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**INTERLOCAL FINANCING AGREEMENT**

**between**

**CITY OF BELLINGHAM, WASHINGTON**

**and**

**BELLINGHAM-WHATCOM PUBLIC FACILITIES DISTRICT**

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## INTERLOCAL FINANCING AGREEMENT

THIS INTERLOCAL FINANCING AGREEMENT (this “Agreement”) dated April 20, 2016, entered into by and between the CITY OF BELLINGHAM, a municipal corporation of the State of Washington (the “City”), and the BELLINGHAM-WHATCOM PUBLIC FACILITIES DISTRICT, a municipal corporation of the State of Washington (the “PFD”);

### WITNESSETH:

WHEREAS, the City is authorized by chapter 67.28 RCW to acquire and operate “tourism-related facilities;” and

WHEREAS, the PFD is authorized by chapter 35.57 RCW to acquire, construct, own, remodel, maintain, equip, reequip, repair, finance, and operate one or more “regional centers” as defined in RCW 35.57.020, including related parking facilities, serving a regional population (the “Regional Center”); and

WHEREAS, the PFD Charter provides that the PFD will consider, analyze, and identify regional center projects that may be designed, constructed, or remodeled by the PFD in compliance with RCW 35.57.020; and

WHEREAS, the City and the PFD previously entered into an Interlocal Operating Agreement (2003-0183) dated May 27, 2003, as amended (the “2003 Interlocal Agreement”), in connection with the development and operation of the Regional Center, and have entered into other agreements for various purposes; and

WHEREAS, the City previously issued its Limited Tax General Obligation Refunding Bonds, 2012 and allocated a portion of the proceeds of such bonds to refund and defease City limited tax general obligation bonds issued to finance various facilities located in Bellingham, including certain PFD facilities constituting the Regional Center (the “City 2012 Bonds”); and

WHEREAS, under the 2003 Interlocal Agreement, the PFD agreed to, upon collection, pay or cause to be paid all funds collected by or on behalf of the PFD from revenues of a sales and use tax imposed by the PFD pursuant to Resolution No. 2002-2 adopted by the Board of Directors of the PFD (the “PFD Board”) on July 30, 2002, as amended, and authorized by RCW 82.14.390, and other funds pledged therefor (the “PFD Revenues”), to the City for deposit in a special revenue fund to be used primarily to pay debt service on bonds issued by the City issued to fund the design, development and construction of the Regional Center, including but not limited to the City 2012 Bonds; and

WHEREAS, the PFD and the City constructed the Lightcatcher Museum as part of the Whatcom Museum (the “Museum”) and performed certain renovations to the Mount Baker Theatre (the “Theatre,” and collectively with the Museum, the “Project”) as part of the Regional Center; and

WHEREAS, the City determined that the Project was best carried out by the PFD and will benefit the City; and

WHEREAS, construction of the Project was financed, in part, with proceeds of the PFD's Limited Sales Tax Obligation Bonds, 2007 (the "PFD 2007 Bonds") issued on December 20, 2007, pursuant to Resolution No. 2007-04 adopted by the PFD Board on December 10, 2007; and

WHEREAS, the principal of and interest on the PFD 2007 Bonds are payable from PFD Revenues, and amounts received by the PFD from the City under the terms of the Contingent Loan and Bridge Loan Agreement dated October 24, 2007, between the City and the PFD (the "Contingent Loan Agreement"); and

WHEREAS, pursuant to an ordinance adopted by the City Council on March 21, 2016 (the "City 2016 Bond Ordinance"), the City has determined to issue its Limited Tax General Obligation Refunding Bonds, 2016 Series A and 2016 Series B (Taxable) (together, the "City 2016 Bonds") and to loan the proceeds thereof to the PFD for the purpose of defeasing and refunding all of the outstanding PFD 2007 Bonds for debt service savings and paying costs of issuance for the City 2016 Bonds; and

WHEREAS, debt service on the City 2016 Bonds will be payable from PFD Revenues pursuant to the terms of this Agreement and other City funds as described in the City 2016 Bond Ordinance; and

WHEREAS, the City and the PFD now desire to enter into this Agreement to memorialize the obligation of the PFD to pay PFD Revenues to the City for the purpose of paying debt service on the City 2012 Bonds, the City 2016 Bonds, and other loans and advances from the City to the PFD, and the pledge of PFD Revenues for such purpose; and

WHEREAS, for purposes of RCW 35.57.020(4) and RCW 82.14.390(4), the PFD's obligation to pay the amounts due under this Agreement will be evidenced by a bond issued by the PFD in favor of the City;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained; the parties agree as follows.

Section 1. Definitions. Unless the context clearly requires otherwise, capitalized terms used in this Agreement have the meanings given such terms in the recitals hereof and in the City 2016 Bond Ordinance. The following terms shall have the following meanings:

"City" means the City of Bellingham, Washington.

"City 2012 Bond Ordinance" means Ordinance No. 2012-02-007 adopted by the City Council on February 27, 2012 authorizing the issuance of the City 2012 Bonds.

"City 2012 Bonds" means the portion of the City's Limited Tax General Obligation Refunding Bonds, 2012 issued for the purpose of refunding and defeasing City limited tax

general obligation bonds issued in 2004 to finance PFD facilities constituting the Regional Center, and any bonds to refund and/or defease such City 2012 Bonds.

“City 2016 Bond Ordinance” means Ordinance No. 2016-03-009 adopted by the City Council on March 21, 2016 authorizing the issuance of the City 2016 Bonds.

“City 2016 Bonds” means the City’s Limited Tax General Obligation Refunding Bonds, 2016 Series A and Limited Tax General Obligation Refunding Bonds, 2016 Series B (Taxable), issued for the purpose of defeasing and redeeming the PFD 2007 Bonds, and any bonds to refund and/or defease such City 2016 Bonds.

“Contingent Loan Agreement” means the Contingent Loan and Bridge Loan Agreement dated as of October 24, 2007, between the City and the PFD.

“Interlocal Agreements” mean the 2002 Interlocal Agreement and the 2003 Interlocal Agreement.

“Museum” means the Lightcatcher Museum constructed as part of the Whatcom Museum which comprises a portion of the Regional Center.

“PFD” means the Bellingham-Whatcom Public Facilities District, Washington established under chapter 35.57 RCW.

“PFD Bond” means the bond issued by the PFD solely to evidence its payment obligations to the City under the terms of this Agreement for purposes of RCW 35.57.020(4) and RCW 82.14.390(4).

“PFD Revenues” mean Sales Tax Revenues, any admission and parking taxes imposed by the PFD, and any other sources remitted to the City under the terms of this Agreement and the Interlocal Agreements.

“PFD 2007 Bond Resolution” means Resolution No. 2007-4 adopted by the PFD Board on December 10, 2007.

“PFD 2007 Bonds” means the Limited Sales Tax Obligation Bonds, 2007, issued by the PFD to provide financing for the Project, and any bonds to refund and/or defease such PFD 2007 Bonds.

“Project” means, collectively, the construction of the Museum and the rehabilitation of the Theatre.

“Regional Center” means the “regional centers,” as defined in RCW 35.57.020, owned and operated by the PFD, including but not limited to the Museum, the Theatre, and related parking facilities.

“Sales Tax Revenues” mean revenue from the sales and use tax imposed by the PFD pursuant to RCW 82.14.390 in the amount of 0.033 percent of the selling price in the case of the

sales tax or the value of the article used in the case of the use tax and remitted to the City under the terms of this Agreement and the Interlocal Agreements.

“State” means the State of Washington.

“Theatre” means the Mount Baker Theatre which comprises a portion of the Regional Center.

“2002 Interlocal Agreement” means the Interlocal Agreement (2002-0335) between the City and Whatcom County dated July 22, 2002, as amended and restated pursuant to the Interlocal Agreement by and among the Cities of Bellingham, Blaine, Everson, Ferndale, Lynden, Nooksack, and Sumas, and Whatcom County dated October 22, 2007, as it may be further amended from time to time.

“2003 Interlocal Agreement” means the Interlocal Operating Agreement (2003-0183) between the City and the PFD, dated May 27, 2003, as it may be amended from time to time.

“2013 Loan” means the loan made by the City to the PFD pursuant to Ordinance No. 2013-12-096 adopted by the City Council on December 20, 2013 in the original principal amount of \$1,800,000, for the purpose of paying costs associated with the construction of the Regional Center.

Section 2. Joint Development of the Regional Center. The City and the PFD have developed, and will operate the Regional Center in accordance with this Agreement and the Interlocal Agreements, as both a “tourism related facility” within the meaning of RCW 67.28.080(7) and a “regional center” within the meaning of RCW 35.57.020. The Regional Center is intended to serve the City, the PFD and their respective residents, as well as serving a broader population in the Whatcom County region and the State.

Section 3. Operations. In the 2003 Interlocal Agreement, the City agreed to, directly or through third parties, manage and operate the Regional Center and make all decisions relative to the management and operation of the Regional Center. The Regional Center will be operated and maintained by the City for the duration of the PFD, and upon dissolution of the PFD, its facilities will become property of the City. The City, on behalf of the PFD and itself, will: (a) be the agency with the primary responsibility for the operation of the Regional Center as both a “tourism-related facility” within the meaning of RCW 67.28.080(7) and a “regional center” within the meaning of RCW 35.57.020; (b) refinance, operate and maintain the Regional Center; and (c) otherwise administer the operation of the Regional Center for the benefit of itself and the Regional Center and in cooperation with the PFD.

Section 4. Repayment of City Bonds, Loans and Advances.

(a) *City 2012 Bonds.* The City issued its City 2012 Bonds on March 29, 2012 and used a portion of the proceeds to refund City bonds issued in 2004 to finance costs related to the Regional Center. Pursuant to the Interlocal Agreements and the Contingent Loan Agreement, the PFD agreed to, upon collection, pay or cause to be paid all PFD Revenues collected by or on behalf of the PFD to the City for deposit in the Public Facilities District fund (the “Public

Facilities District Fund”) to be used to pay debt service on bonds issued by the City to fund the design, development and construction of the Regional Center, including but not limited to the City 2012 Bonds. The PFD has agreed to remit PFD Revenues to the City to pay the principal of and interest on the City 2012 Bonds in amounts which, in the aggregate, shall be sufficient to pay in full all of the principal of and interest on the City 2012 Bonds and any redemption premium as the same shall come due at maturity or earlier redemption, in accordance with the terms of the City 2012 Bond Ordinance. The PFD’s commitment to remit PFD Revenues to the City for such purpose is hereby confirmed, consistent with Section 6 below.

(b) *City 2016 Bonds.* The City hereby agrees to lend the PFD the principal amount of \$10,821,488.95, derived solely from the proceeds of the City 2016 Bonds, and the PFD hereby borrows said amount from the City pursuant to this Agreement for the purpose of defeasing and refunding the PFD 2007 Bonds, and paying costs of issuance of the City 2016 Bonds. The PFD hereby agrees to apply such amount to implement the Refunding Plan described in Section 1 of Resolution No. 2016-1 of the PFD, adopted on March 16, 2016. Pursuant to the Interlocal Agreements and this Agreement, the PFD agrees to remit PFD Revenues to the City to pay the principal of and interest on the City 2016 Bonds in amounts which, in the aggregate, shall be sufficient to pay in full all of the principal of and interest on the City 2016 Bonds and any redemption premium as the same shall come due at maturity or earlier redemption, in accordance with the terms of the City 2016 Bond Ordinance, consistent with Section 6 below.

(c) *2013 Loan.* Pursuant to Ordinance No. 2013-12-096 adopted by the City Council on December 20, 2013, the City made the 2013 Loan to the PFD for the purpose of paying costs associated with the construction of the Regional Center. Pursuant to the Interlocal Agreements and the Contingent Loan Agreement, the PFD agreed to remit PFD Revenues to the City to pay the principal of and interest on the 2013 Loan as the same shall become due and payable. The PFD’s obligation to remit PFD Revenues to the City for such purpose is hereby confirmed, consistent with Section 6 below.

(d) *City Advances.* If the PFD Revenues collected by or on behalf of the PFD and allocated consistent with Section 6 below are at any time insufficient to provide for the payment of principal of, interest on and any redemption premium with respect to the City 2012 Bonds or the City 2016 Bonds, the City shall provide for that deficiency from other available City funds (a “City Advance”), and the amount of the deficiency shall be deemed a loan by the City to the PFD. The PFD shall repay any City Advance from available PFD Revenues, consistent with Section 6 below. The outstanding principal amount of any such loan shall bear interest at a rate set by the City’s Finance Director on the date a loan is made, based on the then-current yield of the City’s pooled investments plus an interest rate spread as determined by the City. The rate of interest shall be revised and/or revisited each year during the budget process.

Section 5. PFD Payments; Issuance of PFD Bond. The PFD agrees to pay, or cause to be paid, PFD Revenues to the City in the amount sufficient to pay debt service on (a) the City 2012 Bonds, (b) the City 2016 Bonds, (c) the 2013 Loan, and (d) any City Advance to the PFD under this Agreement, as the same shall come due at maturity or earlier redemption, consistent with Section 6 below. The debt service obligations of the City 2012 Bonds and the City 2016 Bonds are recognized and agreed to be the obligations of the PFD.

The obligation of the PFD to make the payments to the City from the sources identified herein and to perform and observe the other obligations on its part contained herein shall be absolute and unconditional and, for purposes of RCW 35.57.020(4) and RCW 82.14.390(4), shall be evidenced by a bond (the "PFD Bond"), and shall not be subject to diminution by setoff, counterclaim, abatement or otherwise.

The PFD Bond shall be nontransferable. The PFD Bond shall be executed and delivered by the PFD to the City simultaneously with the execution of this Agreement. The PFD Bond shall be payable in the amounts and on the dates as described in the payment schedules attached to the PFD Bond, which may be modified, added to, or replaced from time to time to reflect any payment obligation of the PFD to the City under this Agreement.

The PFD shall inform the City immediately if the PFD fails to make any such deposit in full, and the PFD shall also inform the City at any time that the PFD determines that there is a reasonable possibility that the PFD may not be able to timely and fully provide for a debt service payment on such obligations when due.

Section 6. Priority of Payment from PFD Revenues ("Flow of Funds"). Consistent with Section 4.1 of the 2003 Interlocal Agreement, the PFD shall pay all Sales Tax Revenues imposed under RCW 82.14.390, any admission and parking taxes imposed by the PFD, interest earnings thereon, and from any other sources, to the City for deposit in the Public Facilities District Fund. Amounts raised from private donors by the Campaign for the Arts or from other restricted sources shall be deposited into a separate fund and held separately from funds on deposit into the Public Facilities District Fund. PFD Revenues deposited into the Public Facilities District Fund shall be allocated and applied by the City in the priority set forth below, and the following "flow of funds" for those revenues shall supplement and supersede the provisions of Section 4.2(b) of the 2003 Interlocal Agreement and Section 3 of the Contingent Loan Agreement to the extent of any inconsistency:

(a) Payment of principal of, interest on and any redemption premium with respect to any PFD bonds or other obligations that are payable from the sales and use tax authorized by RCW 82.14.390; provided, prior to the issuance of such obligations the PFD shall have received written consent from the City pursuant to Section 21 of this Agreement;

(b) Payment of principal of, interest on and any redemption premium with respect to the City 2012 Bonds and the City 2016 Bonds;

(c) Payment of administrative expenses of the PFD as authorized pursuant to the PFD's Charter and the 2003 Interlocal Agreement;

(d) Repayment of principal of and interest on City Advances to the PFD under Section 4(e) of this Agreement;

(e) Repayment of principal of and interest on the 2013 Loan;

(f) Deposits to the Contingency Reserve Fund pursuant to Section 10 of this Agreement, if and to the extent required by the City;

(g) Operation of the Museum, consistent with Paragraph 4 of the Memorandum of Understanding by and among the City, the PFD and Museum dated April 2, 2007; and

(h) Payment of other expenses of maintenance, operation, repair and improvement of the Regional Center, to contract for services and to supplement the costs of Museum and Theatre programs, to provide for costs of and reserves for long term capital repairs of and replacements to the Regional Center, and for other PFD purposes, in no particular order of preference and all as agreed upon in writing by the City and the PFD.

Section 7. Pledge of PFD Revenues. The full faith and credit of the PFD is hereby pledged for payment of the PFD's obligations under this Agreement, specifically including the PFD's obligation to pay PFD Revenues to the City in the amount sufficient to pay debt service on (a) the City 2012 Bonds, (b) the City 2016 Bonds, (c) the 2013 Loan, and (d) any City Advance to the PFD under this Agreement. PFD Revenues are hereby pledged to the City and for the equal and ratable benefit of the owners from time to time of the City 2012 Bonds and the City 2016 Bonds, for payment of the principal of and premium, if any, and interest on the City 2012 Bonds and the City 2016 Bonds, and to the City for payment of principal of and interest on the 2013 Loan and any City Advance to the PFD under the Agreement, subject to the priorities set forth in Section 6 hereof.

The PFD's obligation to impose the sales tax under RCW 82.14.390 and to distribute PFD Revenues to the City under this Agreement and the PFD Bond shall be absolute and unconditional, and shall not be subject to diminution by setoff, counterclaim, abatement or otherwise. The PFD's obligations under this Agreement shall continue in effect and shall survive until the full repayment, defeasance, or early redemption of (a) the City 2012 Bonds, (b) the City 2016 Bonds, (c) the 2013 Loan, and (d) any City Advance, together with any costs owed to the City hereunder.

Section 8. Remittance of PFD Revenues. The PFD shall remit, or enter into an agreement with the State Department of Revenue to directly remit, all PFD Revenues to the City when received for deposit into the Public Facilities District Fund to be used in the order of priority as set forth in Section 6.

Section 9. PFD Acknowledgments. The PFD acknowledges and agrees that its pledge of PFD Revenues pursuant to the terms of this Agreement to the City for the payment of the City 2016 Bonds will be material to the offer and sale of the City 2016 Bonds, and will be disclosed to potential purchasers and purchasers of the City 2016 Bonds. The City and the PFD consider this Agreement to be a binding contract and acknowledge that City 2016 Bond owners and financial institutions providing credit support for the City 2016 Bonds, if any, will rely on the terms of this Agreement, including the commitment by the PFD to remit PFD Revenues to the City as set forth in Section 6.

Section 10. PFD Contingency Reserve Fund. Pursuant to the Contingent Loan Agreement, the PFD created the Contingency Reserve Fund ("CRF"). As of the date of this

Agreement, \$900,000 was on deposit in the CRF. The CRF shall be held in a fund or account separate and apart from all other PFD funds. The CRF may not be drawn upon by the PFD without the prior written consent of the City. The CRF may be used solely for emergency repairs and replacements to the Regional Center; for debt service on the City 2012 Bonds, the City 2016 Bonds, the 2013 Loan, any City Advance and any other loan from the City to the PFD; for other unforeseen contingencies and for other PFD purposes, all as may be approved by the City through the annual budget process or as otherwise approved by the City Council. The CRF shall be funded in the amounts, if any, as agreed to by the City and the PFD in accordance with Section 6 of this Agreement but only if and to the extent that funds are available for such purpose. Notwithstanding the foregoing, once the funds on deposit in the CRF have been spent, the City and the PFD may agree to close the CRF.

Section 11. Imposition of Sales Tax. The PFD hereby irrevocably covenants, for as long as (a) any of the City 2012 Bonds are outstanding, (b) any of the City 2016 Bonds are outstanding, or (c) any amounts remain due and owing to the City hereunder and under the PFD Bond, including the 2013 Loan or any City Advance, that each year it will continue to impose the sales tax at the rate of at least 0.033 percent of the selling price (in the case of a sales tax) or value of the article used (in the case of a use tax) and apply PFD Revenues as provided in this Agreement; *provided however*, this covenant shall not extend beyond the maximum period of time the sales tax may be imposed under RCW 82.14.390; *provided further*, this covenant shall automatically be extended to reflect any amendments to such statute to extend the maximum period of time such tax may be imposed.

Section 12. Reporting Requirements. The PFD shall provide the City (at the notice address set forth below) with a quarterly report summarizing actual financial activity and financial expectations for the following four quarters.

Section 13. Dissolution. The PFD hereby covenants, for so long as any of the City 2012 Bonds or the City 2016 Bonds are outstanding, or any amounts remain due and owing to the City hereunder, including the 2013 Loan or any City Advance, that it will not voluntarily commence proceedings under Washington law to dissolve the PFD.

Section 14. Remedies of City on Default. Upon the occurrence of a default by the PFD in its obligations hereunder, the City may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, as the City may deem most effectual to protect and enforce any of its rights or interests hereunder.

Section 15. Remedies of PFD on Default. Upon the occurrence of a default by the City in its obligations hereunder, the PFD may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, as the PFD may deem most effectual to protect and enforce any of its rights or interests hereunder.

Section 16. No Remedy Exclusive. No remedy conferred upon or reserved to either party by this Agreement is intended to be exclusive of any other available remedy or remedies,

but each and every such remedy shall be cumulative. Either party shall be free to pursue, at the same time, each and every remedy, at law or in equity, which it may have under this Agreement, or otherwise.

Section 17. No Implied Waiver. No delay or omission 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 thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. For the exercise of any remedy, it shall not be necessary to give any notice, other than such notice as may be expressly required herein.

Section 18. Agreement to Pay Attorneys' Fees and Expenses. If a default arises under any of the provisions of this Agreement and either party hereto should employ attorneys or incur other expenses for the collection of amounts due under this Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the other party contained in this Agreement, on demand therefor, the nonprevailing party shall pay or reimburse the prevailing party for the reasonable fees of such attorneys and such other expenses so incurred.

Section 19. Annual Financial Information To Be Provided. To meet the conditions of paragraph (b)(5) of United States Securities and Exchange Commission Rule 15c2-12 (the "Rule"), as applicable to a participating underwriter for the City 2016 Bonds, the PFD shall undertake for the benefit of holders of the City 2016 Bonds to provide, or cause to be provided, annual financial information as provided in a continuing disclosure certificate ("Continuing Disclosure Certificate") executed by the PFD in connection with the issuance of the City 2016 Bonds.

Section 20. Agreement To Assist PFD's Undertaking. The City agrees to submit copies of the PFD's annual financial information, as and when required of the PFD under the Continuing Disclosure Certificate. The PFD hereby authorizes and directs the City to make such filings on its behalf.

Section 21. Restriction on Issuance of PFD Bonds. So long as the City is not in default of its obligations under this Agreement, the PFD shall not (a) issue any bonds or other obligations payable from the sales and use tax authorized by RCW 82.14.390, without the City's prior written approval; or (b) borrow money or incur any obligations in excess of \$100,000 total principal amount outstanding at any time, without the City's prior written approval.

Section 22. Interlocal Cooperation Act Provisions. The parties acknowledge that: (i) they have entered into this Agreement pursuant to the express authority granted to them by chapter 35.57 RCW and RCW 67.28.130; (ii) pursuant to RCW 39.34.100, the powers and authority conferred by the Interlocal Cooperation Act (chapter 39.34 RCW) are supplemental to powers or authority conferred by RCW 67.28.130 and chapter 35.57 RCW; and (iii) nothing contained in the Interlocal Cooperation Act limits the power or authority of either party to contract pursuant to RCW 67.28.130 and chapter 35.57 RCW. To avail themselves of the supplemental powers and authority granted by the Interlocal Cooperation Act, the parties agree that:

(a) No separate legal or administrative entity within the meaning of RCW 39.34.030(3)(b) or “joint board” within the meaning of RCW 39.34.030(4)(a) is created by this Agreement;

(b) The Mayor is appointed as the “administrator” within the meaning of RCW 39.34.030(4)(a) responsible for administering the City’s rights and duties set forth in this Agreement, and the PFD’s Board President is appointed as the “administrator” within the meaning of RCW 39.34.030(4)(a) responsible for administering the PFD’s rights and duties set forth in this Agreement;

(c) The City and the PFD will file or post this Agreement as required by RCW 39.34.040.

Nothing set forth in this Agreement is intended to limit the rights and duties of the parties relating to the Regional Center that are established through other contracts between the parties.

Section 23. Governing Law: Venue. This Agreement is governed by and shall be construed in accordance with the substantive laws of the State of Washington and shall be liberally construed so as to carry out the purposes hereof. Except as otherwise required by applicable law, any action under this Agreement shall be brought in the Superior Court of the State of Washington in and for Whatcom County.

Section 24. Notices. Except as otherwise provided herein, all notices, consents or other communications required hereunder shall be in writing and shall be sufficiently given if addressed and hand delivered or mailed by first-class mail, as follows:

To the City

City of Bellingham  
210 Lottie Street  
Bellingham, WA 98225  
Attention: Mayor

With a copy to:

Finance Director  
City of Bellingham  
210 Lottie Street  
Bellingham, WA 98225

To the PFD

Bellingham-Whatcom PFD  
210 Lottie Street  
Bellingham, Washington 98225  
Attention: President, Board of Directors

The City or the PFD may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent. Notices shall be deemed served upon deposit of such notices in the United States mail in the manner provided above.

Section 25. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the City and the PFD and their successors. This Agreement may not be assigned.

Section 26. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 27. Amendments. This Agreement may be amended in writing by the City and the PFD (or their successors in title).

Section 28. Third Party Rights. The terms of this Agreement are not intended to establish nor to create any rights in any persons or entities other than the City, the PFD and the respective successors and assigns of each.

Section 29. Time of Essence. Time and all terms and conditions shall be of the essence in this Agreement.

Section 30. Effective Date of and Termination of Agreement. This Agreement shall become effective on the date of issuance of the City 2016 Bonds. This Agreement shall terminate upon payment in full of all principal of and interest on the City 2012 Bonds and the City 2016 Bonds, and any amounts due and owing to the City hereunder, including the 2013 Loan and any City Advance.

Section 31. Disclaimers with Respect to Loans and the PFD. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LEND MONEY, EXTEND CREDIT, OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

Section 32. Termination of Contingent Loan Agreement. Pursuant to Section 8.1 of the Contingent Loan Agreement, the Contingent Loan Agreement shall terminate upon the repayment or defeasance of all of the PFD 2007 Bonds and the repayment of any obligations owed by the PFD to the City under the Contingent Loan Agreement, or to a credit enhancement provider.

Section 33. Effect on Existing Agreements. This Agreement supplements the Interlocal Agreements and the Contingent Loan Agreement, and except as provided in Sections 4, 6, 10 and 32, does not modify the parties' respective obligations under the earlier agreements or under any other agreements between the City and the PFD. Except as provided in Sections 4, 6, 10 and 32, all such existing agreements shall remain in full force and effect.

IN WITNESS WHEREOF, the City and the PFD have caused this Agreement to be executed in their respective names by their duly authorized officers, and have caused this Agreement to be dated as of the date set forth on the first page hereof.

CITY OF BELLINGHAM, WASHINGTON

BELLINGHAM-WHATCOM PUBLIC FACILITIES DISTRICT

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

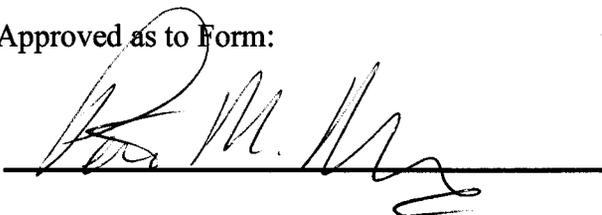
ATTEST:

  
\_\_\_\_\_  
Finance Director

\_\_\_\_\_  
Treasurer

Approved as to Form:

Approved as to Form:

  
\_\_\_\_\_

  
\_\_\_\_\_

Effective Date of Agreement: 4.20.16

IN WITNESS WHEREOF, the City and the PFD have caused this Agreement to be executed in their respective names by their duly authorized officers, and have caused this Agreement to be dated as of the date set forth on the first page hereof.

CITY OF BELLINGHAM, WASHINGTON

BELLINGHAM-WHATCOM PUBLIC  
FACILITIES DISTRICT

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
President, Board of Directors

ATTEST:

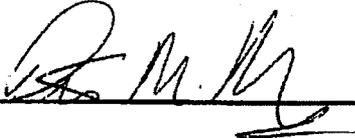
ATTEST:

\_\_\_\_\_  
Finance Director

  
\_\_\_\_\_  
Treasurer

Approved as to Form:

Approved as to Form:

  
\_\_\_\_\_

\_\_\_\_\_

Effective Date of Agreement: \_\_\_\_\_

