

PORT OF PORT TOWNSEND, JEFFERSON COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2010A
AND
LIMITED TAX GENERAL OBLIGATION BONDS, 2010B
(TAXABLE BUILD AMERICA BONDS - DIRECT PAYMENT TO ISSUER)

RESOLUTION NO. 539-10

A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF PORT TOWNSEND, JEFFERSON COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF TWO SERIES OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE PORT IN THE PRINCIPAL AMOUNT OF \$5,515,000 PURPOSE OF PROVIDING FUNDS FOR IMPROVEMENTS TO PORT FACILITIES WITHIN ITS COMPREHENSIVE PLAN; PROVIDING THE DATE, FORM, TERMS AND MATURITIES OF SAID BONDS; PROVIDING FOR THE ANNUAL LEVY OF TAXES TO PAY THE PRINCIPAL OF AND INTEREST ON SAID BONDS; AND APPROVING THE SALE OF SUCH BONDS.

ADOPTED: MAY 26, 2010

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PORT OF PORT TOWNSEND, JEFFERSON COUNTY, WASHINGTON
RESOLUTION NO. 539-10
TABLE OF CONTENTS*

	Page
Section 1. Definitions.....	2
Section 2. Projects.....	6
Section 3. Authorization of Bonds and Bond Details.....	6
Section 4. Registration, Exchange and Payments.....	8
Section 5. Redemption Prior to Maturity and Purchase of Bonds.....	13
Section 6. Form of Bonds.....	18
Section 7. Execution of Bonds.....	21
Section 8. Bond Fund and Provision for Tax Levy Payments.....	22
Section 9. Application of Bond Proceeds.....	23
Section 10. Defeasance.....	23
Section 11. Sale of Bonds.....	23
Section 12. Tax Covenants.....	24
Section 13. Undertaking to Provide Ongoing Disclosure.....	26
Section 14. Lost, Stolen or Destroyed Bonds.....	30
Section 15. Severability.....	30
Section 16. Effective Date.....	30

* This Table of Contents and the cover page are provided for convenience only and are not a part of this resolution.

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WHEREAS, the Port of Port Townsend, Jefferson County, Washington (the "Port"), a municipal corporation of the State of Washington, owns and operates industrial properties; and

WHEREAS, the facilities of the Port of Port Townsend (the "Port") require certain additions and improvements as herein described (the "Project"); and

WHEREAS, the Port is authorized by RCW 53.36.030 to issue its general obligation bonds to pay the costs of said improvements; and

WHEREAS, it is in the best interest of the Port to issue two series of limited tax general obligation bonds in the aggregate principal amount of not to exceed \$5,515,000 (the "Bonds"); and

WHEREAS, such bonds will be issued herein as the "2010A Bonds" and "2010B Bonds;" and

WHEREAS, the Port has received an offer from Seattle-Northwest Securities Corporation to purchase limited tax general obligation bonds of the Port on the terms set forth herein;

NOW, THEREFORE, BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF PORT TOWNSEND, JEFFERSON COUNTY, WASHINGTON, as follows:

Section 1. Definitions. As used in this resolution, the following words shall have the following meanings, unless a different meaning clearly appears from the context.

Bond Register means the registration books maintained by the Registrar setting forth the names and addresses of owners of the Bonds in compliance with Section 149 of the Code.

Bond Year means each one-year period that ends on the date selected by the Port. The first and last Bond Years may be short periods. If no day is selected by the Port before the earlier of the final maturity date of the Bonds or the date that is five years after the date of issuance of the Bonds, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bonds.

Bonds means, collectively, the 2010A Bonds and the 2010B Bonds.

Bond Fund means a special fund of the Port known as the "Port of Port Townsend LTGO Bond Fund – 2010" (the "Bond Fund") maintained in the office of the Treasurer pursuant to Section 8 of the 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.

Code means the federal Internal Revenue Code of 1986, as amended from time to time, and the applicable regulations thereunder.

Commission means the Port Commission, as general legislative authority of the Port as the same shall be duly and regularly constituted from time to time.

Designated Port Representative means the Designated Port Representative of the Port (or the successor in function to such person(s)) or such other person as may be directed by resolution of the Commission.

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 Section 4 hereof.

Government Obligations mean those obligations now or hereafter defined as such in chapter 39.53 RCW.

Letter of Representations means the Blanket Issuer Letter of Representations from the Port to DTC.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions. Until otherwise designated by the MSRB or the Commission, 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.

Net Proceeds, when used with reference to the Bonds, mean the principal amount of the Bonds, plus accrued interest and original issue premium, if any, and less original issue discount.

Port means the Port of Port Townsend, Washington, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of Washington.

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

Private Person Use means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or

incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial expenses.

Projects mean the replacement of the A and B docks and all associated utilities, to replace the 70-ton Travelift haul-out pier and increase its capacity to 85 tons, both within the Port's Boat Haven Marina and the undertaking of other capital projects of the Port.

Project Fund means the special fund of the Port designated as the Port of Port Townsend, Project Fund authorized by Section 9 of this resolution.

Registrar means, initially, the fiscal agency of the State of Washington, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds. The term **Registrar** shall include any successor to the fiscal agency, if any, hereinafter appointed by the Treasurer.

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

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

SEC means the Securities and Exchange Commission.

Treasurer means the Treasurer of Jefferson County, as ex officio treasurer of the Port, or any successor to the functions of such Treasurer.

2010A Bonds means the \$3,170,000 of Port of Port Townsend, Jefferson County, Washington, Limited Tax General Obligation Bonds, 2010A (Tax-Exempt), issued pursuant to this resolution.

2010B Bonds means the \$2,345,000 of Port of Port Townsend, Jefferson County, Washington, Limited Tax General Obligation Bonds 2010B (Taxable Build America Bonds – Direct Payment to Issuer), issued pursuant to this resolution as Build America Bonds.

Underwriter means Seattle-Northwest Securities Corporation, Seattle, Washington.

Rules of Interpretation. In this resolution, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this resolution, refer to this resolution 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 this resolution;

(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 this resolution, 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 this resolution, 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 hereof.

Section 2. Projects. The Port intends to replace the A and B docks and all associated utilities, to replace the 70-ton Travelift haul-out pier and increase its capacity to 85 tons, both within the Port's Boat Haven Marina and to undertake other capital improvements, all within and as a part of the Port's comprehensive plan (the "Projects").

Section 3. Authorization of Bonds and Bond Details.

(a) *2010A Bonds.* For the purpose of paying a portion of the costs of the Project and paying a proportionate share of the costs of issuance, the Port shall now issue and sell its limited tax general obligation bonds in the aggregate principal amount of \$3,170,000 (the "2010A Bonds").

The 2010A Bonds shall be designated as the Port of Port Townsend, Jefferson County, Washington, Limited Tax General Obligation Bonds, 2010A (Tax-Exempt); shall be dated as of their date of initial delivery; shall be fully registered as to both principal and interest; shall be in denominations of \$5,000, or any integral multiple thereof, provided that no 2010A Bond shall represent more than one maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; and shall bear interest from their date payable on the first days of each December and June, commencing on December 1, 2010, at the following per annum interest rates on December 1 of the following years in the following principal amounts:

<u>Maturity Dates (December 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2015	\$ 205,000	4.000%
2016	230,000	4.000
2017	260,000	4.000
2018	235,000	4.000
2019	265,000	4.000
2020	295,000	4.000
2021	310,000	4.500
2022	320,000	4.500
2024	685,000	4.500
2025	365,000	4.500

(b) *2010B Bonds* For the purpose of paying a portion of the costs of the Project and paying a proportionate share of the costs of issuance, the Port shall now issue and sell its limited tax general obligation bonds in the aggregate principal amount of \$2,345,000 (the “2010B Bonds”).

The 2010B Bonds shall be designated as the Port of Port Townsend, Jefferson County, Washington, Limited Tax General Obligation Bonds, 2010B (Taxable Build America Bonds – Direct Payment to Issuer); shall be dated as of their date of initial delivery; shall be fully registered as to both principal and interest; shall be in denominations of \$5,000, or any integral multiple thereof, provided that no 2010B Bond shall represent more than one maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; and shall bear interest from their date payable on the first days of each December and June, commencing on December 1, 2010, at the following per annum interest rates on December 1 of the following years in the following principal amounts:

<u>Maturity Dates (December 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2010	\$ 115,000	0.850%
2011	130,000	1.010
2012	145,000	1.550
2013	150,000	2.200
2014	175,000	2.850
2029	1,630,000	6.125

Section 4. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The Port hereby requests that the Treasurer specify and adopt the system of registration approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agencies. The Port shall cause a bond register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its principal corporate trust office. The Bond Registrar may be removed at any time at the option of the Treasurer upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Treasurer. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the Port, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this resolution and to carry out all of the Bond Registrar's powers and duties under this resolution. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) *Registered Ownership.* The Port and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in Section 13 of this resolution), and neither the Port nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be

made only as described in Section 4(h) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 4(h) shall be valid and shall satisfy and discharge the liability of the Port upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the Port has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the Port nor the Bond Registrar 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 resolution (except such notices as shall be required to be given by the Port to the Bond Registrar 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 Port on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until it 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 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 Designated Port Representative 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 Designated Port Representative to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Designated Port Representative 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 Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Designated Port Representative, issue a single new Bond for each maturity 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 Designated Port Representative.

(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 Designated Port Representative 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 no longer be held in fully-immobilized form. The Designated Port Representative shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Designated Port Representative to the Bond Registrar, 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 it is surrendered to the Bond Registrar 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 Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, 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 cancelled Bond. Any Bond may be surrendered to

the Bond Registrar 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. The Bond Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding any interest payment or principal payment date any such Bond is to be redeemed.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar, 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.* The Port covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* Both principal of 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 year of 360 days and twelve 30-day months. For so long as all Bonds are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC 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 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 Bond Registrar at least 15 days prior to the applicable

payment date), such payment shall be made by the Bond Registrar 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 Bond Registrar.

Section 5. Redemption Prior to Maturity and Purchase of Bonds.

(a) *Optional and Extraordinary Optional Redemption.* The 2010A Bonds maturing on December 1, 2015 through 2019 are not subject to redemption. The 2010A Bonds maturing on and after December 1, 2020, are subject to optional redemption at the option of the Port on and after December 1, 2020, in whole or in part on any date on or after June 1, 2020 (and, if in part, with maturities to be selected by the Port), at a price of par plus accrued interest to the date of redemption.

The 2010A Bonds are not subject to extraordinary optional redemption.

The 2010B Bonds maturing on December 1, 2010 through December 1, 2014, inclusive, are not subject to redemption prior to their stated maturities. The 2010B Bonds maturing on after December 1, 2029 are subject to optional redemption, as a whole or in part, on any date on or after June 1, 2020 at a price of par.

The 2010B Bonds shall be subject to extraordinary optional redemption as provided in the bond purchase agreement for the Bonds.

(b) *Mandatory Redemption.* The 2010A Bonds maturing on December 1, 2024 shall be redeemed prior to maturity (or paid at maturity), not later than December 1 in the years as shown below (to the extent such Bonds have not been previously redeemed or purchased) and in the principal amounts set forth below, without premium, together with the interest accrued to the date fixed for redemption.

<u>Redemption Years</u>	<u>Amounts</u>
2023	\$ 335,000
2024*	350,000

* Final Maturity

The 2010B Bonds maturing on December 1, 2029 shall be redeemed prior to maturity (or paid at maturity), not later than December 1 in the years as shown below (to the extent such Bonds have not been previously redeemed or purchased) and in the principal amounts set forth below, without premium, together with the interest accrued to the date fixed for redemption:

<u>Redemption Years</u>	<u>Amounts</u>
2026	\$ 385,000
2027	400,000
2028	415,000
2029*	430,000

* Final Maturity.

To the extent the Port redeems (other than in satisfaction of the mandatory sinking fund requirements) or purchases for cancellation any Bonds that are subject to mandatory redemption, the Port may reduce the mandatory sinking fund requirements of such Bonds of the same maturity, in like aggregate principal amount for the year specified by the Designated Port Representative.

(c) *Purchase of Bonds.* The Port reserves the right to purchase any of the Bonds offered to it at any time at a price deemed reasonable by the Designated Port Representative.

To the extent the Port redeems (other than in satisfaction of the mandatory sinking fund requirements) or purchases for cancellation any Bonds that are Term Bonds, the Port may reduce the mandatory sinking fund requirements of such Bonds of the same maturity, in like aggregate principal amount for the year specified by the Designated Port Representative.

(d) *Selection of Bonds for Redemption* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a series and maturity to be

redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (d). If the Port redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the Port and the Bond Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like series, maturity and interest rate in any of the denominations herein authorized.

(e) *Notice of Redemption.*

(1) Official Notice. For so long as the Bonds are held in uncertificated form, notice of redemption (which notice may be conditional) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the Port nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the Bonds are no longer held in uncertificated form), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the Port by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,
- (C) if fewer than all outstanding Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (D) that (unless the notice of redemption is a conditional notice, in which case the notice shall state that interest shall cease to accrue from the redemption date if and to the extent that funds have been provided to the Bond Registrar for the redemption of Bonds) on the redemption date the redemption price will become due and payable upon each

such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar.

On or prior to any redemption date, the Port shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

(2) Effect of Notice; Bonds Due. If an unconditional notice of redemption has been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the Port as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity

date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 25 days before the redemption date to each party entitled to receive notice pursuant to Section 13, and to the Underwriter and with such additional information as the Port shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) CUSIP Number. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(5) Amendment of Notice Provisions. The foregoing notice provisions of this Section 5, 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 in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6. Form of Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON
PORT OF PORT TOWNSEND

LIMITED TAX GENERAL OBLIGATION BOND, 2010[A][B]
[(TAXABLE BUILD AMERICA BONDS – DIRECT PAYMENT TO ISSUER)]

INTEREST RATE: % MATURITY DATE: CUSIP NO.: _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

THE PORT OF PORT TOWNSEND, WASHINGTON (the "Port"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from June ___, 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 December 1, 2010, and semiannually thereafter on the first days of each succeeding December and June.

Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the Port to DTC. The fiscal agency of the state of Washington is acting as the registrar, authenticating agent and paying agent for the bond of this issue (the "Registrar").

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under Resolution No. 539-10 of the Port (the "Bond Resolution") until the Certificate of Authentication hereon shall have been manually signed by the Registrar.

This bond is one of a series of bonds of the Port in the aggregate principal amount of \$5,515,000, of like date, tenor and effect, except as to number, amount, rate of interest and date of maturity and is issued pursuant to the Bond Resolution to pay the costs of certain capital improvements to Port facilities.

The bonds of this issue are subject to redemption prior to their stated maturities as stated in the Bond Resolution

[Unless previously redeemed pursuant to the foregoing optional redemption provisions, the bonds of this issue maturing in the year ___ are subject to mandatory redemption on December 1 of the following years at a price of par plus accrued interest to the date fixed for redemption:

<u>Year</u>	<u>Amount</u>
	\$

* Final Maturity]

The bonds of this issue are not "private activity bonds" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). The bonds of this issue have [not]

been designated by the Port as "qualified tax-exempt obligations" under Section 265(b) of the Code for banks, thrift institutions and other financial institutions.

The Port hereby irrevocably covenants that it will levy taxes annually upon all the taxable property in the Port within the levy limits permitted to port districts without a vote of the electors and in amounts sufficient, with other monies legally available therefor, to pay the principal of and interest on the bonds of this issue as the same shall become due. The full faith, credit and resources of the Port are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The pledge of tax levies may be discharged prior to maturity of the bonds by making provision for the payment thereof on the terms and conditions set forth 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 until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Registrar or its duly designated agent.

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 and resolutions duly adopted by the Port Commission including the Bond Resolution.

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 Port may incur.

IN WITNESS WHEREOF, the Port of Port Townsend, Washington has caused this bond to be executed by the manual or facsimile signatures of the President and Secretary of the Port Commission and the seal of the Port imprinted, impressed or otherwise reproduced hereon as of this ____ day of June, 2010.

PORT OF PORT TOWNSEND,
WASHINGTON

By _____/s/_____
President, Port Commission

ATTEST:

_____/s/_____
Secretary, Port Commission

The Registrar'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 is one of the Limited Tax General Obligation Bonds, 2010[A][B] [Taxable Build America Bonds – Direct Payment to Issuer] of the Port of Port Townsend, Washington, dated June ___, 2010.

WASHINGTON STATE FISCAL
AGENCY, as Registrar

By _____

Section 7. Execution of Bonds. The Bonds shall be executed on behalf of the Port with the manual or facsimile signatures of the President and Secretary of the Port Commission and the seal of the Port impressed, imprinted or otherwise reproduced thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Registrar, 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.

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

Section 8. Bond Fund and Provision for Tax Levy Payments. A special fund of the Port known as the "Port of Port Townsend LTGO Bond Fund – 2010" (the "Bond Fund") shall be maintained in the office of the Treasurer. The Bond Fund shall be drawn upon for the sole purpose of paying the principal of and interest on general obligation bonds of the Port.

The Port hereby further irrevocably covenants that, unless the principal of and interest on the Bonds are paid from other sources, it will make annual levies of taxes upon all of the property in the Port subject to taxation within and as a part of the tax levy permitted to port districts without a vote of the electors in amounts sufficient to pay such principal and interest as the same shall become due. The full faith, credit and resources of the Port are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest.

Section 9. Application of Bond Proceeds. The Treasurer is hereby authorized and directed to establish a Port of Port Townsend Project Fund (the "Project Fund"). The proceeds of sale of the Bond, along with other Project funding sources, shall be deposited in the Project Fund and shall be expended solely to pay the costs of the Projects and the costs of issuing and selling the Bond, as authorized herein.

Section 10. Defeasance. In the event that money and/or Government Obligations maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Bonds authorized hereunder in accordance with their terms, are set aside in a special account of the Port to effect such redemption and retirement, and such moneys and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the bond redemption fund of the Port for the payment of the principal of and interest on the Bonds so provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of this resolution except the right to receive the moneys so set aside and pledged, and except the right to receive the moneys so set aside and pledged, such Bonds shall be deemed not to be outstanding hereunder.

Section 11. Sale of Bonds. The Bonds shall be sold by negotiated sale to the Underwriter, under the terms and conditions thereof as provided in the bond purchase agreement presented to the Commission at this meeting and in this resolution. The Designated Port Representative is hereby authorized and directed to execute the bond purchase agreement. The Designated Port Representative is hereby authorized to review and approve on behalf of the Port the preliminary and final Official Statements relative to the Bonds with such additions and changes as may be deemed necessary or advisable to them. The Preliminary Official Statement

for the Bonds, dated May 13, 2010, is hereby deemed final for purposes of Securities and Exchange Commission Rule 15c2-12. The proper Port officials are hereby authorized and directed to do everything necessary for the prompt execution and delivery of the Bonds to the Underwriter and for the proper application and use of the proceeds of sale thereof.

Section 12. Tax Covenants.

(a) *Arbitrage Covenant.* The Port hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the Port which may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said section and said Regulations. The Port will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) and the applicable Regulations thereunder throughout the term of the Bonds.

(b) *Private Person Use Limitation for Bonds.* The Port covenants that for as long as the Bonds are outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Bonds to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Bonds in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the Port) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The Port further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bonds are to be used for any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this resolution or any underlying arrangement) directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the Port) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the projects refinanced with Bond proceeds, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of the projects to which the Private Person Use of such portion of such projects relates. The Port further covenants that it will comply with any limitations on the use of the projects by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds.

(c) *Designation under Section 265(b).* The Port hereby designates the 2010A Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The Port does not anticipate issuing more than

\$30,000,000 in qualified tax-exempt obligations during 2010 (excluding obligations permitted by the Code to be excluded for purposes of the Port's qualification as a qualified small issuer).

Section 13. Undertaking to Provide Ongoing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the Port's written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

(b) *Financial Statements/Operating Data.* The Port agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), the following annual financial information and operating data for the prior fiscal year (commencing in 2011 for the fiscal year ended December 31, 2010):

1. Annual financial statements, which statements may or may not be audited, showing ending fund balances for the Port's general fund prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included in the official statement for the Bonds under the heading "Comparative Statement of Revenues, Expenses and Changes in Net Assets" and "Comparative Statement of Net Assets";
2. The assessed valuation of taxable property in the Port;
3. Ad valorem taxes due and percentage of taxes collected;
4. Property tax levy rate per \$1,000 of assessed valuation; and
5. Outstanding general obligation debt of the Port.

Items 2-5 shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before nine months after the end of the Port's fiscal year. The Port's current fiscal year ends December 31. The Port may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the Port may cross-refer to other documents available to the public on the MSRB's internet website or filed with the Commission.

If not provided as part of the annual financial information discussed above, the Port shall provide the Port's audited annual financial statement prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

(c) *Material Events.* The Port 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, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- 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 or events affecting the tax-exempt status of the Bonds;
- Modifications to the rights of Bond owners;
- Bond calls (optional, contingent or unscheduled Bond calls other than scheduled

sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856);

- Defeasances;
- Release, substitution or sale of property securing repayment of the Bonds; and
- Rating changes.

Solely for purposes of disclosure, and not intending to modify this undertaking, the Port advises that no debt service reserves or property secures payment of the Bonds.

(d) *Notification Upon Failure to Provide Financial Data.* The Port 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 date set forth in Subsection (b) above.

(e) *Emma; Format for Filings with the MSRB.* Until otherwise designated by the MSRB or the Commission, any information 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. 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 Port's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the Port (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of this section.

otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of this section.

The Port may amend this section with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this section, the Port shall describe such amendment in the next annual report, and shall include, a narrative explanation of the reason for the amendment 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 Port. 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 report for the year in which the change is made shall 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.

(g) *Bond Owner's Remedies Under This Section.* The right of any bondowner or beneficial owner of Bonds to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the Port's obligations under this section, and any failure by the Port to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. 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.

(h) *No Default.* Except as otherwise disclosed in the Official Statement relating to the Bonds, the Port is not and has not been in default in the performance of its obligations of any prior undertaking for ongoing disclosure with respect to its obligations.

Section 14. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Registrar may execute and deliver a new Bond or Bonds of like date, number and tenor to the owner thereof upon the owner's paying the expenses and charges of the Port in connection therewith and upon his filing with the Port evidence satisfactory to the Port that such Bond was actually lost, stolen or destroyed and of his ownership thereof, and upon furnishing the Port with indemnity satisfactory to the Port, the Bond Registrar and the Treasurer.

Section 15. Severability. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the Port 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.

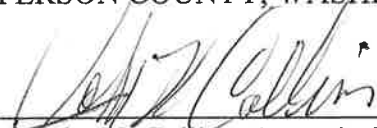
Section 16. Effective Date. This resolution shall become effective immediately upon its adoption.

ADOPTED AND APPROVED at a special meeting of the Commission of the Port of
Port Townsend, Washington held this 26th day of May, 2010.



PORT OF PORT TOWNSEND,
JEFFERSON COUNTY, WASHINGTON


By


John N. Collins, Commissioner

By


David H. Thompson, Commissioner

By


Leif W. Erickson, Commissioner


CERTIFICATE

I, the undersigned, Secretary of the Port Commission of the Port of Port Townsend, Washington (the "Port") and keeper of the records of the Port Commission (the "Commission"), DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 539-10 of the Port Commission (the "Resolution"), duly adopted at a special meeting thereof held on the 26th day of May, 2010;

2. That said meeting was duly convened and held in all respects in accordance with law, due and proper notice of such meeting was given, that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Commission voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the 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 26th day of May, 2010.



Secretary, Port Commission