months prior to the first scheduled Principal Payment Date, an amount equal to one-twelfth of the principal of Bonds coming due and payable on the upcoming Principal Payment Date; and

(c) with respect to the Common Reserve Fund, the dollar amount required to establish or maintain the Common Reserve Requirement-First Priority at the times and amounts required in accordance with the terms of Section 2.04(b) of the Trust Agreement.

A schedule of Required Monthly Deposits to the Interest Account and the Principal Account shall be delivered to the Trustee on or prior to the date of issuance of each series of First Priority Bonds.

**Required Supplemental Deposit** means (a) the amount, if required, to pay the Required Monthly Deposits if the Trustee has not received a disbursement from the State Treasurer or other sources on or prior to the 24<sup>th</sup> day of any month sufficient to make the Required Monthly Deposits and (b) the amount, if required, to pay the principal of and/or interest on the Bonds coming due on an upcoming Debt Service Payment Date if and to the extent that the Trustee does not have on deposit in the Interest Account an amount sufficient to pay interest on Bonds coming due on the upcoming Interest Payment Date or does not have on deposit in the Principal Account an amount sufficient to pay principal of the Bonds maturing or coming due on the upcoming Principal Payment Date as of the 24<sup>th</sup> day of the month immediately prior to the Debt Service Payment Date.

**Rule** means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as amended from time to time.

**S&P** means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody's or Fitch) selected by the Designated District Representative.

**SEC** means the Securities and Exchange Commission.

**SIFMA Municipal Swap Index** means the Securities Industry and Financial Markets Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by the Securities Industry and Financial Markets Association; *provided*, however, that, if such index is no longer produced by Municipal

Market Data, Inc. or its successor, then SIFMA Municipal Swap Index shall mean such other reasonably comparable index selected by the Designated District Representative.

**State Treasurer** means the office of the state treasurer of the state of Washington.

**Subordinate Priority WSCC Obligations** mean obligations of the District secured by Lodging Tax Revenue and the Trust Estate and having a claim thereon subordinate to the claim of the First Priority Bonds.

**Tax and Arbitrage Certificate** means the federal tax certificate or certificates of the District pertaining to the tax exemption of interest on the Bonds issued on a tax-exempt basis, the qualification of Bonds issued on a tax-advantaged basis and the payment of any rebate amount to the United States.

**Tax Maximum** means the maximum dollar amount permitted by the Code, including applicable regulations thereunder, to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield.

**Term Bonds** mean any Bonds identified as Term Bonds in the Bond Purchase Contract.

**Transfer Agreement** means the [Transfer Agreement] to be entered into between the State Treasurer and the District pursuant to Section 8 of the Convention Center Act.

**Trust Estate** means the funds, accounts and rights identified in the granting clauses of the Trust Agreement.

**Trustee** means U.S. Bank National Association and shall include any successor as provided in the Trust Agreement.

**Uncovered Bonds** means Additional First Priority Bonds that will not be secured by the Common Reserve Fund.

**Underwriters** mean Citigroup Global Markets Inc., Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Loop Capital Markets LLC and Piper Jaffray & Co.

**WSCC** means the Washington State Convention Center.

## **Part II. Rules of Construction.**

In the Bond Resolution and the Trust Agreement, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in the Bond Resolution or the Trust Agreement, respectively, refer to the Bond Resolution or the Trust Agreement, respectively, as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of the Bond Resolution or the Trust Agreement, respectively.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the text of the several articles and Sections of the Bond Resolution and the Trust Agreement, respectively, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of the Bond Resolution, or the Trust Agreement, respectively, nor shall they affect its meaning, construction or effect.

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses thereof.

(f) Whenever any consent or direction is required to be given by the District, such consent or direction shall be deemed given when given by the Designated District Representative or his or her designee, respectively, and all references herein to the Designated District Representative shall be deemed to include references to his or her designee, as the case may be.



**APPENDIX B**  
**PROPOSED FORMS OF LEGAL OPINIONS**

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November 30, 2010

Washington State Convention Center Public Facilities District  
King County, Washington

Citigroup Global Markets Inc.  
New York, New York

Goldman, Sachs & Co.  
New York, New York

Morgan Stanley & Co. Incorporated  
New York, New York

Loop Capital Markets LLC  
Chicago, Illinois

Piper Jaffray & Co.  
Seattle, Washington

U.S. Bank National Association  
Seattle, Washington

Re: Washington State Convention Center Public Facilities District  
Lodging Tax Bonds, 2010A - \$13,025,000

Ladies and Gentlemen:

We have acted as bond counsel to the Washington State Convention Center public facilities district (the “District”) and have examined a certified transcript of the proceedings taken in the matter of the issuance by the District of its Lodging Tax Bonds, 2010A in the aggregate principal amount of \$13,025,000 (the “2010A Bonds”), issued pursuant to Resolution No. 2010-12 of the District adopted on November 12, 2010 (the “Bond Resolution”) and the Trust Agreement, for the purpose of financing the cost of acquiring the Washington State Convention Center, undertaking certain capital improvements, funding the Common Reserve Fund and expenses incidental to the issuance of the 2010A Bonds. Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Bond Resolution. Simultaneously with the issuance of the 2010A Bonds, the District is issuing its Lodging Tax Bonds, 2010B (Taxable Build America Bonds – Direct Payment).

The 2010A Bonds are subject to redemption as provided in the Trust Agreement.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Bond Resolution and the Trust Agreement and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

From such examination it is our opinion, as of this date and under existing law, that:

1. The District is a duly organized and legally existing public facilities district and municipal corporation under the laws of the state of Washington.

2. The Bond Resolution and the Trust Agreement are legal, valid and binding obligations of the District, have been duly authorized, executed and delivered and are enforceable in accordance with their terms, except that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or

other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

3. The 2010A Bonds have been legally issued and constitute valid general obligations of the District, payable as provided therein, except that the enforcement of the rights and remedies of the owners of the 2010A Bonds may be limited by laws relating to bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

4. The District has pledged the Lodging Tax Revenues and has pledged and assigned the Trust Estate as security for payment of the principal of and interest on the 2010A Bonds, subject to the provisions of the Bond Resolution and the Trust Agreement permitting the application of amounts held thereunder to the purposes set forth therein.

5. Interest on the 2010A Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the 2010A Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax and is not included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2010A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the 2010A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2010A Bonds.

The 2010A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the 2010A Bonds (except to the extent, if any, specifically addressed by separate opinion to the Underwriters), and we express no opinion relating thereto or relating to the undertaking of the District to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2010A Bonds. Owners of the 2010A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2010A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

November 30, 2010

Washington State Convention Center Public Facilities District  
King County, Washington

Citigroup Global Markets Inc.  
New York, New York

Goldman, Sachs & Co.  
New York, New York

Morgan Stanley & Co. Incorporated  
New York, New York

Loop Capital Markets LLC  
Chicago, Illinois

Piper Jaffray & Co.  
Seattle, Washington

U.S. Bank National Association  
Seattle, Washington

Re: Washington State Convention Center Public Facilities District, Lodging Tax Bonds, 2010B  
(Taxable Build America Bonds – Direct Payment) - \$300,550,000

Ladies and Gentlemen:

We have acted as bond counsel to the Washington State Convention Center public facilities district (the “District”) and have examined a certified transcript of the proceedings taken in the matter of the issuance by the District of its Lodging Tax Bonds, 2010B (Taxable Build America Bonds – Direct Payment) in the aggregate principal amount of \$300,550,000 (the “2010B Bonds”), issued pursuant to Resolution No. 2010-12 of the District adopted on November 12, 2010 (the “Bond Resolution”) and the Trust Agreement, for the purpose of financing the cost of acquiring the Washington State Convention Center, undertaking certain capital improvements, funding the Common Reserve Fund and expenses incidental to the issuance of the 2010B Bonds. Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Bond Resolution. Simultaneously with the issuance of the 2010B Bonds, the District is issuing its Lodging Tax Bonds, 2010A.

The 2010B Bonds are subject to redemption as provided in the Trust Agreement.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Bond Resolution and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

From such examination it is our opinion, as of this date and under existing law, that:

1. The District is a duly organized and legally existing public facilities district and municipal corporation under the laws of the state of Washington.

2. The Bond Resolution and the Trust Agreement are legal, valid and binding obligations of the District, have been duly authorized, executed and delivered and are enforceable in accordance with their terms,

except that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

3. The 2010B Bonds have been legally issued and constitutes a valid general obligations of the District, payable as provided therein, except that the enforcement of the rights and remedies of the owner of the 2010B Bonds may be limited by laws relating to bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

4. The District has pledged the Lodging Tax Revenues and has pledged and assigned the Trust Estate as security for payment of the principal of and interest on the 2010B Bonds, subject to the provisions of the Bond Resolution and the Trust Agreement permitting the application of amounts held thereunder to the purposes set forth therein.

5. Interest on the 2010B Bonds is not excludable from gross income for federal income tax purposes.

The 2010B Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2010B Bonds. Owners of the 2010B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2010B Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2010B Bonds (except to the extent, if any, specifically addressed by separate opinion to the Underwriters), and we express no opinion relating thereto or relating to the undertaking of the District to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

## APPENDIX C

### DEMOGRAPHIC AND ECONOMIC INFORMATION

#### Population

Historical population data for the City of Seattle, the County, unincorporated areas of the County and the State are as follows:

#### Population (1)

<u>Year</u>	<u>City of Seattle</u>	<u>King County</u>	<u>Unincorporated King County</u>	<u>Washington State</u>
2010	612,000	1,933,400	343,340	6,733,250
2009	602,000	1,909,300	343,180	6,668,200
2008	592,800	1,884,200	341,150	6,587,600
2007	586,200	1,861,300	368,255	6,488,000
2006	578,700	1,835,300	367,070	6,375,600
2005	573,000	1,808,300	364,498	6,256,400

(1) Estimated, as of April 1 of each year.

Source: *Washington State Office of Financial Management.*

#### Economic Indicators

Income and employment data for the region are shown below.

#### Per Capita Income

<u>Year</u>	<u>King County (1)</u>	<u>State of Washington</u>	<u>United States</u>
2009	N/A (2)	\$ 42,933	\$ 39,626
2008	\$ 58,141	43,732	40,673
2007	57,409	42,157	39,458
2006	54,370	39,561	37,698
2005	49,582	36,743	35,424
2004	50,132	35,966	33,881

(1) Most recent data available, as of August 9, 2010.

(2) Not yet available.

Source: *U.S. Department of Commerce, Bureau of Economic Analysis, September 20, 2010.*

**Personal Income**  
**(\$ in thousands)**

<b>Year</b>	<b>King County (1)</b>	<b>State of Washington</b>	<b>United States</b>
2009	\$ N/A (2)	\$ 286,113,771	\$ 12,165,474,000
2008	109,551,329	287,147,757	12,379,745,000
2007	106,637,605	272,543,767	11,899,853,000
2006	99,608,475	252,091,288	11,256,516,000
2005	89,431,448	230,057,261	10,476,669,000
2004	88,382,311	222,421,768	9,928,790,000

(1) Most recent data available, as of August 9, 2010.

(2) Not yet available

*Source: U.S. Department of Commerce, Bureau of Economic Analysis, September 20, 2010.*

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**King County**  
**Non-Agricultural Wage and Salary Employment**  
**(Numbers in Thousands)**

NAICS Industry Title	Annual Average (1)			
	2010 (2)	2009	2008	2007
Total Nonfarm	1,128.1	1,153.1	1,216.8	1,199.8
Total Private	962.9	986.3	1,050.4	1,036.4
Goods Producing	149.3	161.3	186.5	188.3
Natural Resources and Mining	0.5	0.5	0.6	0.7
Construction	50.4	57.7	73.9	74.5
Manufacturing	98.5	103.1	112.0	113.1
Service Providing	978.8	991.8	1,030.3	1,011.5
Trade, Transportation, and Utilities	206.9	210.1	224.8	224.4
Information	79.0	79.9	79.8	75.6
Financial Activities	65.0	69.7	75.9	77.3
Professional and Business Services	174.9	176.9	194.2	189.9
Educational and Health Services	137.8	137.9	133.3	127.7
Leisure and Hospitality	108.4	108.2	113.4	111.8
Other Services	41.5	42.2	42.5	41.4
Government	165.3	166.9	166.4	163.4
Workers in Labor Disputes	0.0	0.0	1.0	0.0

(1) Not seasonally adjusted; updated with Quarterly Census of Employment and Wages Data for March 2010.

(2) Through September 2010.

Source: Washington State Employment Security Department, October 19, 2010.

**Residential Civilian Labor Force and Employment in King County (1)**

	2010 (2)	2009	2008	2007	2006	2005
<b>Washington State</b>						
Employed	3,207,610	3,214,500	3,290,090	3,235,960	3,154,420	3,075,970
Unemployed	327,300	314,210	186,280	154,450	162,970	179,560
% Unemployed	9.3%	8.9%	5.4%	4.6%	4.9%	5.5%
<b>King County</b>						
Employed	1,018,730	1,020,470	1,040,550	1,025,380	1,004,980	966,810
Unemployed	91,770	90,380	50,070	40,970	42,920	47,280
% Unemployed	8.3%	8.1%	4.6%	3.8%	4.1%	4.7%

(1) Not seasonally adjusted.

(2) Annual averages as of September 2010.

Source: Washington State Department of Employment Security Labor Market and Economic Analysis Branch, October 26, 2010.

The following table presents 2009 state-wide employment data for certain major employers in the Puget Sound area, which is defined for the purposes of this section as King, Kitsap, Pierce, and Snohomish Counties, Washington.

**Puget Sound Area  
Major Employers**

<b>Employer</b>	<b>Services/Product</b>	<b>Number of Employees</b>
The Boeing Company (1)(2)	Aerospace	72,077
U.S. Army Fort Lewis (3)	Government	42,429
Microsoft Corporation	Software	41,480
University of Washington	Higher Education	24,603
Navy Region - Northwest	Government	23,961
Providence Health Services	Healthcare	18,747
Wal-Mart Stores, Inc.	Retail	17,939
King County Government	Government	13,999
Fred Meyer Stores	Retail	12,500
City of Seattle	Government	10,254
Group Health Cooperative	Healthcare	8,859
MultiCare Health System	Healthcare	8,699
Costco Wholesale Corporation	Retail Warehouse	7,966
Weyerhaeuser Co.	Wood Products	7,000

(1) From The Boeing Company as of June 24, 2010.

(2) Employment within the State.

(3) Effective February 1, 2010, Fort Lewis was merged with McChord Air Force Base to form Joint-Base Lewis McChord. The figures contained here do not reflect the results of this merger.

Source: *Puget Sound Business Journal's 2010 Book of Lists, as of August 2009.*

**Taxable Retail Sales  
(\$ in thousands)**

<b>Year</b>	<b>City of Seattle</b>	<b>King County</b>
2010 (1)(2)	\$ 7,002,394	\$ 18,607,030
2009	15,101,408	39,594,904
2008	17,096,581	45,711,920
2007	17,030,512	47,766,338
2006	15,564,363	43,993,479
2005	14,231,317	40,463,997
2004	12,868,301	37,253,104

(1) Preliminary, through second quarter.

(2) Most recent data available.

Source: *Washington State Department of Revenue.*

**King County  
Historical Building Permits (1)  
Residential Construction**

<b>Year</b>	<b>No. of Permits</b>	<b>Cost of Construction</b>
2010 (2)	1,888	\$ 649,733,546
2009	2,110	663,664,817
2008	3,576	1,874,071,413
2007	6,154	2,750,229,152
2006	6,300	2,644,037,206
2005	6,865	2,296,588,684
2004	7,318	2,136,048,638

(1) Based on permits reported.

(2) Year-to-date, through August 2010.

Source: U.S. Census Bureau.

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## APPENDIX D

### BOOK-ENTRY ONLY SYSTEM

*The following information has been provided by The Depository Trust Company, New York, New York ("DTC"). The District makes no representation regarding the accuracy or completeness thereof. Each actual purchaser of a Bond (a "Beneficial Owner") should therefore confirm the following with DTC or the Participants (as hereinafter defined).*

#### **SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may apply only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to

whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot (unless otherwise directed) the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

## **APPENDIX E**

### **REPORT OF THE INDEPENDENT CONSULTANT**

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## Projections

## Forecast of Lodging Tax Revenue Washington State Convention Center

### Prepared for:

Mr. John Christison  
Level 5 Administrative Offices  
Washington State Convention Center  
800 Convention Place  
Seattle, Washington 98101

### Prepared By:

PKF Consulting  
San Francisco

### Date of the Report:

October 26, 2010



[www.pkfc.com](http://www.pkfc.com)

October 26, 2010



Mr. John Christison  
Level 5 Administrative Offices  
Washington State Convention Center  
800 Convention Place  
Seattle, WA 98101

**Re: Forecast of Lodging Tax Revenue – King County, Washington**

Dear Mr. Christison:

Pursuant to your request, we have prepared a forecast of lodging tax revenue for King County, Washington as well as revenue associated with the two percent sales tax rebate on hotels in Seattle. The purpose of our forecast is to project lodging tax revenue that will be available to the Washington State Convention Center ("WSCC"). Specifically, our projections will be utilized by the WSCC to assist in the financing of the acquisition of the WSCC facilities.

In this analysis, we have assumed that the current facility will be well maintained through ongoing capital improvements to the point that the Convention Center will remain competitive in the convention and meetings market.

In the following pages, we have provided an overview of our analysis, methodology, and summary of findings, followed by a more in depth discussion of our projections of lodging tax revenue generated from hotels located in Seattle and in King County.

## **I. OVERVIEW**

Colliers PKF Consulting USA (“PKF Consulting”) was retained by the Washington State Convention Center to develop an annual forecast of lodging tax revenue for the next 30 years or from 2011 to 2041. As we understand it, the State Legislature authorized the transition of the WSCC from being a State agency to being a King County Public Facilities District (“PFD”). As part of this transition, the Washington State Convention Center must acquire all facilities from the State. The purpose of this analysis is to project the future lodging tax revenue and two percent sales tax rebate (additional lodging tax) on hotels in Seattle that would be available to service debt obligations associated with the acquisition of the WSCC facilities.

## **II. METHODOLOGY**

In addition to our existing, general knowledge of Seattle and King County hotels, we have continued to develop a deeper understanding of the lodging market by interviewing management and reviewing the market performance of top lodging tax producing hotels, as well as from many smaller hotels also located throughout King County. Further, we carefully researched proposed hotel developments that have been announced in Seattle and King County to determine the likelihood of future supply additions. We have also worked with Seattle’s Convention and Visitor’s Bureau, representatives of the WSCC, and with other municipalities in King County. Specifically, in conducting the study, we:

- Identified the supply of all hotels with 60 or more rooms in the City of Seattle and in King County;
- Reviewed the actual historical annual collection of lodging tax revenues over the last 15 fiscal years as reported by the State’s Office of Financial Management (“OFM”) and WSCC as well as the monthly collections between January and September 2010;
- Worked with local planning departments, nearly all of the major hotel companies, as well as with local hotel owners and developers to identify hotels in Seattle and King County that are in the construction, development, or planning stages in order to identify proposed hotels with a likelihood of opening over the next five years;
- Reviewed the trends in historical supply growth in Seattle and King County as a basis for our projections of long term average annual supply growth;

- Through our own market research, we reviewed the historical supply and demand trends as well as the average daily room rates (“ADR”), and total lodging revenues for many of the individual hotels in Seattle and King County;
- Interviewed General Managers and/or corporate representatives of the major Seattle and King County hotels to determine 2010 year-to-date performances, year-end 2010 forecasts, as well as performance budgets for 2011;
- Interviewed representatives of Seattle’s Convention and Visitor’s Bureau (“CVB”) to review historical convention center attendance and room night trends and the future volume of convention demand on the books and booking pace through 2016;
- Researched and analyzed current economic and demographic trends in the City of Seattle and King County to determine the trend’s impact on future lodging demand within the market;
- Utilized Hotel Horizons - Seattle®, a econometric forecasting model and publication produced by Colliers PKF Hospitality Research, as a resource for estimating future growth in lodging supply, demand, and average daily room rates;
- Based on all information gathered, we developed a detailed annual forecast of future supply, demand, average daily room rate, and the resulting total lodging room revenue for the Seattle and King County lodging markets over the next ten calendar years (2010 to 2019). Beginning in 2020 through 2041, our forecast of future supply, demand, ADR, and lodging room revenue is based on market wide general assumptions for annual growth. This analysis was prepared individually for Seattle and for the remaining King County hotels, and then combined for a total for all hotels in King County;
- Based on our forecast of total lodging room revenues, we then calculated the resulting lodging tax revenue for hotels based on a lodging tax rate of seven percent for hotels located in Seattle and 2.8 percent for the remaining hotels located in King County; and,
- Utilizing our forecast, we also accounted for a two percent sales tax credit (“additional lodging tax”) from hotels located in Seattle. Based on information provided to us by representatives of the WSCC, we have assumed that the sales tax credit will expire in June 2029.

### III. SUMMARY OF FINDINGS

Based on the methodology outlined above, we have projected the lodging tax revenue for the City of Seattle, King County (excluding Seattle) and for all of King County as well as the additional lodging tax revenue as summarized in the following table. The summation the lodging tax revenue and additional lodging tax revenue represents the **total** lodging tax revenues available to the WSCC.

<b>Total King County Projected Lodging Tax Revenue and Additional Lodging Tax Revenue<sup>1</sup></b>					
<b>Calendar Year</b>	<b>Seattle</b>	<b>King County (Excluding Seattle)</b>	<b>King County Lodging Tax Revenue</b>	<b>Additional Lodging Tax Revenue<sup>2</sup></b>	<b>Total Lodging Tax Revenue</b>
2009	\$33,266,000	\$8,678,000	<b>\$41,944,000</b>	\$9,505,000	<b>\$51,449,000</b>
2010	\$34,387,000	\$9,170,000	<b>\$43,557,000</b>	\$9,825,000	<b>\$53,382,000</b>
2011	\$37,722,000	\$10,177,000	<b>\$47,899,000</b>	\$10,778,000	<b>\$58,677,000</b>
2012	\$40,938,000	\$11,275,000	<b>\$52,213,000</b>	\$11,697,000	<b>\$63,910,000</b>
2013	\$43,965,000	\$12,355,000	<b>\$56,320,000</b>	\$12,561,000	<b>\$68,881,000</b>
2014	\$47,993,000	\$13,204,000	<b>\$61,197,000</b>	\$13,712,000	<b>\$74,909,000</b>
2015	\$51,638,000	\$14,054,000	<b>\$65,692,000</b>	\$14,754,000	<b>\$80,446,000</b>
2016	\$54,808,000	\$14,847,000	<b>\$69,655,000</b>	\$15,659,000	<b>\$85,314,000</b>
2017	\$57,418,000	\$15,657,000	<b>\$73,075,000</b>	\$16,405,000	<b>\$89,480,000</b>
2018	\$59,544,000	\$16,527,000	<b>\$76,071,000</b>	\$17,013,000	<b>\$93,084,000</b>
2019	\$61,330,000	\$17,424,000	<b>\$78,754,000</b>	\$17,523,000	<b>\$96,277,000</b>
2020	\$66,498,000	\$18,373,000	<b>\$84,871,000</b>	\$18,999,000	<b>\$103,870,000</b>
2021	\$70,547,000	\$19,473,000	<b>\$90,020,000</b>	\$20,156,000	<b>\$110,176,000</b>
2022	\$74,844,000	\$20,529,000	<b>\$95,373,000</b>	\$21,384,000	<b>\$116,757,000</b>
2023	\$78,396,000	\$21,676,000	<b>\$100,072,000</b>	\$22,399,000	<b>\$122,471,000</b>
2024	\$80,747,000	\$22,862,000	<b>\$103,609,000</b>	\$23,071,000	<b>\$126,680,000</b>
2025	\$87,769,000	\$24,263,000	<b>\$112,032,000</b>	\$25,077,000	<b>\$137,109,000</b>
2026	\$92,747,000	\$25,693,000	<b>\$118,440,000</b>	\$26,499,000	<b>\$144,939,000</b>
2027	\$97,441,000	\$27,004,000	<b>\$124,445,000</b>	\$27,840,000	<b>\$152,285,000</b>
2028	\$101,740,000	\$28,103,000	<b>\$129,843,000</b>	\$29,069,000	<b>\$158,912,000</b>
2029	\$104,792,000	\$29,084,000	<b>\$133,876,000</b>	\$14,970,500	<b>\$148,847,000</b>
2030	\$112,990,000	\$31,062,000	<b>\$144,052,000</b>	\$0	<b>\$144,052,000</b>
2031	\$119,182,000	\$33,220,000	<b>\$152,402,000</b>	\$0	<b>\$152,402,000</b>
2032	\$125,714,000	\$34,365,000	<b>\$160,079,000</b>	\$0	<b>\$160,079,000</b>
2033	\$130,399,000	\$35,536,000	<b>\$165,935,000</b>	\$0	<b>\$165,935,000</b>
2034	\$134,450,000	\$36,760,000	<b>\$171,210,000</b>	\$0	<b>\$171,210,000</b>
2035	\$144,759,000	\$39,261,000	<b>\$184,020,000</b>	\$0	<b>\$184,020,000</b>
2036	\$153,488,000	\$41,944,000	<b>\$195,432,000</b>	\$0	<b>\$195,432,000</b>
2037	\$160,459,000	\$43,295,000	<b>\$203,754,000</b>	\$0	<b>\$203,754,000</b>
2038	\$165,920,000	\$44,688,000	<b>\$210,608,000</b>	\$0	<b>\$210,608,000</b>
2039	\$170,898,000	\$46,127,000	<b>\$217,025,000</b>	\$0	<b>\$217,025,000</b>
2040	\$183,638,000	\$48,896,000	<b>\$232,534,000</b>	\$0	<b>\$232,534,000</b>
2041	\$195,615,000	\$51,984,000	<b>\$247,599,000</b>	\$0	<b>\$247,599,000</b>
<b>CAGR</b>	<b>5.8%</b>	<b>5.8%</b>	<b>5.8%</b>		<b>5.1%</b>

<sup>1</sup> Rounded to the nearest \$1,000.

<sup>2</sup> Two percent of sales taxes generated by hotels in Seattle are rebated back to the WSCC through June 2029

Note: Numbers may not foot due to rounding.

As previously mentioned, lodging tax revenue is calculated at seven percent of lodging room revenue for hotels located in the City of Seattle, and 2.8 percent of lodging room revenue for all other hotels located in King County. Given the improving economy and the general improvement of the local lodging market, lodging performance and subsequently lodging tax revenues are projected to increase in the first year of our projection period before steadily increasing with the recovery of the market. In total, we estimate lodging tax revenue to grow at a compound annual growth rate (“CAGR”) of 5.8 percent from 2010 to 2041, attributed to periodic additions to supply and the subsequent absorption of these hotels into the King County market. As a point of comparison, total lodging tax revenues for King County have increased at a CAGR of 6.2 percent over the last 20 fiscal years or from 1990/91 to 2009/10.

#### **IV. INTRODUCTION AND ANALYSIS ASSUMPTIONS**

In our analysis we have made various assumptions regarding future supply and demand growth, ADR growth rates, and lodging tax rates. Based on these assumptions, we have developed our market projections individually for hotels located in the City of Seattle and throughout King County and the resulting lodging tax revenue projections. We have provided a discussion of each critical assumption below followed by our individual analysis for Seattle and King County. In addition, we have provided a brief overview of the historical trends in lodging tax revenue collections.

##### **A. King County Market Overview**

King County, with an estimated 2009 population of approximately 1.9 million, represents the largest urban population concentration in the Northwest region of the U.S. Due to the relatively high income levels generated by the local economies and high education level, King County consistently ranks among the top 100 wealthiest counties in the United States. Furthermore, the County benefits from excellent air service, a thriving port and rail system, spectacular local scenery, and subsequently ranks among the top tourist destinations on the West Coast.

The County is home to the Sea-Tac International Airport providing excellent air service to the region, many Fortune 500 Companies including Microsoft, two convention centers including the WSCC and the Meydenbauer Center in Bellevue, several professional sports teams, and numerous world renowned tourist attractions including the Space Needle and Pike Place Market. As the premier economic hub for the Pacific Northwest and a gateway city to the Pacific Rim, King County and the City of Seattle are expected to remain among the top performing lodging markets in the nation.

Provided below is a brief summary of several economic indicators for King County and Seattle impacting hotel lodging demand.

- **Employment:** King County, with Seattle as the urban center, boosts a diverse economy with strengths in the high-tech, biotechnology, healthcare, and information technology industries. The Seattle area is ranked fifth in the U.S. for biotechnology based on industry concentration. Microsoft is the County's largest employer with over 35,000 employees and the University of Washington is Seattle's largest employer with approximately 28,000 employees. Other notable businesses with headquarters in the area include Starbucks, Costco, Amazon.com, Alaska Airlines, drugstore.com, and Nordstrom. According to the Washington State Employment Security Department, King County employment totaled approximately 1,008,000 as of September 2010, representing a loss of 7,500 jobs since September 2009. At the same time, the unemployment rate has declined from 8.7 percent in September 2009 to 8.4 in September 2010. King County's unemployment rate is still below the national unemployment rate of 9.6 percent as of September 2010. According to Moody's Economy.com, employment levels are projected to slowly grow from two to four percent from 2011 through 2013 coinciding with a gradual decline in unemployment and a slowly rebounding economy.
- **Office Market:** The Seattle MSA office market contains approximately 96 million square feet of office space, of which 44 percent is located in the Downtown Seattle submarket. The office space vacancy rate declined in the third quarter 2010 to 19.3 percent and net absorption increased by approximately 1.0 million square feet. While current vacancy rates are above historic levels, the recent absorption of space represents a positive economic indicator for the Seattle MSA.
- **Seattle Development:** The Bill and Melinda Gates Foundation will open its new 12-acre campus to be located at 500 Fifth Avenue North in Seattle in the spring of 2011. Two six-story buildings containing 900,000 square feet will be home to the foundation. A second, 400,000 square foot building will also be built on the same campus. The Foundation employs approximately 860 people and distributed \$3.0 billion in grants in 2009. The Foundation estimates 1,200 employees upon opening in 2011.
- **Port of Seattle:** The Port of Seattle is the 8<sup>th</sup> largest port in the U.S. and services the greater Pacific Northwest region and northern Canada. In 2007, the Port set a record with a total tonnage of approximately 21.1 million and more than 1,200 vessel calls. Through year-to-date September 2010, total tonnage has increased 43.4 percent over year-to-date September 2009 levels.

- **Seattle-Tacoma International Airport (SeaTac):** SeaTac is the 17<sup>th</sup> busiest airport in the U.S. and has experienced continued growth in total number of passengers over the last eight years with a record 32.2 million passengers in 2008. While many airports across the nation experienced double digit passenger traffic declines in 2009, Sea-Tac's total passenger traffic declined to approximately 31.2 million or by only 3.2 percent. Through year-to-date September 2010, passenger traffic is on pace with 2009 levels. Ongoing airport maintenance and the current extension of Seattle's light rail service to Sea-Tac insures that the airport is well positioned to remain the Pacific Northwest's premier air hub.
- **Washington State Convention Center:** In 2007, the number of room nights booked for conventions at the WSCC and other hotels with conference facilities in Seattle reached a peak of approximately 550,000 room nights; above the long-term average of approximately 475,000 room nights. In 2009, total convention room nights declined to approximately 454,000. Based on the actual bookings and future rooms on the books, total room nights generated by groups in Seattle in 2010 is projected to decline by an additional 12 percent to approximately 400,000. Based on discussions with representatives of Seattle's Convention and Visitor's Bureau, the current booking pace is slightly below budget for 2011; however, with the ongoing recovery of the national economy, group bookings, the last segment to recover, are projected to increase back to historic levels by 2012.
- **Tourism and Activities:** Seattle offers a unique blend of culture, outdoor activities, and tourist attractions that draw thousands of visitors annually. Some popular attractions include the Space Needle, Experience Music Project, Seattle Aquarium, and the Seattle Waterfront. Seattle also hosts a number of festivals throughout the year, including the Seafair Cup Hydroplane races, Bite of Seattle, and Bumbershoot, a music and art festival. Seattle is home to three major coffee companies; Starbucks, Seattle's Best Coffee, and Tully's, all which have contributed to Seattle's reputation as the national birthplace of gourmet coffee. Considering the "coffee culture" of Seattle, a visit to the original Starbucks Coffee House located in the famous Pike Place Market is a must for all visitors to Seattle. Professional sport teams including the Seattle Seahawks (National Football League), Seattle Mariners (Major League Baseball), or Seattle Sounders (Major League Soccer), are a popular draw for locals, other residents throughout the State, and for television viewers throughout the nation, helping to promote the region.

## B. Historical Lodging Tax Revenues

Presented in the following table are the historical lodging tax revenues collected for the WSCC as provided to us by representatives of the WSCC. It should be noted that historically, total lodging tax receipts were tabulated in fiscal years representing the period beginning July 1 and ending June 30 coinciding with the State's fiscal



calendar. We have also included the total lodging tax collection for the calendar year period January through September 2009 and 2010 as our future projections are presented in calendar years.

<b>King County - Historical Lodging Tax Revenues</b>		
<b>Fiscal Year</b>	<b>Lodging Tax Revenue</b>	<b>Percent Change</b>
1990/91	\$13,130,278	13.1%
1991/92	\$13,407,007	2.1%
1992/93	\$14,833,248	10.6%
1993/94	\$17,032,166	14.8%
1994/95	\$18,999,011	11.6%
1995/96	\$19,715,310	3.8%
1996/97	\$24,604,092	24.8%
1997/98	\$26,534,998	7.9%
1998/99	\$30,576,635	15.2%
1999/00	\$31,224,616	2.1%
2000/01	\$34,604,869	10.8%
2001/02	\$30,366,742	-12.3%
2002/03	\$31,420,759	3.44%
2003/04	\$33,183,545	5.6%
2004/05	\$35,030,429	5.6%
2005/06	\$40,445,951	15.4%
2006/07	\$45,770,495	13.2%
2007/08	\$50,304,645	9.9%
2008/09	\$46,763,890	-7.0%
2009/10	\$41,447,755	-11.4%
Calendar YTD Sept. '09	\$31,617,730	
Calendar YTD Sept. '10	\$31,876,633	0.8%
<b>CAGR 1990/91 to 2009/10</b>	<b>6.2%</b>	

As noted, the lodging tax revenues have increased at a CAGR of 6.2 percent over the past 20 fiscal years, generally increasing every year except in 2001/02 and in 2008/09 and 2009/10 when economic recessions negatively impacted travel, spending, and subsequently lodging performance. It is also important to note that historically, there have been large annual increases in lodging tax revenues, which can be attributed to strong hotel performance and corresponding increases in the lodging supply. These periodic supply increases and continued growth in lodging demand is the leading reason for the 6.2 percent average annual growth over the last 20 years.

Based on data provided by the WSCC, the actual lodging tax receipts collected through calendar year September 2010 total approximately \$31,877,000 representing an increase of 0.8 percent over prior year to date levels. Taking into consideration the improving lodging market during the third and fourth quarters of this year, the two new hotels in Seattle that opened in June, and the cash basis of

the actual collections, our 2010 year-end forecast of total King County lodging tax revenues of \$43,557,000 is deemed reasonable.

### C. Hotel Horizons - Seattle®

Beginning in 2007, Colliers PKF Hospitality Research (“PKF Hospitality Research”) unveiled its powerful *Hotel Horizons*®, an economics-based hotel forecasting model that projects five years of supply, demand, occupancy, ADR, and RevPAR for the U.S. lodging industry. *Hotel Horizons*® forecasting and reports are published on a quarterly basis for 50 markets and six national chain-scales and are based on actual monthly performance data collected by Smith Travel Research, as well as numerous economic indicators such as real personal income, payroll employment growth, gross domestic product, and inflation, and supply forecasts based on actual construction starts. As one of these 50 markets, the “Seattle” market encompasses a sample of nearly 40,000 hotel rooms of all sizes with many outside the County limits. Based on research compiled by PKF Hospitality Research, the following table details the long term averages for the key lodging metrics for the greater Seattle market dating back to 1988. It should be noted that the “Seattle” market is more synonymous with King County given the sample size.

<b>Seattle (King County)</b> <b>Performance Averages 1988-2009</b>	
Average Occupancy Level	69%
Annual ADR Change	3.5%
Annual RevPAR Change	2.9%
Annual Supply Change	3.8%
Annual Demand Change	3.2%
Source: Colliers PKF Hospitality Research	

The historic averages are based on actual changes to these metrics as measured by Smith Travel Research, a highly respected hospitality research firm that collects actual performance data for most hotels and markets throughout the nation.

### D. Supply

We first identified the current lodging supply in Seattle and the remaining King County area. Per state law, lodging tax is only collected from hotels with 60 or more guestrooms. Therefore, we have only included hotels with 60 or more guestrooms in our supply base. The following table details the number of properties located in Seattle and King County (excluding Seattle), as well as the number of rooms available on a daily and annual basis that serve as the basis for our annual projections.

Summary of Supply			
Market	Number of Properties	Number of Rooms Available Daily	Number of Rooms Available Annually
Seattle	73	14,593	5,326,445
King County (Excluding Seattle )	150	17,416	6,356,840
<b>Total Supply</b>	<b>223</b>	<b>32,009</b>	<b>11,683,285</b>
* Supply Figures as of October 2010			

The City of Seattle is comprised of 73 hotels that contain 14,593 guestrooms available daily. The remaining King County area is comprised of 150 properties with 60 or more rooms. The remaining King County hotels represent 17,416 guestrooms daily as of the date of this report and the major King County markets outside of Seattle include Bellevue, Federal Way, Kent, Renton, Auburn, and Redmond. In total, there are 223 properties containing 32,009 guestrooms available daily or 11,683,285 guestrooms available annually.

#### E. Changes to Supply

In our analysis, we identified all current new hotel developments, hotel developments that are under construction, and hotel developments currently proposed or in the planning phases. Given the recent economic recession, new hotel construction and development planning has nearly stopped as lodging performance between late 2008 through the first half of 2010 decreased significantly. As a result, we have identified only one hotel currently under construction and only three new hotels that opened in 2010, all in downtown Seattle. The hotels that recently opened were planned and approved prior to the recession that began in the fall of 2008 and were under construction in 2009 and 2010. Lastly, we have identified one future hotel closure scheduled for 2014. Specifically, the 181-room Red Lion in Bellevue is scheduled to be “taken” in 2014 through condemnation to make way for the East Link Light Rail project in Bellevue. We have included the following specific hotels in our future supply projections over the next twelve months.

##### In the City of Seattle:

- The 139-room Maxwell Hotel located in Seattle opened in March 2010;
- The 262-room Courtyard by Marriott located in Seattle opened in June 2010; and,
- The 160-room Hyatt Place in Seattle opened in June 2010.

##### In King County (excluding Seattle):

- The 128-room Hilton Garden Inn located in Bothell is under construction with a projected opening date of October 27, 2010; and,
- The 181-room Red Lion located in Bellevue is projected to close in 2014.

It is worth noting that there were several new hotels in Seattle and throughout King County that opened between 2006 and early 2009 following the strong lodging performance between 2005 and 2007. As is typical in hotel lodging cycles, once markets benefit from several years of strong demand and subsequently strong growth in average daily room rates, new projects are proposed and built, resulting in an influx of new supply over a two to three year period until supply and demand swing back to equilibrium. As presented above, the supply growth for the greater King County market area has averaged slightly more than 3.8 percent per year between 1988 and 2009.

As a result of the cyclical nature of hotel lodging markets, we have therefore assumed periodic additions to supply. Based on our projections of demand and average daily room rate growth over the next four years, we have assumed that the next wave of new pre-development will commence in late 2012, resulting in new supply entering the King County market as early as 2014 and lasting through 2016.

As a result, we project 700 rooms will enter the Seattle market in 2014. In 2015 and 2016, we estimate that an additional 750 rooms will enter the Seattle market. Based on historical trends, we have estimated that the Seattle market will add approximately 1,100 additional hotel rooms every fifth and sixth year beginning in 2020. This reflects a compound annual growth rate in supply of 2.1 percent, slightly below historical supply growth levels for Seattle.

We have assumed that the remaining King County market areas will add 700 rooms to the market in 2014 and 800 rooms in 2015 and 2016. Based on historical trends, we have estimated that the remaining King County market will add approximately 1,100 additional hotel rooms every fifth and sixth year beginning in 2020. This reflects a CAGR of 1.9 percent, also slightly below historical supply growth levels. This future supply growth for Seattle and King County follows typical lodging market development cycles.

As a point of reference, the historical long-term average annual growth in supply for King County is approximately 3.8 percent. Our current long term growth rate of supply of approximately two percent is lower than the historic average as this takes into consideration that many of the existing markets are more highly developed today than during the late 1980s and 1990s, leaving less available land for future development throughout the greater King County area. As such, this is expected to place a physical limit on new supply in King County and future supply growth is therefore expected to occur in neighboring markets and some of the communities outside the County limits.

## F. Demand Growth

Based on discussions with general managers, regional managers, Seattle's Convention and Visitor's Bureau, other industry participants, and our review of historic demand trends throughout King County, we estimate demand (the number of rooms occupied) in 2010 to increase coinciding with the recovery from the national recession, which negatively impacted all segments of demand (individual business, government, domestic and international leisure travel and all group demand) in 2009. This growth is supported by the year to date performance of all King County submarkets and by actual performance data collected by PKF for the largest 20 hotels (representing nearly 7,000 rooms) in downtown Seattle, which have demonstrated year to date demand growth of more than seven percent. This growth is further supported by our review of the actual performance of all major hotels in Bellevue and the actual lodging tax revenues collected by the City of Bellevue, which are up nearly 13 percent this year over prior year to date levels, attributed primarily to demand increases.

Based on this data and the factors listed above, in 2011 and 2012 we project demand in Seattle to continue to increase, both with the continued recovery of the economy and as the new hotels are able to induce previously unsatisfied demand during peak periods. In 2013, we project accommodated demand to taper as most markets are expected to be operating at their stabilized levels given market segmentation and seasonality patterns of demand.

Similar to the Seattle market, for the remaining King County market we project strong demand growth in 2010 with continued increases in 2011 and 2012 as the economy is projected to recover and the King County (excluding Seattle) market reaches stabilized occupancy levels. In 2013, we project accommodated demand to taper. The following table details our forecasted demand growth rates from 2010 to 2015.

<b>Demand Growth 2010-2015</b>			
<b>Year</b>	<b>Seattle</b>	<b>King County (Excluding Seattle)</b>	<b>All King County</b>
2010	7.5%	9.4%	8.4%
2011	4.2%	5.6%	4.9%
2012	2.3%	4.9%	3.6%
2013	0.4%	4.1%	2.3%
2014	4.8%	2.8%	3.8%
2015	4.2%	3.2%	3.7%

As discussed above, beginning in 2013, we have forecasted base demand growth of approximately three percent per year, on par with the long term average as reported on page nine.

However, accommodated demand is forecasted below these levels in many years as markets reach stabilized levels of performance. While individual hotel performance varies widely based on the hotel size and condition, overall market occupancy levels tend to stabilize based on constraints attributed to demand segmentation and seasonality patterns. Only when new supply enters a market can additional demand be accommodated and the market experience stronger accommodated demand growth. Accordingly, with our previously assumed periodic additions to supply, accommodated demand growth will exceed three percent as this new supply is absorbed.

### **G. Segmentation of Demand**

The demand captured by King County hotels is generated from numerous sources, or segments. The primary categories of demand monitored by hotels include the transient and group market segments. The transient segment is comprised of individual business travelers, domestic and international leisure travelers, government demand, and various individual wholesale or package demand. The group market segment includes association, convention, corporate, wholesale, and incentive groups as well as social groups, often referred to as SMERF groups (social, military, educational, religious, and fraternal).

Hotels located in the downtown Seattle area proximate to the WSCC, in downtown Bellevue, and near Sea-Tac airport, typically attract group demand due to their location near a convention center and/or, in house meeting space facilities.

For these hotels, such as the Sheraton Seattle, Westin Seattle, Grand Hyatt, Fairmont, Westin Bellevue, and Hyatt Bellevue, group demand typically represents between 35 and 45 percent of total hotel rooms occupied. The balance of demand, between 55 and 65 percent, is generated by the various transient demand segments. For hotels located outside of the aforementioned areas or with little to no in house meeting facilities, group demand represents a smaller portion of demand, or typically between 10 and 25 percent of demand. Transient demand is traditionally the largest segment for these hotels.

### **H. Average Daily Rate Growth**

Future growth in the average daily room rate has been based on our review of historical growth trends, interviews with numerous hotel owners and operators in Seattle and throughout King County with regard to 2010 year-end forecasts and 2011 performance budgets, and our experience in the local lodging market. Furthermore, we have reviewed Hotel Horizons – Seattle®. Based on the aforementioned, we have estimated ADR growth over the next six years for Seattle and the remaining King County area as detailed in the following table.

ADR Growth 2010-2015			
Calendar Year	Seattle	King County (Excluding Seattle)	All King County
2010	-3.8%	-3.4%	-3.8%
2011	5.3%	5.1%	5.1%
2012	6.1%	5.6%	5.6%
2013	6.9%	5.3%	5.9%
2014	4.1%	3.9%	4.3%
2015	3.3%	3.1%	3.3%

As noted above, overall ADR is projected to decline in 2010 by 3.8 percent, which is consistent with year-to-date trends and based on our interviews with property managers for year-end 2010 performance. With the continued increase in lodging demand and subsequently occupancy, ADR levels are projected to experience four years of real growth between 2011 and 2014.

After 2015, we have assumed ADR to increase a three percent per annum, in line with our long-term outlook on inflation. For the 30 year projection period, we have forecast the ADR to increase at a CAGR of 3.3 percent, slightly below the average annual increase in ADR of 3.5 percent reported by PKF Hospitality Research.

## I. Lodging Tax Rates

Lodging tax revenue is calculated at seven percent of total lodging room revenue for hotels with 60 or more rooms located in the City of Seattle and 2.8 percent of lodging room revenue for all other hotels with 60 or more rooms located in King County. In our analysis, we have assumed that the aforementioned tax rates will remain constant throughout the projection period. Also, it should be noted that we have accounted for a credit of two percent of the sales tax revenue (additional lodging tax) collected from hotels in the City of Seattle. It should be noted that the sales tax rebate will expire at the end of June 2029.

Based on the preceding methodology and assumptions outlined above, we have prepared a forecast of the future lodging room revenue and subsequent lodging tax revenue from all hotels with 60 or more rooms located in Seattle and King County (excluding Seattle).

## **J. Factors Impacting Total Lodging Tax Revenue Forecast**

Although it is possible that the King County lodging market will experience growth in room night demand, ADRs, and subsequently lodging room revenue and tax revenue above those summarized in the pages below, it is also possible that sudden economic downturns, unexpected additions/deletions to the room supply, or other external factors could negatively impact the King County lodging market as stated previously.

Consequently, the estimated annual room night supply and demand, ADR levels, and lodging room revenue and total lodging tax revenue represent the most likely performance of the King County lodging market over the projection period based on our analysis of the market as of the date of this report.

However, we have provided a brief list of specific factors and assumptions that could have either a positive or negative impact on the conclusions contained this report.

- We have assumed that the greater King County infrastructure, including roadways, airports, public transportation, City and County services, and new residential and commercial development continue to grow and evolve with the changing times and expected growth in population and employment such that the region will continue to remain on the forefront of technology and represent a desirable place to live and work.
- Our conclusions contained in this report do not include any specific expansion to the region's convention facilities. Should the Washington State Convention Center in Seattle undergo an expansion, this would likely have a materially positive impact on total lodging tax revenues. Specifically, with an expanded Center, it is likely that new supply growth in the years coinciding with the expansion would exceed those outlined in this report to meet the growth in convention center utilization and room night demand. This additional new convention demand and subsequent supply growth would represent a direct increase to lodging tax and additional lodging tax revenues and likely expedite supply growth in the surrounding cities in King County outside the City of Seattle.
- In keeping with historic economic and lodging cycles, our growth estimates from 2020 to 2041 are based on long term averages and do not specifically model for future economic recessions or other "acts of God". Should the Country or the King County region fall victim to terrorist events, future geopolitical crises, seismic events, or an impact from other "unnatural or unplanned" factors, the local economy and subsequently lodging industry could experience several years of decline. However, using history as an indicator, the local lodging market has continually rebounded from similar dramatic events.



## **V. LODGING TAX REVENUE FORECAST – CITY OF SEATTLE**

We have projected the annual supply, demand, ADR, and resulting lodging revenues for the City of Seattle from 2010 through 2041. Based on these projections, we have calculated the total room revenue for all Seattle hotels and have applied the seven percent lodging tax rate to the room revenues to project lodging tax revenue for each year. The following table outlines our projections. We have presented the calendar year 2009 actual lodging tax revenue collections as a point of reference.

Projection of Lodging Tax Revenue – King County, WA  
Washington State Convention Center

City of Seattle - All Hotels										
2010-2041 Lodging Tax Projections <sup>1</sup>										
Calendar Year	Annual Supply	Change In Supply	Total Room Nights	Room Nights Change	Market Occupancy	ADR	ADR Change	Total Room Revenue	Lodging Tax Revenue @ 7%	Lodging Tax Change
2009	5,111,095	0.0%	3,400,000	-	67%	\$139.77	-	\$475,229,000	\$33,266,000	-
2010	5,249,795	2.7%	3,655,100	7.5%	70%	\$134.40	-3.8%	\$491,248,000	\$34,387,000	3.4%
2011	5,326,445	1.5%	3,808,000	4.2%	71%	\$141.51	5.3%	\$538,884,000	\$37,722,000	9.7%
2012	5,326,445	0.0%	3,894,000	2.3%	73%	\$150.19	6.1%	\$584,831,000	\$40,938,000	8.5%
2013	5,326,445	0.0%	3,910,900	0.4%	73%	\$160.59	6.9%	\$628,065,000	\$43,965,000	7.4%
2014	5,581,945	4.8%	4,099,300	4.8%	73%	\$167.25	4.1%	\$685,611,000	\$47,993,000	9.2%
2015	5,855,695	4.9%	4,269,600	4.2%	73%	\$172.78	3.3%	\$737,691,000	\$51,638,000	7.6%
2016	6,129,445	4.7%	4,393,600	2.9%	72%	\$178.21	3.1%	\$782,975,000	\$54,808,000	6.1%
2017	6,129,445	0.0%	4,470,500	1.8%	73%	\$183.48	3.0%	\$820,261,000	\$57,418,000	4.8%
2018	6,129,445	0.0%	4,503,400	0.7%	73%	\$188.89	2.9%	\$850,625,000	\$59,544,000	3.7%
2019	6,129,445	0.0%	4,503,400	0.0%	73%	\$194.55	3.0%	\$876,144,000	\$61,330,000	3.0%
2020	6,530,945	6.6%	4,732,600	5.1%	72%	\$200.73	3.2%	\$949,971,000	\$66,498,000	8.4%
2021	6,932,445	6.1%	4,874,500	3.0%	70%	\$206.75	3.0%	\$1,007,810,000	\$70,547,000	6.1%
2022	6,932,445	0.0%	5,020,800	3.0%	72%	\$212.95	3.0%	\$1,069,199,000	\$74,844,000	6.1%
2023	6,932,445	0.0%	5,095,800	1.5%	74%	\$219.78	3.2%	\$1,119,936,000	\$78,396,000	4.7%
2024	6,932,445	0.0%	5,095,800	0.0%	74%	\$226.37	3.0%	\$1,153,534,000	\$80,747,000	3.0%
2025	7,333,945	5.8%	5,369,600	5.4%	73%	\$233.51	3.2%	\$1,253,842,000	\$87,769,000	8.7%
2026	7,735,445	5.5%	5,504,700	2.5%	71%	\$240.70	3.1%	\$1,324,962,000	\$92,747,000	5.7%
2027	7,735,445	0.0%	5,614,800	2.0%	73%	\$247.92	3.0%	\$1,392,009,000	\$97,441,000	5.1%
2028	7,735,445	0.0%	5,688,100	1.3%	74%	\$255.52	3.1%	\$1,453,427,000	\$101,740,000	4.4%
2029	7,735,445	0.0%	5,688,100	0.0%	74%	\$263.19	3.0%	\$1,497,030,000	\$104,792,000	3.0%
2030	8,136,945	5.2%	5,946,900	4.5%	73%	\$271.43	3.1%	\$1,614,145,000	\$112,990,000	7.8%
2031	8,538,445	4.9%	6,083,100	2.3%	71%	\$279.89	3.1%	\$1,702,596,000	\$119,182,000	5.5%
2032	8,538,445	0.0%	6,222,500	2.3%	73%	\$288.62	3.1%	\$1,795,914,000	\$125,714,000	5.5%
2033	8,538,445	0.0%	6,272,700	0.8%	73%	\$296.98	2.9%	\$1,862,842,000	\$130,399,000	3.7%
2034	8,538,445	0.0%	6,280,500	0.1%	74%	\$305.82	3.0%	\$1,920,718,000	\$134,450,000	3.1%
2035	8,939,945	4.7%	6,554,800	4.4%	73%	\$315.49	3.2%	\$2,067,982,000	\$144,759,000	7.7%
2036	9,341,445	4.5%	6,739,800	2.8%	72%	\$325.33	3.1%	\$2,192,692,000	\$153,488,000	6.0%
2037	9,341,445	0.0%	6,840,700	1.5%	73%	\$335.09	3.0%	\$2,292,269,000	\$160,459,000	4.5%
2038	9,341,445	0.0%	6,872,900	0.5%	74%	\$344.87	2.9%	\$2,370,285,000	\$165,920,000	3.4%
2039	9,341,445	0.0%	6,872,900	0.0%	74%	\$355.22	3.0%	\$2,441,394,000	\$170,898,000	3.0%
2040	9,742,945	4.3%	7,163,100	4.2%	74%	\$366.24	3.1%	\$2,623,401,000	\$183,638,000	7.5%
2041	10,144,445	4.1%	7,390,700	3.2%	73%	\$378.11	3.2%	\$2,794,496,000	\$195,615,000	6.5%

<sup>1</sup> Rounded to the nearest 1,000.

Note: Numbers may not foot due to rounding.

In 2010, we project that lodging tax revenue will increase by 3.4 percent over 2009 figures. This is attributed to the additional room nights accommodated by the three newly opened hotels and demand generated by the recovering economy. In 2011, 2012, and 2013 we project lodging tax revenue growth to be very strong mostly due to improving economic conditions, and subsequent increases to demand and ADR. In 2014, 2015, and 2016 we project strong lodging tax revenue growth due to room nights generated by the additional supply which we project to enter the market. Thereafter we project lodging revenues to increase between roundly three and nine percent. Years with stronger growth reflect years when additional supply is projected to enter the market which will allow the market to accommodate previously unsatisfied demand. The following table summarizes our projection of Seattle's room revenue, lodging tax revenue, and the two percent sales tax rebate (additional lodging tax revenue). The sales tax rebate is calculated as two percent of the room revenue through June 2029.

City of Seattle Projected Lodging Tax Revenue and Additional Lodging Tax Revenue <sup>1</sup>			
Year	Seattle Room Revenue	Seattle Lodging Tax Revenue	Additional Lodging Tax Revenue <sup>2</sup>
2009	\$475,229,000	\$33,266,000	\$9,505,000
2010	\$491,248,000	\$34,387,000	\$9,825,000
2011	\$538,884,000	\$37,722,000	\$10,778,000
2012	\$584,831,000	\$40,938,000	\$11,697,000
2013	\$628,065,000	\$43,965,000	\$12,561,000
2014	\$685,611,000	\$47,993,000	\$13,712,000
2015	\$737,691,000	\$51,638,000	\$14,754,000
2016	\$782,975,000	\$54,808,000	\$15,659,000
2017	\$820,261,000	\$57,418,000	\$16,405,000
2018	\$850,625,000	\$59,544,000	\$17,013,000
2019	\$876,144,000	\$61,330,000	\$17,523,000
2020	\$949,971,000	\$66,498,000	\$18,999,000
2021	\$1,007,810,000	\$70,547,000	\$20,156,000
2022	\$1,069,199,000	\$74,844,000	\$21,384,000
2023	\$1,119,936,000	\$78,396,000	\$22,399,000
2024	\$1,153,534,000	\$80,747,000	\$23,071,000
2025	\$1,253,842,000	\$87,769,000	\$25,077,000
2026	\$1,324,962,000	\$92,747,000	\$26,499,000
2027	\$1,392,009,000	\$97,441,000	\$27,840,000
2028	\$1,453,427,000	\$101,740,000	\$29,069,000
2029	\$1,497,030,000	\$104,792,000	\$14,970,500
2030	\$1,614,145,000	\$112,990,000	\$0
2031	\$1,702,596,000	\$119,182,000	\$0
2032	\$1,795,914,000	\$125,714,000	\$0
2033	\$1,862,842,000	\$130,399,000	\$0
2034	\$1,920,718,000	\$134,450,000	\$0
2035	\$2,067,982,000	\$144,759,000	\$0
2036	\$2,192,692,000	\$153,488,000	\$0
2037	\$2,292,269,000	\$160,459,000	\$0
2038	\$2,370,285,000	\$165,920,000	\$0
2039	\$2,441,394,000	\$170,898,000	\$0
2040	\$2,623,401,000	\$183,638,000	\$0
2041	\$2,794,496,000	\$195,615,000	\$0
<b>CAGR</b>	<b>5.8%</b>	<b>5.8%</b>	

<sup>1</sup> Rounded to the nearest \$1,000.

<sup>2</sup> Two percent of sales taxes generated by hotels in Seattle are rebated back to the WSCC through June 2029.

Note: Numbers may not foot due to rounding.

## **VI. LODGING TAX REVENUE FORECAST – KING COUNTY (EXCLUDING SEATTLE)**

Like our projections for the City of Seattle, we have projected the annual supply, demand, ADR, and resulting lodging room revenues for the remaining hotels located in King County (excluding Seattle) from 2010 through 2041. We have calculated the total room revenue for King County hotels (excluding Seattle) and have applied the 2.8 percent lodging tax rate to the room revenues to estimate the projected lodging tax revenue for each year. The following table outlines our projections. The actual lodging tax figures for calendar year 2009 have been provided as a point of reference.

Projection of Lodging Tax Revenue – King County, WA  
Washington State Convention Center

King County Hotels (Excluding Seattle Only)										
2010-2041 Lodging Tax Projections <sup>1</sup>										
Calendar Year	Annual Supply	Change In Supply	Total Room Nights	Room Night Change	Market Occupancy	ADR	ADR Change	Total Room Revenue	Lodging Tax Revenue @ 2.8%	Lodging Tax Change
2009	6,276,905		3,339,000	-	52%	\$92.82	-	\$309,929,000	\$8,678,000	-
2010	6,364,505	1.4%	3,652,000	9.4%	57%	\$89.67	-3.4%	\$327,490,000	\$9,170,000	5.7%
2011	6,403,560	0.6%	3,858,000	5.6%	60%	\$94.21	5.1%	\$363,463,000	\$10,177,000	10.8%
2012	6,403,560	0.0%	4,047,000	4.9%	63%	\$99.50	5.6%	\$402,680,000	\$11,275,000	10.8%
2013	6,403,560	0.0%	4,211,000	4.1%	66%	\$104.78	5.3%	\$441,246,000	\$12,355,000	11.3%
2014	6,592,995	3.0%	4,330,000	2.8%	66%	\$108.90	3.9%	\$471,553,000	\$13,204,000	7.1%
2015	6,884,995	4.4%	4,470,000	3.2%	65%	\$112.29	3.1%	\$501,938,000	\$14,054,000	6.1%
2016	7,176,995	4.2%	4,590,000	2.7%	64%	\$115.52	2.9%	\$530,223,000	\$14,847,000	6.1%
2017	7,176,995	0.0%	4,707,000	2.5%	66%	\$118.80	2.8%	\$559,185,000	\$15,657,000	6.1%
2018	7,176,995	0.0%	4,830,000	2.6%	67%	\$122.21	2.9%	\$590,253,000	\$16,527,000	6.1%
2019	7,176,995	0.0%	4,952,000	2.5%	69%	\$125.66	2.8%	\$622,257,000	\$17,424,000	6.1%
2020	7,578,495	5.6%	5,078,000	2.5%	67%	\$129.22	2.8%	\$656,175,000	\$18,373,000	6.1%
2021	7,979,995	5.3%	5,227,000	2.9%	66%	\$133.06	3.0%	\$695,481,000	\$19,473,000	6.1%
2022	7,979,995	0.0%	5,359,000	2.5%	67%	\$136.82	2.8%	\$733,201,000	\$20,529,000	6.1%
2023	7,979,995	0.0%	5,500,000	2.6%	69%	\$140.75	2.9%	\$774,135,000	\$21,676,000	6.1%
2024	7,979,995	0.0%	5,639,000	2.5%	71%	\$144.79	2.9%	\$816,491,000	\$22,862,000	5.9%
2025	8,381,495	5.0%	5,812,000	3.1%	69%	\$149.09	3.0%	\$866,528,000	\$24,263,000	6.3%
2026	8,782,995	4.8%	5,978,000	2.9%	68%	\$153.50	3.0%	\$917,607,000	\$25,693,000	6.1%
2027	8,782,995	0.0%	6,116,000	2.3%	70%	\$157.69	2.7%	\$964,423,000	\$27,004,000	6.1%
2028	8,782,995	0.0%	6,180,000	1.0%	70%	\$162.41	3.0%	\$1,003,708,000	\$28,103,000	4.1%
2029	8,782,995	0.0%	6,202,000	0.4%	71%	\$167.48	3.1%	\$1,038,721,000	\$29,084,000	3.0%
2030	9,184,495	4.6%	6,450,000	4.0%	70%	\$171.99	2.7%	\$1,109,342,000	\$31,062,000	8.0%
2031	9,585,995	4.4%	6,710,000	4.0%	70%	\$176.81	2.8%	\$1,186,419,000	\$33,220,000	7.7%
2032	9,585,995	0.0%	6,731,000	0.3%	70%	\$182.34	3.1%	\$1,227,316,000	\$34,365,000	3.0%
2033	9,585,995	0.0%	6,751,000	0.3%	70%	\$187.99	3.1%	\$1,269,112,000	\$35,536,000	3.0%
2034	9,585,995	0.0%	6,772,000	0.3%	71%	\$193.86	3.1%	\$1,312,828,000	\$36,760,000	3.0%
2035	9,987,495	4.2%	7,035,000	3.9%	70%	\$199.32	2.8%	\$1,402,190,000	\$39,261,000	7.5%
2036	10,388,995	4.0%	7,306,000	3.9%	70%	\$205.04	2.9%	\$1,498,012,000	\$41,944,000	7.3%
2037	10,388,995	0.0%	7,318,000	0.2%	70%	\$211.29	3.1%	\$1,546,240,000	\$43,295,000	3.0%
2038	10,388,995	0.0%	7,329,000	0.2%	71%	\$217.77	3.1%	\$1,596,013,000	\$44,688,000	3.0%
2039	10,388,995	0.0%	7,340,000	0.2%	71%	\$224.44	3.1%	\$1,647,381,000	\$46,127,000	3.0%
2040	10,790,495	3.9%	7,577,000	3.2%	70%	\$230.47	2.7%	\$1,746,277,000	\$48,896,000	7.2%
2041	11,191,995	3.7%	7,834,000	3.4%	70%	\$236.99	2.8%	\$1,856,567,000	\$51,984,000	7.0%

<sup>1</sup> Rounded to the nearest \$1,000.

Note: Numbers may not foot due to rounding.

In 2010, we project that lodging tax revenue will increase 5.7 percent over 2009 figures. This is attributed to the additional room nights accommodated. In 2011, 2012, and 2013 we project strong lodging tax growth due to both the increase in ADR and increase in the number of rooms nights accommodated. Thereafter we project lodging revenues to increase between roundly three and eight percent. Years with stronger growth reflect years when additional supply is projected to enter the market which will allow the market to accommodate previously unsatisfied demand.

On the following page we have combined our forecasts for Seattle and all of King County (excluding Seattle) lodging markets.

Projection of Lodging Tax Revenue – King County, WA  
Washington State Convention Center

All King County Hotels 2010-2041 Lodging Tax Projections <sup>1</sup>										
Calendar Year	Annual Supply	Change in Supply	Total Room Nights	Room Night Change	Market Occupancy	ADR	ADR Change	Total Room Revenue	Lodging Tax Revenue	Lodging Tax Change
2009	11,388,000	-	6,739,000	-	59%	\$116.51	-	\$785,158,000	\$41,944,000	0%
2010	11,614,300	2.0%	7,307,100	8.4%	63%	\$112.05	-3.8%	\$818,738,000	\$43,557,000	3.8%
2011	11,730,005	1.0%	7,666,000	4.9%	65%	\$117.71	5.1%	\$902,347,000	\$47,899,000	10.0%
2012	11,730,005	0.0%	7,941,000	3.6%	68%	\$124.36	5.6%	\$987,511,000	\$52,213,000	9.0%
2013	11,730,005	0.0%	8,121,900	2.3%	69%	\$131.66	5.9%	\$1,069,311,000	\$56,320,000	7.9%
2014	12,174,940	3.8%	8,429,300	3.8%	69%	\$137.28	4.3%	\$1,157,164,000	\$61,197,000	8.7%
2015	12,740,690	4.6%	8,739,600	3.7%	69%	\$141.84	3.3%	\$1,239,629,000	\$65,692,000	7.3%
2016	13,306,440	4.4%	8,983,600	2.8%	68%	\$146.18	3.1%	\$1,313,198,000	\$69,655,000	6.0%
2017	13,306,440	0.0%	9,177,500	2.2%	69%	\$150.31	2.8%	\$1,379,446,000	\$73,075,000	4.9%
2018	13,306,440	0.0%	9,333,400	1.7%	70%	\$154.38	2.7%	\$1,440,878,000	\$76,071,000	4.1%
2019	13,306,440	0.0%	9,455,400	1.3%	71%	\$158.47	2.7%	\$1,498,401,000	\$78,754,000	3.5%
2020	14,109,440	6.0%	9,810,600	3.8%	70%	\$163.72	3.3%	\$1,606,146,000	\$84,871,000	7.8%
2021	14,912,440	5.7%	10,101,500	3.0%	68%	\$168.62	3.0%	\$1,703,291,000	\$90,020,000	6.1%
2022	14,912,440	0.0%	10,379,800	2.8%	70%	\$173.64	3.0%	\$1,802,400,000	\$95,373,000	5.9%
2023	14,912,440	0.0%	10,595,800	2.1%	71%	\$178.76	2.9%	\$1,894,071,000	\$100,072,000	4.9%
2024	14,912,440	0.0%	10,734,800	1.3%	72%	\$183.52	2.7%	\$1,970,025,000	\$103,609,000	3.5%
2025	15,715,440	5.4%	11,181,600	4.2%	71%	\$189.63	3.3%	\$2,120,370,000	\$112,032,000	8.1%
2026	16,518,440	5.1%	11,482,700	2.7%	70%	\$195.30	3.0%	\$2,242,569,000	\$118,440,000	5.7%
2027	16,518,440	0.0%	11,730,800	2.2%	71%	\$200.88	2.9%	\$2,356,432,000	\$124,445,000	5.1%
2028	16,518,440	0.0%	11,868,100	1.2%	72%	\$207.04	3.1%	\$2,457,135,000	\$129,843,000	4.3%
2029	16,518,440	0.0%	11,890,100	0.2%	72%	\$213.27	3.0%	\$2,535,751,000	\$133,876,000	3.1%
2030	17,321,440	4.9%	12,396,900	4.3%	72%	\$219.69	3.0%	\$2,723,487,000	\$144,052,000	7.6%
2031	18,124,440	4.6%	12,793,100	3.2%	71%	\$225.83	2.8%	\$2,889,015,000	\$152,402,000	5.8%
2032	18,124,440	0.0%	12,953,500	1.3%	71%	\$233.39	3.3%	\$3,023,230,000	\$160,079,000	5.0%
2033	18,124,440	0.0%	13,023,700	0.5%	72%	\$240.48	3.0%	\$3,131,954,000	\$165,935,000	3.7%
2034	18,124,440	0.0%	13,052,500	0.2%	72%	\$247.73	3.0%	\$3,233,546,000	\$171,210,000	3.2%
2035	18,927,440	4.4%	13,589,800	4.1%	72%	\$255.35	3.1%	\$3,470,172,000	\$184,020,000	7.5%
2036	19,730,440	4.2%	14,045,800	3.4%	71%	\$262.76	2.9%	\$3,690,704,000	\$195,432,000	6.2%
2037	19,730,440	0.0%	14,158,700	0.8%	72%	\$271.11	3.2%	\$3,838,509,000	\$203,754,000	4.3%
2038	19,730,440	0.0%	14,201,900	0.3%	72%	\$279.28	3.0%	\$3,966,298,000	\$210,608,000	3.4%
2039	19,730,440	0.0%	14,212,900	0.1%	72%	\$287.68	3.0%	\$4,088,775,000	\$217,025,000	3.0%
2040	20,533,440	4.1%	14,740,100	3.7%	72%	\$296.45	3.0%	\$4,369,678,000	\$232,534,000	7.1%
2041	21,336,440	3.9%	15,224,700	3.3%	71%	\$305.49	3.1%	\$4,651,063,000	\$247,599,000	6.5%
<b>CAGR</b>	<b>2.0%</b>		<b>2.4%</b>		<b>70.2%</b>	<b>3.3%</b>		<b>5.8%</b>	<b>5.8%</b>	

<sup>1</sup> Rounded to the nearest \$1,000.

Note: Numbers may not foot due to rounding.



## VII. TOTAL KING COUNTY LODGING TAX REVENUE

In the table below, we have provided our projection of the total lodging tax revenue for the City of Seattle, King County (excluding Seattle) and King County in total.

Total King County Projected Lodging Tax Revenue <sup>1</sup>				
Calendar Year	Seattle	King County (Excluding Seattle)	Lodging Tax Revenue	Percent Change
2009	\$33,266,000	\$8,678,000	\$41,944,000	-
2010	\$34,387,000	\$9,170,000	\$43,557,000	3.8%
2011	\$37,722,000	\$10,177,000	\$47,899,000	10.0%
2012	\$40,938,000	\$11,275,000	\$52,213,000	9.0%
2013	\$43,965,000	\$12,355,000	\$56,320,000	7.9%
2014	\$47,993,000	\$13,204,000	\$61,197,000	8.7%
2015	\$51,638,000	\$14,054,000	\$65,692,000	7.3%
2016	\$54,808,000	\$14,847,000	\$69,655,000	6.0%
2017	\$57,418,000	\$15,657,000	\$73,075,000	4.9%
2018	\$59,544,000	\$16,527,000	\$76,071,000	4.1%
2019	\$61,330,000	\$17,424,000	\$78,754,000	3.5%
2020	\$66,498,000	\$18,373,000	\$84,871,000	7.8%
2021	\$70,547,000	\$19,473,000	\$90,020,000	6.1%
2022	\$74,844,000	\$20,529,000	\$95,373,000	5.9%
2023	\$78,396,000	\$21,676,000	\$100,072,000	4.9%
2024	\$80,747,000	\$22,862,000	\$103,609,000	3.5%
2025	\$87,769,000	\$24,263,000	\$112,032,000	8.1%
2026	\$92,747,000	\$25,693,000	\$118,440,000	5.7%
2027	\$97,441,000	\$27,004,000	\$124,445,000	5.1%
2028	\$101,740,000	\$28,103,000	\$129,843,000	4.3%
2029	\$104,792,000	\$29,084,000	\$133,876,000	3.1%
2030	\$112,990,000	\$31,062,000	\$144,052,000	7.6%
2031	\$119,182,000	\$33,220,000	\$152,402,000	5.8%
2032	\$125,714,000	\$34,365,000	\$160,079,000	5.0%
2033	\$130,399,000	\$35,536,000	\$165,935,000	3.7%
2034	\$134,450,000	\$36,760,000	\$171,210,000	3.2%
2035	\$144,759,000	\$39,261,000	\$184,020,000	7.5%
2036	\$153,488,000	\$41,944,000	\$195,432,000	6.2%
2037	\$160,459,000	\$43,295,000	\$203,754,000	4.3%
2038	\$165,920,000	\$44,688,000	\$210,608,000	3.4%
2039	\$170,898,000	\$46,127,000	\$217,025,000	3.0%
2040	\$183,638,000	\$48,896,000	\$232,534,000	7.1%
2041	\$195,615,000	\$51,984,000	\$247,599,000	6.5%
<b>CAGR</b>	<b>5.8%</b>	<b>5.8%</b>	<b>5.8%</b>	

<sup>1</sup> Rounded to the nearest \$1,000.

Note: Numbers may not foot due to rounding.

We have projected lodging tax revenues to increase at a CAGR of 5.8 percent, which is below historical level CAGR of approximately six percent recorded between 1990/91 and 2009/2010.

The following table includes our lodging projections for Seattle and the remaining King County area, the two percent sales tax rebate (additional lodging tax revenue), and the total lodging tax revenue available to the WSCC.

Projection of Lodging Tax Revenue – King County, WA  
Washington State Convention Center

Total King County Projected Lodging Tax Revenue and Additional Lodging Tax Revenue <sup>1</sup>					
Calendar Year	Seattle	King County (Excluding Seattle)	King County Lodging Tax Revenue	Additional Lodging Tax Revenue <sup>2</sup>	Total Lodging Tax Revenue
2009	\$33,266,000	\$8,678,000	<b>\$41,944,000</b>	\$9,505,000	<b>\$51,449,000</b>
2010	\$34,387,000	\$9,170,000	<b>\$43,557,000</b>	\$9,825,000	<b>\$53,382,000</b>
2011	\$37,722,000	\$10,177,000	<b>\$47,899,000</b>	\$10,778,000	<b>\$58,677,000</b>
2012	\$40,938,000	\$11,275,000	<b>\$52,213,000</b>	\$11,697,000	<b>\$63,910,000</b>
2013	\$43,965,000	\$12,355,000	<b>\$56,320,000</b>	\$12,561,000	<b>\$68,881,000</b>
2014	\$47,993,000	\$13,204,000	<b>\$61,197,000</b>	\$13,712,000	<b>\$74,909,000</b>
2015	\$51,638,000	\$14,054,000	<b>\$65,692,000</b>	\$14,754,000	<b>\$80,446,000</b>
2016	\$54,808,000	\$14,847,000	<b>\$69,655,000</b>	\$15,659,000	<b>\$85,314,000</b>
2017	\$57,418,000	\$15,657,000	<b>\$73,075,000</b>	\$16,405,000	<b>\$89,480,000</b>
2018	\$59,544,000	\$16,527,000	<b>\$76,071,000</b>	\$17,013,000	<b>\$93,084,000</b>
2019	\$61,330,000	\$17,424,000	<b>\$78,754,000</b>	\$17,523,000	<b>\$96,277,000</b>
2020	\$66,498,000	\$18,373,000	<b>\$84,871,000</b>	\$18,999,000	<b>\$103,870,000</b>
2021	\$70,547,000	\$19,473,000	<b>\$90,020,000</b>	\$20,156,000	<b>\$110,176,000</b>
2022	\$74,844,000	\$20,529,000	<b>\$95,373,000</b>	\$21,384,000	<b>\$116,757,000</b>
2023	\$78,396,000	\$21,676,000	<b>\$100,072,000</b>	\$22,399,000	<b>\$122,471,000</b>
2024	\$80,747,000	\$22,862,000	<b>\$103,609,000</b>	\$23,071,000	<b>\$126,680,000</b>
2025	\$87,769,000	\$24,263,000	<b>\$112,032,000</b>	\$25,077,000	<b>\$137,109,000</b>
2026	\$92,747,000	\$25,693,000	<b>\$118,440,000</b>	\$26,499,000	<b>\$144,939,000</b>
2027	\$97,441,000	\$27,004,000	<b>\$124,445,000</b>	\$27,840,000	<b>\$152,285,000</b>
2028	\$101,740,000	\$28,103,000	<b>\$129,843,000</b>	\$29,069,000	<b>\$158,912,000</b>
2029	\$104,792,000	\$29,084,000	<b>\$133,876,000</b>	\$14,970,500	<b>\$148,847,000</b>
2030	\$112,990,000	\$31,062,000	<b>\$144,052,000</b>	\$0	<b>\$144,052,000</b>
2031	\$119,182,000	\$33,220,000	<b>\$152,402,000</b>	\$0	<b>\$152,402,000</b>
2032	\$125,714,000	\$34,365,000	<b>\$160,079,000</b>	\$0	<b>\$160,079,000</b>
2033	\$130,399,000	\$35,536,000	<b>\$165,935,000</b>	\$0	<b>\$165,935,000</b>
2034	\$134,450,000	\$36,760,000	<b>\$171,210,000</b>	\$0	<b>\$171,210,000</b>
2035	\$144,759,000	\$39,261,000	<b>\$184,020,000</b>	\$0	<b>\$184,020,000</b>
2036	\$153,488,000	\$41,944,000	<b>\$195,432,000</b>	\$0	<b>\$195,432,000</b>
2037	\$160,459,000	\$43,295,000	<b>\$203,754,000</b>	\$0	<b>\$203,754,000</b>
2038	\$165,920,000	\$44,688,000	<b>\$210,608,000</b>	\$0	<b>\$210,608,000</b>
2039	\$170,898,000	\$46,127,000	<b>\$217,025,000</b>	\$0	<b>\$217,025,000</b>
2040	\$183,638,000	\$48,896,000	<b>\$232,534,000</b>	\$0	<b>\$232,534,000</b>
2041	\$195,615,000	\$51,984,000	<b>\$247,599,000</b>	\$0	<b>\$247,599,000</b>
<b>CAGR</b>	<b>5.8%</b>	<b>5.8%</b>	<b>5.8%</b>		<b>5.1%</b>

<sup>1</sup> Rounded to the nearest \$1,000.

<sup>2</sup> Two percent of sales taxes generated by hotels in Seattle are rebated back to the WSCC through June 2029

Note: Numbers may not foot due to rounding.

If you require any assistance in the interpretation of our findings, please do not hesitate to contact us. As always, it has been our pleasure working with you on this interesting project.

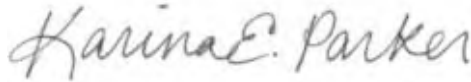
Yours sincerely,

**Colliers PKF Consulting USA**



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Christopher A. Kraus, MAI  
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chris.kraus@pkfc.com | 406.582.8189



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Karina E. Parker  
Senior Consultant  
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## **ADDENDA**

- A. CERTIFICATION OF THE CONSULTANTS**
- B. STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS**

**ADDENDUM A**  
**CERTIFICATION OF THE CONSULTANTS**

## CERTIFICATION OF THE CONSULTANTS

We, Christopher A. Kraus, MAI, and Karina E. Parker certify that to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- We have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- No one has provided significant professional assistance to the persons signing this report.
- We certify that, to the best of our knowledge and belief, the reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

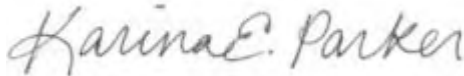
- As of the date of this report, Christopher A. Kraus, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- Christopher A. Kraus, MAI is a Certified General Real Estate Appraiser in the States of California and Washington.

Respectfully submitted,



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By: Christopher A. Kraus, MAI  
Senior Vice President  
chris.kraus@pkfc.com | 406-582-8189



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By: Karina E. Parker  
Senior Consultant  
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**ADDENDUM B**  
**STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS**

## STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

**Economic and Social Trends** - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

**Information Furnished by Others** - In preparing the report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

**Legal Matters** - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

**Right of Publication** - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the consultant, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose.

**Definitions and Assumptions** - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

**Dissemination of Material** - Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, new media or other public means of communication without the prior written consent and approval of the consultant(s).

**Distribution and Liability to Third Parties** - The party of whom this report was prepared may distribute copies of this report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

**Use in Offering Materials** - This report, including all cash flow forecasts, market surveys and related data, conclusions, exhibits and supporting documentation may not be reproduced or references made to the report or to PKF Consulting in any sale offering, prospectus, public or private placement memorandum, proxy statement or other document ("Offering Material") in connection with a merger, liquidation or other corporate transaction unless PKF Consulting has approved in writing the text of any such reference or reproduction prior to the distribution and filing thereof.

**Limits to Liability** - PKF Consulting cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual engagement.

**Legal Expenses** - Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.

## **APPENDIX F**

### **UNAUDITED FINANCIAL REPORTS OF THE CONVENTION CENTER FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2010**

Since its development began in 1982, the WSCC has been owned and operated by the nonprofit corporation, an instrumentality of the State. The Office of the State Treasurer acts on behalf of the nonprofit corporation in all activities involving management of cash and investments (other than private contributions the WSCC receives for promotional hosting, which are held by the WSCC in a separate account under the control of the Nonprofit Board). The WSCC funds and accounts are included in the State's Combined Annual Financial Report (the "CAFR"), Combining and Individual Fund Financial Statements for Non-Major Enterprise Funds, which is reported on an accrual basis. The State auditor audits the WSCC in conjunction with the other State agencies but does not render a separate opinion on the WSCC financial statements.

The WSCC staff also prepares annual reports of the nonprofit corporation that include separate, unaudited financial statements. Copies of unaudited financial reports for the nonprofit corporation's fiscal years ended June 30, 2009 and 2010 are included in this Official Statement as Appendix F. As described in Note 1 to each of the reports, the financial statements included in the reports are prepared by the WSCC's internal accounting system, which differs from the State-mandated payroll and accounting system. The financial statements also differ from the financial statements the District will be required to prepare as a municipal corporation.

**WASHINGTON STATE CONVENTION CENTER**  
**2009 UNAUDITED FINANCIAL STATEMENTS**

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**INCOME STATEMENT**

Fiscal Year Ended June 30, 2009

<b>BUDGET TO ACTUAL AS OF JUNE 30, 2009</b>	<b>BUDGET</b>	<b>2009</b>	<b>2008</b>
<b>TOTAL OPERATING INCOME</b>	\$ 17,152,673	\$ 17,766,864	\$ 16,601,694
<b>NON-OPERATING INCOME</b>			
Hotel / Motel Tax	47,034,082	46,763,890	50,304,645
Transient Rental Tax	10,337,114	10,488,752	11,158,690
Total Hotel Room Tax	57,371,196	57,252,642	61,463,335
Contribution of Capital	0	0	0
Total Non-Operating Income	57,371,196	57,252,642	61,463,335
Total Income	74,523,869	75,019,506	78,065,029
<b>OPERATING EXPENSES</b>			
Personnel Costs	11,667,234	10,909,654	10,514,986
Marketing (SCVB only)	7,573,268	6,704,159	6,935,238
Professional Services	97,000	199,478	28,845
Non-Capital Equipment	45,000	44,086	64,661
Goods and Services	6,569,297	5,316,259	6,749,100
Travel	7,000	6,328	26,371
Total Operating Expenses	25,958,799	23,179,964	24,319,201
<b>NON-OPERATING EXPENSES</b>			
Interest Expense	0	0	0
Depreciation Expense	8,200,000	8,226,864	8,320,690
Total Non-Operating Expenses	8,200,000	8,226,864	8,320,690
<b>BOND INTEREST EXPENSE</b>	16,200,000	16,138,562	12,810,418
<b>TOTAL EXPENSES</b>	<b>50,358,799</b>	<b>47,545,390</b>	<b>45,450,309</b>
<b>NET INCOME</b>	<b>\$ 24,165,070</b>	<b>\$ 27,474,116</b>	<b>\$ 32,614,720</b>

**COMPARATIVE BALANCE SHEET**

Fiscal Year Ended June 30, 2009

ASSETS AS OF JUNE 30, 2009		2009	2008
<b>CURRENT ASSETS</b>			
Petty Cash		\$ 46,100	\$ 46,100
Cash and Cash Equivalents		35,203,938	79,473,116
Total Cash and Cash Equivalents		35,250,038	79,519,216
Accounts Receivable		32,331,604	4,253,659
Other Current Assets		1,441,816	1,573,832
Total Current Assets		69,023,458	85,346,707
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Land		77,355,416	77,355,416
Furnishings and Equipment		22,878,310	18,154,424
Less Accumulated Depreciation		(6,338,213)	(5,807,688)
Net Furnishings and Equipment		16,540,097	12,346,736
Building		379,328,224	379,328,224
Less Accumulated Depreciation		(102,550,505)	(94,964,091)
Net Building		276,777,719	284,364,133
Construction in Progress		28,530,123	20,995,000
<b>TOTAL ASSETS</b>		<b>\$468,226,813</b>	<b>\$480,407,992</b>
<b>LIABILITIES AND RETAINED EARNINGS AS OF JUNE 30, 2009</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable		\$ 1,594,875	\$ 1,328,724
Interest Payable		256,786	318,503
Other Accrued Expenses		21,739,483	19,621,086
Operating Deposits Payable		2,493,887	5,063,597
Total Current Liabilities		26,085,031	26,331,910
<b>LONG-TERM LIABILITIES</b>			
General Obligation Bonds		10,400,000	12,789,867
Zero Coupon Bonds		27,382,687	29,259,390
Other Long-Term Liabilities		216,907,315	191,572,509
Deferred Refunding Gain		141,603	176,987
Total Long-Term Liabilities		254,831,605	233,798,753
Total Liabilities		280,916,636	260,130,663
<b>RETAINED EARNINGS</b>			
Retained Earnings, Prior		221,336,060	200,162,609
Retained Earnings, Contributions Tourism		(4,500,000)	(4,500,000)
Retained Earnings, Contributed Funds		(57,000,000)	(8,000,000)
Retained Earnings, Current		27,474,117	32,614,720
Total Retained Earnings		187,310,177	220,277,329
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>		<b>\$468,226,813</b>	<b>\$480,407,992</b>

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**SOURCES AND USES OF FUNDS**

Fiscal Year Ended June 30, 2009

	OPERATIONS	CAPITAL
<b>BEGINNING CASH BALANCE JULY 1, 2008</b>	\$ 16,905,813	\$ 62,567,303
Fund Revenue	2,382,441	49,457,101
<b>BALANCE SHEET ITEMS AFFECTING CASH AND NET INCOME</b>		
Other Assets	2,465,247	(30,411,174)
Land	0	0
Buildings	0	0
Improvements	0	(4,659,180)
Furnishings and Equipment	(64,708)	0
Construction In-Process	0	(7,535,122)
Accounts Payable	259,401	6,750
Other Short-Term Liabilities	24,477	2,093,920
Operating Deposits Payable	(2,569,710)	0
Long-Term Liabilities	(18,826)	3,722,158
Bonds Payable	0	(4,266,570)
Deferred Refunding	0	(35,385)
Expansion Financing	0	21,612,649
Funds Transferred to Other Agencies	(5,000,000)	(56,500,000)
Retained Earnings Prior Year	9,541	1,049,190
Bond Debt Interest	0	(16,291,377)
Total	(4,894,578)	(91,214,141)
<b>NET DECREASE IN CASH</b>	<b>(2,512,137)</b>	<b>(41,757,040)</b>
<b>CASH BALANCE AS OF JUNE 30, 2009</b>	<b>\$ 14,393,676</b>	<b>\$ 20,810,263</b>

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## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1:

#### DESCRIPTION OF BUSINESS AND ACCOUNTING POLICIES

These financial statements reflect a summary of transactions affecting the combined convention center capital fund and convention center operating fund for the capital development and operation of the Washington State Convention Center (Center).

Legislation enacted in 1982 authorized the formation of a public nonprofit corporation, an instrumentality of the state, to construct and operate a convention and trade center in the city of Seattle.

An excise tax is imposed on room rates charged by lodgings of 60 units or more in Seattle and King County. This tax is the primary source of payment for debt service and for marketing expenses. The current rates are 7 percent within Seattle and 2.8 percent for the balance of King County.

As of January 1, 2000, 2 percent of the existing state sales tax on such larger lodgings of 60 units or more inside the Seattle city limits is being collected on behalf of the Center to pay for debt service of the expansion project. This transient lodging tax will remain in effect until 2020, when the Center debt is eliminated.

The Office of the State Treasurer acts on behalf of the Center in all activities involving management of cash and investments, including debt service on outstanding bonds.

The Center received private contributions for promotional hosting. These amounts are deposited in the Center's hosting account, under control of the board of directors, and are not included in these statements.

The Center has been designated as an enterprise fund. Such state funds are used to account for operations financed and operated in a manner similar to private business. As an enterprise fund, the Center uses the accrual method of accounting, recognizes fixed assets and prepares a balance sheet and income statement. To accomplish this accounting task, the Center utilizes an internal accounting system from which these statements are produced. This is in addition to the state-mandated accounting and payroll systems. The state auditor does not render an opinion on the results of operations reflected in our independent financial statements. The auditor does, however, audit the Center in conjunction with all other state agencies and renders an opinion, under separate cover, based on the operation as reflected in the state accounting system.

Depreciation is recorded using the straight-line method, as prescribed by the state Office of Financial Management (OFM), employing the following standards for useful lives:

Asset	Useful Life
Building and Improvements	600 months
Air Conditioning Equipment	156 months
Vehicular Equipment	120 months
Furniture and Fixtures	120 months
Communications Equipment	84 months
Data Processing Equipment	72 months
Vehicles, All Other Equipment	60 months

Depreciation is based on the capitalized building amount of \$379 million for fiscal 2009.

#### CHANGES IN PROPERTY, PLANT AND EQUIPMENT FOR FISCAL 2009

	Fiscal 2008	Additions	Deletions	Fiscal 2009
Furnishings and Equipment	\$18,154,424	\$4,841,518	\$117,632	\$22,878,310



**NOTE 2: CASH AND INVESTMENTS**

The Office of the State Treasurer manages Center cash and investments. Interest earned on cash in Center funds remains under the jurisdiction of the state treasurer. Interest earnings, estimated to be over \$2.5 million in fiscal 2009, are neither credited to the Convention Center funds nor available to expend.

**NOTE 3: TENANT LEASING AGREEMENTS**

The Center leases building space to various retail tenants. A total of 18 retail leases provided revenue of \$618,207 in fiscal 2009. Original lease contract terms will expire within one to three fiscal years for many of the retail tenants. It is not known if options to extend terms will be exercised. Based on 16 current retail leases, future minimum rental payments required for four succeeding fiscal years are:

2010	621,315
2011	627,528
2012	633,803
2013	640,145
<b>TOTAL</b>	<b>\$2,522,791</b>

**NOTE 4: REFUNDED LONG-TERM DEBT**

To date, the following Center debt has been defeased through the issuance of the following advance refunding bonds:

Proprietary Bond Type	Bond Issue Refunded	Amount Refunded	Refunding Bond Debt	Refunded Debt Outstanding
G.O.	AT-6	\$ 910,000	\$ 950,000	\$ 915,000
G.O.	R-89C-AT-1	70,770,000	78,375,000	0
Zero-Coupon	AT-5	15,346,428	25,026,467	25,026,467
G.O.	R-90A, AT-3	4,910,000	4,935,000	0
G.O.	R-92A	19,565,000	19,030,000	10,720,000
G.O.	AT-6	1,075,000	1,080,000	0
G.O.	R-92C	6,255,000	6,195,000	0
G.O.	AT-8	1,795,000	1,850,000	1,335,000
<b>TOTAL</b>		<b>\$120,626,428</b>	<b>\$137,441,467</b>	<b>\$37,996,467</b>

**NOTE 5: LONG-TERM DEBT AUTHORIZATION**

The Center's long-term debt outstanding at June 30, 2009 consisted of the following:

Long-Term Debt Issue	Interest Rates (Percent)	Maturity Dates	Original Principal Balances	Balance Outstanding as of FYE 2008
AT-8	4.8-7.0	7/96-7/15	\$2,835,000	\$ 0
AT-6	3.75-6.375	9/93-9/11	5,520,000	795,000
AT-5	6.55-7.1	8/97-8/12	21,343,610	3,257,790
R-98A (AT-6 Refunding)	4.25-5.0	1/98-7/12	970,000	915,000
R-93A (R-89C and AT-1 Refunding)	3.5-5.75	9/93-9/07	78,375,000	0
R-97A (AT-5 Refunding)	5.825-5.875	7/15-7/19	25,026,467	25,026,467
R-2000A (R-90A and AT-3 Refunding)	4.625-5.5	1/00-1/08	4,935,000	0
R-2001A (R-92A)	4.5-9.0	9/01-9/12	19,030,000	10,720,000
R-2002A (AT-6 Refunding)	3.0-5.0	9/02-9/05	1,080,000	0
R-2002A (R-92C Refunding)	3.0-5.0	9/02-9/06	6,195,000	0
R-2004A (AT-8 Refunding)	2.0-5.0	1/04-7/15	1,850,000	1,335,000
<b>TOTAL</b>				<b>\$42,049,257</b>

Certificates of Participation	4.125-5.625	7/02-6/23	\$248,675,385	\$ 195,328,717
Accreted Interest, O-Coupon Bonds	n/a	n/a	n/a	38,050,949
<b>TOTAL</b>				<b>\$ 233,379,666</b>

Long-term debt service requirements, payable by the Center, for the next five fiscal years and to maturity are as follows:

	Principal	Interest	Total
2010	\$ 20,738,921	\$ 12,697,500	\$ 33,436,421
2011	21,615,782	11,807,443	33,423,225
2012	22,500,512	10,857,001	33,357,513
2013	23,416,291	9,873,679	33,289,970
2014	27,965,000	6,177,509	34,142,509
Thereafter	121,141,468	77,577,228	198,718,696
<b>TOTAL</b>	<b>\$237,377,974</b>	<b>\$128,990,360</b>	<b>\$366,368,334</b>

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**NOTE 6: LEASE COMMITMENTS**

In February 1997, the Center entered into a 30-year lease agreement with the city of Seattle for the 665-stall Freeway Park garage. Under this agreement, the Center paid debt service on the \$1.3 million of city bonds outstanding at the time, with the final debt service payment made in June 2002. In accordance with the lease agreement, funds for a capital reserve account not to exceed \$500,000 with annual maximum payments of \$20,000 was set up, with the Center is responsible for all repairs and maintenance. The capital reserve account payment for fiscal 2009 was \$20,000. Future expected capital reserve account payments required for four succeeding fiscal years are:

2010	\$20,000
2011	20,000
2012	20,000
2013	20,000
<b>TOTAL</b>	<b>\$80,000</b>

**NOTE 7: RISK MANAGEMENT**

As a state agency, the Center is self-insured through a state risk management pool. This pool's actuarial base is independently calculated from the state's experience rates and permanent assets. The state, as required by GASB10, defines its actuarial methods and calculations in the state CAFR for all agencies and does not provide this information by agency. The Center has first dollar coverage up to a maximum of \$5 million for general liability and \$2 million for vehicle liability. The Center also purchases insurance policies outside the risk management pool to provide coverage for art collections, an umbrella policy for liability coverage above \$5 million, and liability coverage for the board of directors.

**NOTE 8: EMPLOYEE PENSION PLANS**

In December 1985, the board of directors adopted an Employee Pension Plan. This plan is offered to employees not covered under the Washington State Department of Retirement Systems Plan or the Convention Center Labor Council Agreement. Effective participation began with the August 10, 1986 payroll and has two elements:

1. A Convention Center basic contribution of 5 percent based on compensation; and
2. A 401(k) plan, permitting employees to defer up to 12 percent of their salary, with a 50 percent match by the Center of up to 6 percent of salary.

3. The Center's board of directors authorized a 457 deferred plan in 2008. This 457 plan does not require the Center to provide a basic contribution for its employees. The plan is open to all non-Convention Center Labor Council employees.

The Center's contributions to the plan amounted to approximately \$203,834 for fiscal 2009. Plan assets at June 30, 2009 totaled \$4.31 million.

Pension plans within the Convention Center Labor Council Agreement vary with each member union. Contributions are made in accordance with negotiated labor contracts and generally are based on the number of actual or compensated hours worked, depending on job classification. The Center's contributions to the various plans for the benefit of represented staff amounted to approximately \$621,004 for fiscal 2009.

**NOTE 9: COMMITMENTS**

In fiscal 2003, the state legislature transferred \$5 million for the state's general fund in each of fiscal years 2004 and 2005, which was paid out of the Center's capital fund (O1V). In addition, the 2005 state legislature transferred \$5.15 million to the state's general fund for fiscal years 2006 and 2007, which was paid out of Center's capital fund (O1V).

In 2007, the state Legislature passed bill 1276 to create the Washington Tourism Commission. To fund this commission, \$4.5 million annually will be transferred from the Center's capital fund O1V. However, before funds can be transferred, adequate cash reserves must be met; including funds for existing debt service, debt service for acquisition, design and \$6,150,000 per year for annual maintenance and facility enhancement. This amount will increase by 9 percent annually. In each of fiscal years 2008 and 2009, \$4.5 million was transferred to the Washington Tourism Commission.

In fiscal 2008, it was mandated by legislation that \$8 million be transferred to the Washington Housing Trust account from the Center's capital fund (O1V). This transfer occurred in April 2008. In addition, this legislation transferred \$52 million from the Center's capital fund (O1V) and \$5 million from the Center's operating fund (537) to the state's general fund in June 2009.

In fiscal 2007, the state Legislature authorized the purchase of the Museum of History and Industry (MOHAI) property and renovation for \$58 million, plus financing costs, to be financed with COPs. The MOHAI property is located within the existing footprint of the Center on 8th Avenue and Pike Street. This acquisition, to be known as The Conference Center, will add a total of 138,610 square feet, including 71,000 square feet of meeting and exhibition space. The completion date for the renovation of The Conference Center is June 2010.

**WASHINGTON STATE CONVENTION CENTER**  
**2010 UNAUDITED FINANCIAL STATEMENTS**

## Income Statement

		Budget	2010	2009
<b>Budget to Actual</b>	<b>Total Operating Income</b>	\$ 15,621,895	\$ 15,116,907	\$ 17,766,864
As of June 30, 2010				
	<b>Non-Operating Income</b>			
	Hotel / Motel Tax	51,373,283	41,447,755	46,763,890
	Transient Rental Tax	9,595,820	9,362,154	10,488,752
	<b>Total Hotel Room Tax</b>	60,969,103	50,809,909	57,252,642
	Contribution of Capital	0	0	0
	<b>Total Non-Operating Income</b>	60,969,103	50,809,909	57,252,642
	<b>Total Income</b>	76,590,998	65,926,816	75,019,506
	<b>Operating Expenses</b>			
	Personnel Costs	11,507,193	10,738,775	10,909,654
	Marketing (SCVB only)	6,642,574	5,944,176	6,704,159
	Professional Services	175,000	173,980	199,478
	Non-Capital Equipment	15,000	14,766	44,086
	Goods and Services	5,793,051	4,998,053	5,316,259
	Travel	13,000	12,290	6,328
	<b>Total Operating Expenses</b>	24,145,818	21,882,040	23,179,964
	<b>Non-Operating Expenses</b>			
	Depreciation Expense	8,204,000	8,203,765	8,226,864
	<b>Total Non-Operating Expenses</b>	8,204,000	8,203,765	8,226,864
	<b>Bond Interest Expense</b>	16,350,000	16,339,900	16,138,562
	<b>Total Expenses</b>	48,699,818	46,425,705	47,545,390
	<b>Net Income (Loss)</b>	\$ 27,891,180	\$ 19,501,111	\$ 27,474,116

## Comparative Balance Sheet

		2010	2009
<b>Assets</b> As of June 30, 2010	<b>Current Assets</b>		
	Petty Cash	\$ 46,100	\$ 46,100
	Cash & Cash Equivalents	<u>27,945,616</u>	<u>35,203,938</u>
	Total Cash and Cash Equivalents	27,991,716	35,250,038
	Accounts Receivable	21,879,535	32,331,604
	Other Current Assets	<u>1,334,790</u>	<u>1,441,816</u>
	Total Current Assets	<u>51,206,041</u>	<u>69,023,458</u>
	<b>Property, Plant and Equipment</b>		
	Land	77,355,416	77,355,416
	Furnishings and Equipment	24,135,435	22,878,310
	Less Accumulated Depreciation	<u>(6,845,639)</u>	<u>(6,338,213)</u>
	Net Furnishings and Equipment	17,289,796	16,540,097
	Building	379,328,224	379,328,224
	Less Accumulated Depreciation	<u>(110,136,920)</u>	<u>(102,550,505)</u>
	Net Building	<u>269,191,304</u>	<u>276,777,719</u>
	Construction in Progress	50,033,885	28,530,123
	<b>Total Assets</b>	<b>\$ <u>465,076,442</u></b>	<b>\$ <u>468,226,813</u></b>
<b>Liabilities and Retained Earnings</b> As of June 30, 2010	<b>Current Liabilities</b>		
	Accounts Payable	\$ 1,307,113	\$ 1,594,875
	Interest Payable	191,852	256,786
	Other Accrued Expenses	22,624,361	21,739,483
	Operating Deposits Payable	<u>1,752,020</u>	<u>2,493,887</u>
	Total Current Liabilities	25,875,346	26,085,031
	<b>Long Term Liabilities</b>		
	General Obligation Bonds	7,075,000	10,400,000
	Zero Coupon Bonds	26,541,898	27,382,687
	Other Long Term Liabilities	203,166,692	216,907,315
	Deferred Refunding Gain (Loss)	<u>106,218</u>	<u>141,603</u>
	Total Long Term Liabilities	<u>236,889,808</u>	<u>254,831,605</u>
	Total Liabilities	262,765,154	280,916,636
	<b>Retained Earnings</b>		
	Retained Earnings, Prior	248,810,177	221,336,060
	Retained Earnings, Contributions Tourism	-9,000,000	-4,500,000
	Retained Earnings Contributed Funds	-57,000,000	-57,000,000
	Retained Earnings, Current	<u>19,501,111</u>	<u>27,474,117</u>
	Total Retained Earnings	<u>202,311,288</u>	<u>187,310,177</u>
	<b>Total Liabilities and Retained Earnings</b>	<b>\$ <u>465,076,442</u></b>	<b>\$ <u>468,226,813</u></b>

## Sources and Uses of Funds

As of June 30, 2010

	Operations	Capital
<b>Beginning Cash Balance July 1, 2009</b>	\$ 14,393,675	\$ 20,810,263
Fund Revenue	144,209	43,900,568
<b>Balance Sheet Items Affecting Cash and Net Income</b>		
Other Assets	171,860	10,387,235
Land	0	0
Buildings	0	0
Improvements	0	(1,251,395)
Furnishings and Equipment	(5,730)	0
Construction In-Process	0	(21,503,762)
Accounts Payable	(168,304)	(121,026)
Other Short-Term Liabilities	8,017	878,428
Operating Deposits Payable	(741,866)	0
Long-Term Liabilities	2,035	3,709,371
Bonds Payable	0	(4,165,788)
Deferred Refunding Gain (Loss)	0	(35,384)
Expansion Financing	0	(17,449,995)
Funds Transferred to other Agencies	0	(4,500,000)
Retained Earnings Cash Transfer between Funds	1,000,000	(1,000,000)
Retained Earnings Prior Year	0	0
Bond Debt Interest	0	(16,516,794)
<b>Total</b>	<b>266,012</b>	<b>(51,569,110)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>410,221</b>	<b>(7,668,542)</b>
<b>Cash Balance as of June 30, 2010</b>	<b>\$ 14,803,896</b>	<b>\$ 13,141,721</b>

## Notes to Financial Statements

### Note 1: Description of Business and Accounting Policies

These financial statements reflect a summary of transactions affecting the combined Convention Center capital fund and Convention Center operating fund for the capital development and operation of the Washington State Convention Center (the Center).

Legislation enacted in 1982 authorized the formation of a public nonprofit corporation, an instrumentality of the state, to construct and operate a convention and trade center in the city of Seattle.

An excise tax is imposed on room rates charged by lodgings of 60 units or more in Seattle and King County. This tax is the primary source of payment for debt service, and for marketing expenses. The current rates are 7 percent within Seattle and 2.8 percent for the balance of King County.

As of January 1, 2000, 2 percent of the existing state sales tax credit on lodging units inside the Seattle city limits is being collected on behalf of the Center to pay for debt service of the expansion project. This transient lodging tax will remain in effect until 2029.

The Office of the State Treasurer acts on behalf of the Center in all activities involving management of cash and investments, including debt service on outstanding bonds.

The Center received private contributions for promotional hosting. These amounts are deposited in a Convention Center hosting account, under control of the board of directors, and are not included in these statements.

The Center has been designated as an enterprise fund. Such state funds are used to account for operations financed and operated in a manner similar to private business. As an enterprise fund, the Center uses the accrual method of accounting, recognizes fixed assets, and prepares a balance sheet and income statement. To accomplish this accounting task, the Center utilizes an internal accounting system from which these statements are produced. This is in addition to the state-mandated accounting and payroll systems. The state auditor does not render an opinion on the results of operations reflected in our independent financial statements. The Auditor does, however, audit the Center in conjunction with all other state agencies and renders an opinion, under separate cover, based on the operation as reflected in the state accounting system.

Depreciation is recorded using the straight-line method, as prescribed by the state Office of Financial Management (OFM), employing the following standards for useful lives:

Asset	Useful Life
Building and Improvements	600 months
Air Conditioning Equipment	156 months
Vehicular Equipment	120 months
Furniture and Fixtures	120 months
Communications Equipment	84 months
Data Processing Equipment	72 months
Vehicles, All Other Equipment	60 months

Depreciation is based on the capitalized building amount of \$379 million for fiscal 2010.

### Changes in Property, Plant and Equipment for Fiscal 2010

	Fiscal 2009	Additions	Deletions	Fiscal 2010
Furnishings and Equipment	\$22,878,310	\$1,305,338	\$48,213	\$24,135,435

#### Note 2: Cash and Investments

The Office of the State Treasurer manages the Centers cash and investments. Interest earned on cash in the Center funds remains under the jurisdiction of the state treasurer. Interest earnings estimated to be over \$130,842 in fiscal 2010 are neither credited to the Center funds nor available to expend.

#### Note 3: Tenant Leasing Agreements

The Center leases building space to various retail tenants. A total of 16 retail leases provided revenue of \$678,151 in fiscal 2010. Original lease contract terms will expire within one to three fiscal years for many of the retail tenants. It is not known if options to extend terms will be exercised. Based on 16 current retail leases, future minimum rental payments required for four succeeding fiscal years are:

2011	617,185
2012	623,360
2013	630,595
2014	636,900
TOTAL	\$2,508,040

#### Note 4: Refunded Long-Term Debt

To date, the following debt for the Center has been defeased through the issuance of the following advance refunding bonds:

Proprietary Bond Type	Bond Issue Refunded	Amount Refunded	Refunding Bond Debt	Refunded Debt Outstanding
G.O.	AT-6	\$910,000	\$950,000	\$915,000
G.O.	R-89C-AT-1	70,770,000	78,375,000	0
Zero-Coupon	AT-5	15,346,428	25,026,467	25,026,467
G.O.	R-90A, AT-3	4,910,000	4,935,000	0
G.O.	R-92A	19,565,000	19,030,000	7,905,000
G.O.	AT-6	1,075,000	1,080,000	0
G.O.	R-92C	6,255,000	6,195,000	0
G.O.	AT-8	1,795,000	1,850,000	1,170,000
TOTAL		\$120,626,428	\$137,441,467	\$35,016,467

#### Note 5: Long-Term Debt Authorization

The Center long-term debt outstanding at June 30, 2010 consisted of the following:



Long-Term Debt Issue	Interest Rates (Percent)	Maturity Dates	Original Principal Balances	Balance Outstanding as of FYE 2010
AT-8	4.8 -7.0	7/96-7/15	\$2,835,000	0
AT-6	3.75-6.375	9/93-9/11	5,520,000	410,000
AT-5	6.55-7.1	8/97-8/12	21,343,610	2,356,220
R-98A (AT-6 Refunding)	4.25-5.0	1/98-7/12	970,000	915,000
R-93A (R-89C and AT-1 Refunding)	3.5-5.75	9/93-9/07	78,375,000	0
R-97A (AT-5 Refunding)	5.825-5.875	7/15-7/19	25,026,467	25,026,467
R-2000A (R-90A and AT-3 Refunding)	4.625-5.5	1/00-1/08	4,935,000	0
R-2001A (R-92A)	4.5-9.0	9/01-9/12	19,030,000	7,905,000
R-2002A (AT-6 Refunding)	3.0-5.0	9/02-9/05	1,080,000	0
R-2002A (R-92C Refunding)	3.0-5.0	9/02-9/06	6,195,000	0
R-2004A (AT-8 Refunding)	2.0-5.0	¼-7/15	1,850,000	1,170,000
TOTAL				\$37,782,687
Certificates of Participation	4.125-5.625	7/02-6/23	\$248,675,385	\$178,856,366
Accreted Interest, 0-Coupon Bonds	n/a	n/a	n/a	41,760,320
TOTAL				\$220,616,686

Long-term debt service requirements, payable by the Center, for the next five fiscal years and to maturity are as follows:

	Principal	Interest	Total
2011	21,615,782	11,807,443	33,423,225
2012	22,500,512	10,857,001	33,357,513
2013	23,416,291	9,873,679	33,289,970
2014	27,965,000	6,177,509	34,142,509
2015	29,435,000	6,067,303	35,502,303
Thereafter	91,706,468	71,509,926	163,216,394
TOTAL	\$216,639,053	\$116,292,861	\$332,931,914

#### Note 6: Lease Commitments

In February 1997, the Center entered into a 30-year lease agreement with the city of Seattle for the 665-stall Freeway Park garage. Under this agreement, the Center paid debt service on the \$1.3 million of city bonds outstanding at the time, and the final debt service payment was made in June 2002. In accordance with the lease agreement funds for a capital reserve account not to exceed \$500,000 with annual maximum payments of \$20,000 was set up, and the Center is responsible for all repairs and maintenance. The capital reserve account payment for fiscal 2010 was \$20,000. Future expected capital reserve account payments required for four succeeding fiscal years are:

2011	20,000
2012	20,000
2013	20,000
2014	20,000
TOTAL	\$80,000

#### Note 7: Risk Management

As a state agency, the Center is self-insured through a state risk management pool. This pool's actuarial base is independently calculated from the state's experience rates and permanent assets. The state, as required by GASB10, defines its actuarial methods and calculations in the state CAFR for all agencies and does not provide this information by agency. The Center has first dollar coverage up to a maximum of \$5 million for general liability and \$2 million for vehicle liability. The Center also purchases insurance policies outside the risk management pool to provide coverage for art collections, an umbrella policy for liability coverage above \$5 million, and liability coverage for the board of directors.

#### Note 8: Employee Pension Plans

In December 1985, the board of directors adopted an Employee Pension Plan. This plan is offered to employees not covered under the Washington State Department of Retirement Systems Plan or the Center Labor Council Agreement. Effective participation began with the August 10, 1986 payroll and has two elements:

1. A the Center basic contribution of 5 percent based on compensation; and
2. A 401(k) plan, permitting employees to defer up to 12 percent of their salary, with a 50 percent match by the Center of up to 6 percent of salary.
3. The Center Board of Directors authorized a 457 deferred plan in 2008. This 457 plan does not require the Center to provide a basic contribution for its employees. The plan is open to all non-Convention Center Labor Council employees.

The Center's contributions to the plan amounted to approximately \$209,490 for fiscal 2010. Plan assets at June 30, 2010 total \$4.972 million.

Pension plans within the Convention Center Labor Council Agreement vary with each member union. Contributions are made in accordance with negotiated labor contracts and generally are based on the number of actual or compensated hours worked, depending on job classification. The Center's contributions to the various plans for the benefit of represented staff amounted to approximately \$598,325 for fiscal 2010.

## Note 9: Commitments

In fiscal 2003, the state legislature transferred \$5 million to the state's general fund in each of fiscal years 2004 and 2005, which was paid out of the Center capital fund (O1V). In addition, the 2005 state legislature transferred \$5.15 million to the state's general fund for fiscal years 2006 and 2007, which was paid out of the Center capital fund (O1V).

In 2007 the state legislature passed bill 1276 to create the Washington Tourism Commission. To fund this commission, \$4,500,000 annually will be transferred from the Center's capital fund (O1V).

However, before funds can be transferred adequate cash reserves must be met: including funds for existing debt service, debt service for acquisition, design, and \$6,150,000 per year for annual maintenance and facility enhancement, this amount will increase by 9% annually. In fiscal; 2008 through 2010 \$4,500,000 was transferred to the Washington Tourism Commission.

In fiscal 2008 it was mandated by legislation that \$8 million be transferred to the Washington Housing Trust Account from the Center capital fund (O1V). This transfer occurred in April, 2008. In addition, this legislation transferred \$52 million from the Center capital fund (O1V) and \$5 million from the Center operating fund (537) to the state general fund in June 2009.

In fiscal 2007, the state legislature authorized the purchase of the Museum of History and Industry (MOHAI) property and renovation for \$58 million, plus financing costs, to be funded using COPs. The MOHAI property is located within the existing footprint of the Convention Center on 8<sup>th</sup> Avenue and Pike Street. This acquisition will add 138,610 square feet of total building space which includes 71,000 square feet of meeting and exhibition space. The retrofit completion date is November 2010.

On April 9, 2010 Senate Bill (SB) 6889 was signed into law. SB 6889 enables the Center to transition from an instrumentality of Washington State to a Public Facility District (PFD) that is a municipal corporation with independent taxing authority within its district. To initiate the transition and transfer of assets and liabilities from the agency to the district three actions must take place before June 30, 2011; King County must adopt a resolution creating the district, defeasance of the Center's State debt outstanding by the district and the execution of an agreement settling all claims in the case of Tourism Alliance and other hotel owners. Also included in SB 6889 independent of the transition to a PFD, the 2% sales tax credit on hotel/motels inside the city of Seattle will be collected and distributed monthly to the Center, but remitted in its entirety to the general fund at the end of June each year, unless the funds are needed for debt service. In such a case the funds used for debt service will become a loan to the State with interest payments. Except for the State of Washington fiscal year 2011 the 2% sales tax credit on hotel/motel funds distributed monthly and held by the Center will be charged interest by the State as described by SB 6889. King County Ordinance 16883 to create the Washington State Convention Center PFD was signed July 20, 2010. The defeasance of State debt and settlement of the Tourism Alliance suit is on schedule to conclude by November 30, 2010.

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# Washington State Convention Center

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