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RESOLUTION NO. 709

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, APPROVING THE ISSUANCE BY THE REDMOND PUBLIC CORPORATION OF ITS INDUSTRIAL DEVELOPMENT REVENUE BOND, SERIES 1985, [PARK 180 INVESTORS (FORMERLY M&R INDUSTRIES)] IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,500,000; AND APPROVING THE RESOLUTION OF THE CORPORATION AUTHORIZING SAID BOND.

WHEREAS, the City of Redmond, Washington, by Ordinance No. 1060, has approved and authorized the creation of the Redmond Public Corporation (the "Public Corporation") as a public corporation of the State of Washington pursuant to the provisions of Chapter 300, Laws of Washington and the provisions of Chapter 39.84 RCW (the "Act") to act on behalf of the City to issue nonrecourse revenue bonds for the purpose of financing the costs of qualified industrial development facilities within the meaning of the Act, and

WHEREAS, the Public Corporation, by Resolution No. 85-7 (the "Bond Resolution") adopted on June 25, 1985, has authorized the issuance and sale of a certain issue in the amount of \$2,500,000, of its Industrial Development Revenue Bonds for the Park 180 Investors project, formerly known and previously processed as M&R Industries project, (the "Project"), and

WHEREAS, the Act requires that the governing body of the creating municipality approve the resolution of the Public Corporation authorizing the issuance of bonds approved by the Public Corporation, and

WHEREAS, the City Council has reviewed the Bond Resolution and intends, by adoption of this resolution, to approve the same and its agreement to issue the Bond upon the terms set forth therein and in various agreements approved therein in accordance with the Act, and

WHEREAS, the City Council held a public hearing not less than fourteen (14) days after publication of notice in a newspaper in general circulation in the City and having heard all of those who wished to speak, closed said hearing, and

WHEREAS, the City is the planning jurisdiction within which the proposed industrial development facility lies and the City Council, pursuant to RCW 39.84.060, has determined that all planning requirements of the City for the project have been or may reasonably be expected to be satisfied and that the project should be approved, now, therefore,

THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, HEREBY RESOLVE AS FOLLOWS:

Section 1. The issuance and sale by the Public Corporation of its nonrecourse industrial revenue bonds in the aggregate amount of \$2,500,000 for the Project, the Bond Resolution, and all agreements and documents necessary to issue the Bond therein expressed and approved, are hereby approved in accordance with RCW 39.84.100. A copy of the Bond Resolution, Resolution No. 85-7 of the Public Corporation, is attached hereto and incorporated herein by this reference as if fully set forth.

Section 2. This resolution shall take effect immediately from and after its adoption and approval as required by law.

RESOLVED this 25th day of June, 1985.

CITY OF REDMOND


MAYOR, DOREEN MARCHIONE

ATTEST/AUTHENTICATED:


CITY CLERK, DORIS A. SCHAIBLE

FILED WITH THE CITY CLERK: June 7, 1985
PASSED BY THE CITY COUNCIL: June 25, 1985
RESOLUTION NO. 709

RESOLUTION NO 85-~~7~~

OF

REDMOND PUBLIC CORPORATION

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDMOND PUBLIC CORPORATION, AUTHORIZING THE MAKING OF A LOAN TO PARK 180 INVESTORS FOR THE PURPOSE OF FINANCING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF AN INDUSTRIAL DEVELOPMENT FACILITY BY PARK 180 INVESTORS TO BE LEASED TO M & R INDUSTRIES, INC.; AUTHORIZING THE ISSUANCE OF THE CORPORATION'S \$2,500,000 PRINCIPAL AMOUNT NON-RECURSE REVENUE BOND (M & R INDUSTRIES PROJECT) TO FUND SAID LOAN TO PARK 180 INVESTORS; PRESCRIBING THE FORM OF LOAN AGREEMENT AND AUTHORIZING THE EXECUTION THEREOF; PRESCRIBING THE FORM OF A BOND PURCHASE CONTRACT AND AUTHORIZING THE EXECUTION THEREOF; PRESCRIBING THE FORM OF ASSIGNMENT AND AUTHORIZING THE EXECUTION THEREOF; PRESCRIBING THE FORM OF DEPOSITORY AGREEMENT AND AUTHORIZING THE EXECUTION THEREOF; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION.

RESOLUTION

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and is only for convenience of reference)

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RESOLUTION NO. 85-7

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDMOND PUBLIC CORPORATION, AUTHORIZING THE MAKING OF A LOAN TO PARK 180 INVESTORS FOR THE PURPOSE OF FINANCING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF AN INDUSTRIAL DEVELOPMENT FACILITY BY PARK 180 INVESTORS TO BE LEASED TO M&R INDUSTRIES, INC.; AUTHORIZING THE ISSUANCE OF THE CORPORATION'S \$2,500,000 PRINCIPAL AMOUNT NON-RECOURSE REVENUE BOND (M & R INDUSTRIES PROJECT) TO FUND SAID LOAN TO PARK 180 INVESTORS; PRESCRIBING THE FORM OF LOAN AGREEMENT AND AUTHORIZING THE EXECUTION THEREOF; PRESCRIBING THE FORM OF A BOND PURCHASE CONTRACT AND AUTHORIZING THE EXECUTION THEREOF; PRESCRIBING THE FORM OF ASSIGNMENT AND AUTHORIZING THE EXECUTION THEREOF; PRESCRIBING THE FORM OF DEPOSITORY AGREEMENT AND AUTHORIZING THE EXECUTION THEREOF; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION.

WHEREAS, Redmond Public Corporation (the "Issuer") is authorized by Ch. 39.84 RCW (the "Act") to issue nonrecourse revenue bonds for the purpose of providing funds to make secured loans to finance or refinance the acquisition, construction and equipping of "industrial development facilities" as defined in the Act; and

WHEREAS, any bonds issued to provide funds for the making of such loan or loans shall be payable solely from the revenues received by the Issuer from the repayment of such loans and from the proceeds of the security for repayment of such loans, and such bonds shall never be construed to constitute an indebtedness of the State of Washington or of the City of Redmond (the "City") or any other political subdivision, municipal corporation or quasi municipal corporation within the meaning of any constitutional or statutory provisions whatsoever; and

WHEREAS, the Issuer has by Resolution 85-2 adopted on February 26, 1985, authorized the undertaking of an industrial development facility consisting of the acquisition of land and construction and equipping of a facility for the manufacturing of exercise equipment (the "Project Facilities") by Park 180 Investors, a general partnership composed of W.D. MacLean and R.A. Rasmussen ("the Partnership") for lease by M & R Industries, Inc.; and

WHEREAS, the Partnership has requested the Issuer to issue and sell its Nonrecourse Revenue Bond (M & R Industries Project) in the aggregate principal amount of \$2,500,000 (the "Bond"), for the purpose of making a loan to the Partnership to finance all or a portion of the Costs of the Project Facilities (hereinafter defined); and

WHEREAS, the Issuer and the Partnership have agreed to enter into a Loan Agreement (the "Loan Agreement") dated as of June 1, 1985, pursuant to which the Issuer will lend to the Partnership the proceeds of the Bond under the terms and conditions stated therein; and

WHEREAS, the Issuer, contemporaneously with the execution and delivery of the Loan Agreement, will enter into a Bond Purchase Contract (the "Bond Purchase Contract") with Peoples National Bank of Washington, 411 108th Ave. N.E., Suite 200, P.O. Box 5046, Bellevue, WA 98004-5046 (the "Registered Owner"), whereby the Issuer will sell and the Registered Owner will purchase the Bond; and

WHEREAS, the Issuer, contemporaneously with the issuance, execution and delivery of the Bond, will assign and pledge certain of its rights in the Loan Agreement and duties following the issuance of the Bond to the Registered Owner, as security for payment of the indebtedness evidenced by the Bond;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF REDMOND PUBLIC CORPORATION, as follows:

ARTICLE I

Definitions

Section 1.01. Definitions. Certain terms used in this Resolution are hereinafter defined in this Section 1.01. When used herein, such terms shall have the meanings given to them by the language employed in this Article I defining such terms, unless the context clearly indicates otherwise:

"Act" means Chapter 300, Washington Laws of 1981 (Reg. Sess.), codified as Chapter 39.84 RCW, as the same is supplemented and amended from time to time.

"Administration Expenses" means the reasonable and necessary fees and expenses incurred by the Issuer pursuant to the Loan Agreement and this Resolution.

"Assignment" means the Assignment, dated as of June 1, 1985, pursuant to which the Issuer assigns to the Registered Owner its right, title and interest in the Loan Agreement and the Security Document (and duties thereunder following the issuance of the Bond).

"Authorized Partnership Representatives" means such persons at the time and from time to time designated by written certificate furnished to the Issuer, the Depository, and the Registered Owner, containing the specimen signatures of such persons and

signed on behalf of the Partnership by the general partners of the Partnership to act on behalf of the Partnership.

"Basic Rate" means the Basic Rate publicly announced by Peoples National Bank of Washington. The Basic Rate is based upon a calculation of Peoples' cost of acquiring and loaning funds plus a return on its assets as a whole. The Basic Rate may or may not be the Bank's best or lowest lending rate. Any change in the interest rate on the Bond resulting from a change in the Basic Rate shall be effective on the effective date of each change in the "Basic Rate" announced by the Peoples National Bank of Washington at its principal office in Seattle, Washington.

"Bond Counsel" means a law firm or nationally recognized bond counsel selected by the Issuer.

"Bond Purchase Contract" means the Bond Purchase Contract by and among the Issuer, the Registered Owner and the Partnership, which provides for the purchase of the Bond by the Registered Owner.

"Bond Year" means the one-year period beginning on the date of issue of the Bond and ending one year later and each subsequent one-year period."

"City" means the City of Redmond, a duly organized and existing municipal corporation under the Constitution and laws of the State of Washington.

"Code" means the Internal Revenue Code of 1954, as amended, together with corresponding and applicable regulations promulgated or proposed and revenue rulings issued with respect thereto by the Department of Treasury and Internal Revenue Service of the United States.

"Completion Date" means the date of substantial completion of the Project Facilities as that date shall be certified as provided in Section 4.01 of the Loan Agreement.

"Computation Period" means each period from the date of issue of the Bond through the date on which the Rebate Amount is determined under Section 4.07 hereof.

"Construction Period" means the period between the beginning of construction of the Project Facilities and the Completion Date.

"Cost of the Project Facilities" means and includes the items of cost and expense as defined in Section 6 of the Depository Agreement.

"Current Assets" and "Current Liabilities" mean, at any time, all assets or liabilities, respectively, that, in accordance with generally accepted accounting principles consistently applied, should be classified as current assets or current liabilities, respectively, on a balance sheet of the Partnership.

"Debt" means as of any time the same is to be determined, the aggregate of all indebtedness, obligations, liabilities, reserves and any other items which would be classified as a liability on a balance sheet of the Partnership in accordance with generally accepted accounting principles, including all indebtedness or liabilities of any other person which the Partnership may guarantee or otherwise be responsible or liable for (other than any liability arising out of the endorsement of commercial paper for deposit or collection received in the ordinary course of business), all indebtedness and liabilities secured by any lien or any security interest on any property or assets of the Partnership, whether or not the same would be classified as a liability on a balance sheet, and the aggregate amount of rentals or other consideration payable by the Partnership under all leases of real or personal property of a nature such that payments due thereunder may under generally accepted accounting principles in effect on the date hereof be included in a balance sheet of the lessee, whether or not the same would be classified as a liability on a balance sheet, but excluding all general contingency reserves and reserves for deferred income taxes and investment credit, all computed and determined on a consistent basis for the Partnership in accordance with generally accepted accounting principles.

"Deed of Trust" means the Deed of Trust, Security Agreement and Assignment of Leases and Rents dated as of June 1, 1985, from the Partnership for the benefit of the Issuer.

"Depository" means Peoples National Bank of Washington, a national banking association, having its offices at 411 108th Avenue N.E., Suite 200, P.O. Box 5046, Bellevue, WA 98004-5046, as depository of the Project Fund.

"Depository Agreement" means the Depository Agreement dated as of June 1, 1985, by and among the Issuer, the Partnership, and the Depository.

"Events of Default" means those defaults specified in Section 7.01 of the Loan Agreement.

"Excess Earnings Fund" means the excess Earnings Fund authorized to be created in Section 4.07 of this Resolution.

"Fixed Assets" means, at any time, all assets (other than Current Assets) that should, in accordance with generally accepted

accounting principles consistently applied, be classified as fixed assets on the balance sheet of the Partnership.

"Guaranty Agreement" means the Guaranty Agreement from William D. MacLean and Robert A. Rasmussen for the benefit of the Registered Owner dated June 1, 1985.

"Issuer" means Redmond Public Corporation, and any successor body to the duties or functions of the Issuer.

"Liabilities" means all indebtedness that, in accordance with generally accepted accounting principles consistently applied, should be classified as liabilities on a consolidated balance sheet of the Partnership.

"Loan" means the loan provided in the Loan Agreement from the Issuer to the Partnership of the proceeds of sale of the Bond.

"Loan Agreement" means the Loan Agreement dated as of June 1, 1985, between the Issuer and the Partnership as from time to time supplemented and amended.

"Loan Repayments" means those payments required to be made by the Partnership pursuant to Sections 3.01, 3.02 and 3.03 of the Loan Agreement.

"Net Working Capital" means, at any time, the amount by which Current Assets exceed Current Liabilities.

"Official Action Resolution" means Resolution No. 85-2 of the Issuer adopted on February 26, 1985, pursuant to which the Issuer agreed to issue nonrecourse revenue bond for the purpose of financing the Project Facilities.

"Partnership" means Park 180 Investors, a Washington partnership, and includes its successors and assigns as permitted under the Loan Agreement.

"Permitted Encumbrances" means (i) utility, access and other easements and rights-of-way, restrictions and exceptions that in the opinion of counsel to the Registered Owner will not materially impair the utility or value of the property affected thereby for the purposes for which it is intended, (ii) mechanics', materialmen's, warehousemen's, carriers' and other similar liens which are being appropriately contested in good faith by the Registered Owner, and as to which adequate reserves have been set aside in conformity with generally accepted accounting principles, (iii) liens for taxes at the time not delinquent, (iv) lease agreement between M & R Industries, Inc. and the Partnership dated as of June 1, 1985, (v) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds

on title as normally exist with respect to properties similar in character to the Land and as do not in the aggregate, in the opinion of independent counsel, materially impair the property affected thereby for the purpose for which it was acquired or is held by the Registered Owner, (vi) the Deed of Trust, and (vii) those certain encumbrances listed in paragraphs 11 through 19, and 26 and 27 of the preliminary commitment for title insurance issued by Chicago Title Insurance Company on June 6, 1985 at 8 a.m., wherein the Partnership is the proposed insured numbered 87700.

"Permitted Investments" means any of the following investments:

- (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America,
- (ii) direct obligations of or obligations guaranteed by any State of the United States of America or the District of Columbia, or obligations of the Federal Financing Bank, Federal National Mortgage Association, Government National Mortgage Association, Federal Intermediate Credit Bank, Banks for Cooperatives, Tennessee Valley Authority and Federal Home Loan Banks,
- (iii) commercial paper (other than commercial paper issued by the Partnership or any affiliate) rated in any of the three highest rating categories by a nationally recognized rating agency,
- (iv) corporate bonds rated in any of the three highest rating categories by a nationally recognized bond rating agency,
- (v) repurchase agreements with banks or financial institutions provided that such banks or financial institutions have a combined capital and surplus of at least \$15,000,000 (including the Registered Owner and Depository) with respect to any of the foregoing obligations or securities, and
- (vi) money market daily accounts, deposits with or Certificates of Deposit in banks (including the Registered Owner) or savings and loan associations provided that such banks or savings and loan associations have a combined capital and surplus of at least \$15,000,000.

"Person" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, joint venture, court or government or political subdivision or agency thereof.

"Project Facilities" means the acquisition of land and construction and equipping of a facility for the manufacturing of exercise equipment and personalty, including but not limited to, buildings, related structures, fixtures, equipment and personal property acquired, constructed and/or installed by the Partnership with the proceeds of sale of the Bond. The Project Facilities are generally described in Exhibit A, attached hereto.

"Project Fund" means the Project Fund authorized to be created in Section 4.03 of this Resolution.

"Purchaser" means Peoples National Bank of Washington, a national banking association, having its principal office at 411 - 108th Avenue, N.E., Suite 200, Bellevue, Washington 98004-5046, as the original purchaser and Registered Owner of the Bond.

"Registered Owner" means the Purchaser and any subsequent owner of record on the bond registration books of the Issuer.

"State" means the State of Washington.

"Tangible Net Worth" means the excess of total assets of the Partnership over total liabilities and reserves of the Partnership computed on a consistent basis, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles, excluding, however, from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill, patents, trademarks, tradenames, copyrights, franchises and deferred charges (including, without limitation, unamortized debt, discount and expense, organization costs and deferred research and development expenses) and excluding the write-up of assets above cost, and including in total liabilities all obligations included in Debt.

"Taxable Rate" means the taxable rate of interest on the Bond as defined in Section 1 of the Bond.

"Trustee" means any bank or trust company (including the Registered Owner) when acting as Trustee, paying agent and Bond Registrar pursuant to Article IX of this Resolution.

"User" means the Partnership and its general partners, Robert Rasmussen and W.D. MacLean, or any of its affiliated or related companies (including M & R Industries, Inc.) which, from time to time, by whatever internal arrangement, presently or hereafter occupies or uses the Project Facilities, in whole or in part, in connection with its trade or business.

Section 1.02. Interpretation. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words imparting the singular number shall include the plural numbers and vice versa unless the context

shall otherwise indicate. Reference to Articles, Sections and other subdivisions of this Resolution are to the Articles, Sections and other subdivisions of this Resolution, as originally adopted unless expressly stated to the contrary. The headings of this Resolution are for convenience of reference only and shall not define or limit the provisions hereof.

ARTICLE II

Finding of the Issuer

Section 2.01. Issuer Purposes. The Issuer finds and determines that it will be in furtherance of the purposes of the Act for the Issuer (i) to lend the Partnership \$2,500,000 for the purpose of financing the Project Facilities; (ii) in order to fund such loan to issue and sell its \$2,500,000 Nonrecourse Revenue Bond (M & R Industries Project) under the terms and conditions set forth in this Resolution; (iii) to enter into the Loan Agreement to evidence the Partnership's obligation to repay said loan as provided therein (the "Loan"); and (iv) to assign and pledge the Issuer's interest in the Loan Agreement (other than with respect to costs and indemnification under Sections 3.06, 6.01, 7.06, and 7.07 thereof, which will not be assigned and pledged) and the Security Document.

In reliance upon the opinion of Preston, Thorgrimson, Ellis & Holman, Bond Counsel to the Issuer, to be delivered with respect to the Bond, the Issuer hereby finds and determines that the interest on the Bond will be exempt from federal income taxation.

ARTICLE III

Authorization, Terms, Execution and Issuance of Bond

Section 3.01. Authorized Amount of Bond. No Bond may be issued under this Resolution except in accordance with this Article. The total principal amount of the Bond to be issued hereunder is hereby expressly limited to \$2,500,000.

Section 3.02. Bond Not a General Obligation of Issuer. The Bond shall be payable solely out of the revenues and other security assigned and pledged hereby and shall not constitute an indebtedness of the Issuer within the meaning of any state constitutional or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the Issuer (other than a liability for payment from the revenues and security assigned and pledged hereby) or a charge against its general credit.

Section 3.03. Authorization of Bond.

A. Pursuant to the Act, there is hereby authorized to be issued hereunder, and secured as provided herein, an issue of

bonds designated as "Redmond Public Corporation, Nonrecourse Revenue Bond (M & R Industries Project)" (the "Bond"). The Bond shall be issued as a single fully registered bond, in the denomination of \$2,500,000, shall be dated as of the date of its execution and delivery to the Registered Owner, and matures twenty-five (25) years from its date, substantially in the form presented to the Board of Directors at this meeting. The monthly principal payments on the Bond and the interest due on the unpaid principal amount of the Bond are set forth in the Bond.

Each such payment of the principal and interest on the Bond shall be made by the Partnership on behalf of the Issuer as provided in the Loan Agreement to the Registered Owner or, if a Trustee is appointed hereunder, to the Trustee. Each payment on the Bond shall be evidenced by a notation on the grid printed on the Bond.

B. In the event that the interest on the Bond shall become taxable for federal income tax purposes, other than by reason of its being held by a "substantial user" or "related person" as defined in Section 103 of the Code, the interest rate borne by the Bond shall be automatically adjusted to the Taxable Rate.

Section 3.04. Execution of Bond; Signatures. The Bond shall be executed on behalf of the Issuer by its Chairman of the Board of Directors and attested by its Secretary, and its corporate seal shall be thereunto affixed.

Section 3.05. Registration and Exchange of Bond; Persons Treated as Registered Owners.

A. The Issuer shall cause books for the registration and for the transfer of the Bond as provided in this Resolution to be kept by it or a Trustee who may hereafter be appointed the Bond registrar of the Issuer for the Bond. The Bond may thereafter be transferred only upon an assignment duly executed by the Registered Owner or his attorney duly authorized in writing in such form as shall be satisfactory to the Issuer or the Trustee, such transfer to be made on such books and endorsed on such Bond by the Issuer or the Trustee. The principal of and interest on the Bond shall be payable only to or upon the order of the Registered Owner or his legal representative. Upon surrender for transfer of the Bond at the principal office of the Issuer or the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney-in-fact duly authorized in writing and upon satisfaction of the requirements of subsection B of this Section 3.05, the Issuer shall execute and deliver in the name of the transferee or transferees a new Bond in like aggregate principal amount of the Bond surrendered.

As to the Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal or interest on the Bond shall be made only to or upon the written order of the Registered Owner or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid.

The Issuer or the Trustee shall require the payment by any Registered Owner requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

B. The Bond may be transferred only as a whole, and only with the consent of the Issuer to such transfer, provided that such consent shall not be required for any transfer to any subsidiary of the Registered Owner, any transfer arising out of any merger or consolidation of the Registered Owner or by operation of law, any transfer to a trustee in bankruptcy of the Registered Owner, and the Registered Owner who wishes to transfer the Bond shall furnish to the Issuer, and the Partnership an opinion of counsel satisfactory to the Issuer, and the Partnership that such proposed transfer will not constitute or contribute to a violation of the registration requirements of the Securities Act of 1933, as amended, or any applicable state securities or blue sky laws. The foregoing shall not preclude the participation by the Registered Owner of undivided interests in the Bond to other banks.

Section 3.06. Lost, Stolen, Destroyed, or Mutilated Bond.
In the case of a lost, stolen, or destroyed Bond or upon surrender and cancellation of the Bond if mutilated (i) the Issuer shall execute and deliver a new Bond of the same date and maturity as the lost, stolen, destroyed or mutilated Bond or (ii) if the Bond shall have matured or have been called for redemption, in lieu of executing and delivering the new Bond as aforesaid, the Issuer may pay such Bond. The applicant for any such new Bond may be required to pay all expenses and charges of the Issuer and of the Trustee, if any, and furnish indemnity in connection with the issuance of such new Bond.

Section 3.07. Delivery of the Bond; Pledge of Loan Repayments of the Issuer From the Loan. The Issuer shall execute and deliver the Bond to the Registered Owner and deposit the proceeds of sale thereof with the Depository upon receipt by the Issuer of the following documents:

(a) a fully executed copy or counterpart of the Loan Agreement and all instruments, documents and certificates required to be delivered pursuant to the terms thereof;

(b) a fully executed copy or counterpart of the Bond Purchase Contract and all instruments, documents, certificates and opinions required to be delivered pursuant to the terms thereof;

(c) a certificate signed by the Registered Owner setting forth the then current Basic Rate in effect at Peoples National Bank of Washington, 1414 Fourth Avenue, Seattle, Washington 98111-0720; and

(d) an executed copy or counterpart of the Depository Agreement.

Upon the execution and delivery of the Bond, the Issuer shall pledge the Loan Repayments and the other receipts and revenues derived pursuant to the Loan Agreement by assigning and pledging to the Registered Owner (i) the Issuer's interest in the Loan Agreement (except for the Issuer's rights under Sections 3.06, 6.01, 7.06 and 7.07 thereof which will not be assigned and pledged), and (ii) the Security Document.

ARTICLE IV

Disposition of Proceeds of the Bond; Project Fund

Section 4.01. Source of Payment of Bond. The Bond and all payments by the Issuer thereunder are not general obligations of the Issuer but are the limited, special obligations of the Issuer payable solely from the Loan Repayments and other revenues and receipts derived under the Loan Agreement and other security pledged by the Partnership.

Section 4.02. Disposition of Proceeds from the Sale of the Bond. The proceeds received by the Issuer from the sale of the Bond to Registered Owner shall be deposited in the Project Fund established in Section 4.03 hereof.

Section 4.03. Project Fund; Disbursements. There is hereby created and established with Peoples National Bank of Washington, 411 108th Avenue N.E., Suite 200, P.O. Box 5046, Bellevue, WA 98004-5046, acting as depository (the "Depository"), a depository fund designated as "Redmond Public Corporation, Nonrecourse Revenue Bond (M & R Industries Project) Project Fund" (the "Project Fund"). Interest and other income received on investments of money in the Project Fund shall be deposited in the Project Fund. Such amounts shall be expended to pay the Cost of the Project Facilities in accordance with the provisions of Sections 1.05 and 4.01 of the Loan Agreement and the provisions of the Depository Agreement.

Until the Project Facilities shall have been constructed, acquired, and installed and a certificate of completion of the Project Facilities filed as provided in Section 4.03 of the Loan Agreement, the Depository shall from time to time on the written request of the Partnership, the Issuer, file with the Partnership, or the Issuer, a statement of income and disbursements with respect to the Project Fund.

Section 4.04. Completion of the Project Facilities. The completion of the construction of the Project Facilities and payment of all the Cost of the Project Facilities shall be evidenced by the filing with the Depository of the certificate required by the Loan Agreement. As soon as practicable, any balance remaining in the Project Fund shall be applied as provided in the Depository Agreement. Notwithstanding any other provisions of this Resolution or of the Loan Agreement, any money shall not be invested at a yield in excess of that permitted under the Depository Agreement.

Section 4.05. Repayment to the Partnership From the Project Fund. Any amounts remaining in the Project Fund or otherwise held by the Depository pursuant to the terms hereof or the Depository Agreement after payment in full of the Bond (or after making provision for such payment), the fees and expenses of the Depository and the Trustee, the administration expenses, and all other amounts required to be paid hereunder and under the Loan Agreement shall be paid to the Partnership upon the expiration or sooner termination of the Loan Agreement.

Section 4.06. Maintenance of Books and Records. The Depository shall keep and maintain adequate records pertaining to the Project Fund established hereunder and all payments therefrom which shall be open to inspection by the Issuer or the Partnership or their duly authorized agents during normal business hours of the Depository.

Section 4.07. Excess Earnings Fund.

A. There is hereby created by the Issuer and established with the Depository a fund to be designated the "Redmond Public Corporation Nonrecourse Revenue Bond (M & R Industries Project) Excess Earnings Fund" (the "Excess Earnings Fund"), to which deposits shall be made in accordance with this Section 4.07 if moneys remain in the Project Fund on a date six months from the date of issuance of the Bond.

B. Adjustments are required to be made in the amount on deposit in the Excess Earnings Fund each year as provided herein.

C. The Rebate Amount is to be calculated each Bond Year and is the amount required to be maintained for the Bond Year in the Excess Earnings Fund. The Rebate Amount is calculated as follows:

1. There is to be determined the aggregate amount earned on the amounts deposited in the Project Fund for the Computation Period.

2. There is to be determined the aggregate amount that would have been earned on the amounts deposited in the Project Fund for the Computation Period assuming the yield on such amounts had been equal to the actual yield on the Bond for the Computation Period.

3. There is to be subtracted the amount determined under subparagraph (2) from the amount determined under subparagraph (1) hereof.

4. There is to be added to the amount computed under subparagraph (3) hereof, any income (whether or not that income exceeds the yield on the Bond) attributable to the amount computed under subparagraph (3) hereof.

The Rebate Amount is the amount determined in subparagraph (4) hereof. This amount must be maintained in the Excess Earnings Fund for the Bond Year.

D. Deposits will be made into the Excess Earnings Fund to maintain it at the Rebate Amount from the Project Fund that generated the excess earnings calculated in paragraph (C) hereof or, if no such moneys are available from the Partnership's moneys. Any amounts that are withdrawn from the Excess Earnings Fund as a result of a decrease in the Rebate Amount may be deposited in the Project Fund as directed by the Partnership.

E. Installment payments from the Excess Earnings Fund will be made to the United States. The first payment will be made not later than 30 days after the end of the fifth Bond Year. Each subsequent installment payment will be made not later than five years after the next preceding payment was due. Each installment payment will be such that at least 90% of the Rebate Amount for the Computation Period ending immediately prior to such installment payment will have been paid to the United States. Not later than 30 days after retirement of the last obligation of the Bond, the final installment payment will be made such that 100% of the Rebate Amount for the Computation Period is paid to the United States. Each installment payment will be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255, and must be accompanied by a copy of IRS Form 8038 with respect to the Bond.

F. Computation of the Rebate Amount will be made within 30 days of the beginning of the second Bond Year, within 30 days of the beginning of each subsequent Bond Year and within 30 days of the retirement of the last obligation of the Bond. Amounts on deposit in the Excess Earnings Fund must be adjusted so that the Rebate Amount is maintained in such Fund within the appropriate 30-day period.

G. If, during any Computation Period, the Rebate Amount is less than the amounts previously paid to the United States, such a deficit may not be recovered from amounts previously paid to the United States.

H. The aggregate amount earned on any fund must include all income realized under federal income tax accounting principles (whether or not the entity earning the income is subject to federal income taxation) with respect to an obligation and with respect to the reinvestment of investment receipts from such obligations. Transaction costs incurred in acquiring, carrying, selling or redeeming such obligations may not be offset in determining the aggregate amount earned. If any investments are retained after retirement of the last obligation of the Bond, any unrealized gain or loss as of such retirement date must be taken into account in determining aggregate earnings. Gain or loss must be computed with reference to the fair market value of an obligation or security on the date that it is deposited into any fund or account created hereunder.

ARTICLE V

Covenants of the Issuer

Section 5.01. Performance of Covenants; Authority. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution, in the Bond and in all proceedings of the Issuer pertaining thereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bond and to adopt this Resolution, to pledge and assign the Loan Repayments and other revenues and receipts hereby pledged, and to assign its rights under and pursuant to the Loan Agreement and the Security Document in the manner and to the extent herein set forth, that all action on its part for the issuance of the Bond and the adoption of this Resolution has been duly and effectively taken and will be duly taken as provided herein, and that the Bond in the hands of the Registered Owner thereof is and will be a valid and enforceable obligation of the Issuer according to the import thereof.

Section 5.02. Instruments of Further Assurance. The Issuer covenants that it will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, such resolutions supplemental hereto and such further acts, instruments, and transfers for the better conveying, assuring, transferring, assigning, pledging, and hypothecating unto the Registered Owner, pursuant to Section 3.07 hereof all and singular the right, title and interest of the Issuer in the Loan Agreement, the Loan Repayments, and any other revenues and receipts pledged hereby to the payment of the principal of and interest on the Bond in the manner and to the extent contemplated herein.

Section 5.03. Payment of Principal and Interest. The Issuer will promptly pay or cause to be paid the principal of and interest on the Bond according to the terms hereof. The principal of and interest on the Bond are payable solely from Loan Repayments and other receipts and revenues derived under the Loan Agreement and from the other security pledged hereby, which Loan Repayments and other receipts and revenues and security are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified. Nothing in the Bond or in this Resolution shall be considered or construed as pledging any funds or assets of the Issuer other than those pledged hereby.

Section 5.04. Supplemental Resolutions; Recordation of Resolution and Supplemental Resolutions. The Issuer will execute and deliver all resolutions, supplemental hereto, and will cause this Resolution, the Loan Agreement and all supplements hereto and thereto, as well as all security instruments, financing statements, and all supplements thereto, and other instruments as may be requested by the Registered Owner at all times to be recorded, registered and filed in such manner and in such places as may be required by law in order fully to preserve and protect the security of the Registered Owner and all rights of the Registered Owner hereunder. The Issuer shall not be required to file any security instruments except for those prepared and requested by the Registered Owner.

Section 5.05. Lien of Resolution. The Issuer hereby agrees not to knowingly create or suffer to be created any lien having priority or preference over the lien of this Resolution upon the funds or assets pledged hereby or any part thereof, other than the security interest granted by it to the Registered Owner, except as otherwise specifically provided herein. The Issuer agrees that no obligations the payment of which are secured by Loan Repayments or other money or amounts derived from the Loan Agreement and the other sources provided herein will be issued by it except in accordance with this Resolution.

Section 5.06. Rights Under the Loan Agreement. The Issuer will observe all of the obligations, terms, and conditions

required on its part to be observed or performed under the Loan Agreement. The Issuer agrees that whenever in the Loan Agreement it is stated that the Issuer will notify the Registered Owner or give the Registered Owner some right or privilege, or in any way attempt to confer upon the Registered Owner the ability for the Registered Owner to protect the security for payment of the Bond, that such part of the Loan Agreement shall be as though it were set out in this Resolution in full.

The Resolution and the rights and privileges of the Registered Owner hereunder are specifically made subject to the rights and privileges of the Partnership under the Loan Agreement and nothing herein shall be construed to impair the rights and privileges granted to the Partnership under the Loan Agreement, except as otherwise provided in the Loan Agreement or this Resolution.

The Issuer agrees that the Registered Owner, as assignee of its interest in the Loan Agreement and Security Document, may enforce, in its name or in the name of the Issuer, all rights of the Issuer and all obligations of the Partnership under and pursuant to the Loan Agreement (except for unassigned rights) for and on behalf of the Issuer, whether or not the Issuer is in default hereunder.

ARTICLE VI

Redemption of Bond Prior to Maturity

Section 6.01. Redemption of the Bond. The Bond is redeemable by the Issuer, at the direction of the Partnership or, in certain circumstances set forth in the Bond, at the direction of the Registered Owner, exercised in the manner set forth in the Bond. In addition, the Partnership may be required to prepay the Bond prior to its stated maturity under certain conditions set forth in full in the Bond.

ARTICLE VII

Investments

Section 7.01. Investment of Project Fund. Any money held as part of the Project Fund shall be invested or reinvested by the Depository at the written request and direction of the Authorized Partnership Representative (upon which the Depository is entitled to rely) in Permitted Investments. All investments shall either be subject to redemption at any time at a fixed value at the option of the Depository or shall mature not later than the business day prior to the date on which the proceeds are expected to be expended. For the purposes of any investment or reinvestment under this Section, investments shall be deemed to mature at the earliest date on which the obligor (or purchaser, in the case

of a repurchase agreement) is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligation.

Section 7.02. Sale of Investments. The Depository shall sell and reduce to cash a sufficient portion of such investments whenever the cash balance in the Project Fund is insufficient for the purposes of such fund.

Section 7.03. Depository's Duty to Invest. The Depository may, in its discretion, invest money in the Project Fund in Permitted Investments as permitted under Section 7.01 hereof, unless the Partnership shall, by written instruction of the Authorized Partnership Representative, direct the investment of the Depository of such money in specific Permitted Investments.

ARTICLE VIII

Default Provisions and Remedies of Registered Owners

Section 8.01. Events of Default and Remedies. The events of default specified in the Loan Agreement and the remedies specified therefor are hereby incorporated within this Resolution and approved.

ARTICLE IX

Conditions for Delivery of Bond; Conditions as to Subsequent Sale of Bond

Section 9.01. Stipulations and Agreements. Notwithstanding anything to the contrary herein contained, the Bond shall not be delivered to the Registered Owner unless and until the Registered Owner waives any "due diligence" requirement on the part of the Board of Directors of the Issuer and the Registered Owner agrees to rely solely on statements and representations of the Partnership and its own investigation of the facts and circumstances relating to the purchase of the Bond.

Section 9.02. Appointment of Trustee. Prior to any sale, conveyance or transfer of all or any portion of the Bond to any subsequent Registered Owner, and, upon payment of its costs and fees, the Issuer shall adopt a supplemental resolution appointing any bank or trust partnership qualified to act as a trustee under the Act (including the Registered Owner) as Trustee, for the Registered Owner or Registered Owners of the Bond and prescribing the rights, duties and obligations of said Trustee. Any entity acting as trustee hereunder shall not be liable for actions taken by it hereunder in good faith, absent its own negligence or willful misconduct.

Section 9.03. Separate Trustee. At any time, for the purpose of exercising any remedies granted in this Resolution or the Loan Agreement, the Issuer and the Registered Owner shall have power to appoint an additional institution or individual as Trustee, and upon the request of the Registered Owner, the Issuer shall for such purpose join with the Registered Owner in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint such institution or individual to act as trustee, and to vest in such person or institution, in such capacity, such rights, powers, duties, trusts or obligations as the Issuer and the Registered Owner may consider necessary or desirable.

ARTICLE X

Supplemental Resolutions

Section 10.01. Resolution to Constitute Contract. Subject to the rights of the Partnership under Sections 10.02 and 10.03(b) hereof, this Resolution shall constitute a contract between the Issuer and the Registered Owner and shall not be modified, amended or rescinded so long as any portion of the Bond remains outstanding, except as otherwise provided herein.

Section 10.02. Supplemental Resolutions Not Requiring Consent of Registered Owner. The Issuer may with the consent of the Partnership, and with notice to the Registered Owner, adopt a resolution or resolutions supplemental to this Resolution as shall not be inconsistent with the terms and provisions hereof or be materially adverse to the Registered Owner of the Bond for any one or more of the following purposes:

- A. to cure any ambiguity or defect in form or omission in this Resolution; or
- B. to grant to or confer upon the Registered Owner any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owner; or
- C. for the purposes specified in Article IX hereof.

Section 10.03. Supplemental Resolutions Requiring Consent of Registered Owner and the Partnership.

A. The Registered Owner shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption by the Issuer of such resolution or resolutions supplemental hereto as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein

or in any supplemental resolution; provided, however, that nothing in this Section contained shall permit, or be construed as permitting (i) an extension of the stated maturity or reduction in the principal amount of, reduction in the rate, or extension of the time of payment of interest on, or (ii) the creation of any interest prior to or, on a parity with, the interest of the Registered Owner, or (iii) a reduction in the aggregate principal amount of any Bond without the consent of the Issuer and the Registered Owner.

B. The Issuer shall cause notice of the proposed adoption of any such supplemental resolution to be mailed by certified or registered mail to the Registered Owner and, in the case of a proposed supplemental resolution which would affect the rights of the Partnership (no such supplemental resolution being effective without the Partnership's having consented or being deemed to have consented thereto), to the the Partnership at least fifteen (15) days prior to the proposed date of adoption of any supplemental resolution. The Partnership and the Registered Owner shall be deemed to have consented to the adoption of any such supplemental resolution if the Issuer does not receive a letter of protest or objection thereto signed by or on behalf of the Partnership or the Registered Owner on or before the last (15th) day after the mailing of said notice and a copy of the proposed supplemental resolution.

ARTICLE XI

Amendments to the Loan Agreement

Section 11.01. Amendments Not Requiring Consent of Registered Owner. The Issuer and/or the Trustee, if any, may, without notice to the Registered Owner, consent to any amendment, change or modification of the Loan Agreement, as may be required (i) by the provisions of the Loan Agreement and this Resolution, (ii) for the purpose of curing any ambiguity or formal defect or omission, or (iii) in connection with any other change therein which, in the judgment of the Issuer, is not materially adverse to the Registered Owner. Notwithstanding the foregoing, to the extent not adverse to the interest of the Registered Owner, the Issuer may, without the consent of, but with prior notice to the Partnership and the Registered Owner, amend, modify or supplement this Resolution to preserve the right of the Issuer to continue to issue bonds, debts or other obligations of any nature the interest income of which is exempt from federal or state income tax or to qualify this Resolution under the "Blue Sky" laws of any state and such similar laws of the United States, if such be hereafter required in the opinion of counsel to the Issuer.

Section 11.02. Amendments Requiring Consent of Registered Owner. Except for the amendments, changes or modifications as

provided in Section 11.01 hereof, the Issuer or the Trustee, if any, shall not consent to any other amendment, change or modification of the Loan Agreement without notice to and the consent of the Registered Owner at the time outstanding given and procured in the same fashion as in Section 10.03 of this Resolution providing for supplemental resolutions.

ARTICLE XII

Approval and Execution of Documents; Effectiveness of Resolution

Section 12.01. Approval. The Bond Purchase Contract and the following documents (collectively the "Documents") as presented to the Board of Directors on this date, are hereby in all respects authorized, approved and confirmed:"

- A. the Loan Agreement;
- B. the Assignment;
- C. the Bond Purchase Contract;
- D. the Depository Agreement;
- E. the Bond; and
- F. the Security Document.

Pursuant to the Assignment, all right, title and interest in the Loan Agreement and the Security Document shall be assigned to the Registered Owner except for rights to indemnification and compensation which are hereby specifically retained. The Registered Owner is hereby authorized to exercise all rights granted to the Issuer as Beneficiary under the Security Document.

The Documents shall be in substantially the form as presented at this meeting with such necessary and appropriate variations, omissions and insertions as approved, permitted or required by the officer of the Issuer executing said Documents, provided that such changes shall be within the scope of the transactions authorized by the Act. Such execution shall be conclusive evidence of the due execution, on behalf of the Issuer, of such Documents, which shall thereupon become binding upon the Issuer in accordance with their terms as authorized by the Act.

Section 12.02. Execution. The Chairman of the Board of Directors and Secretary of the Issuer are hereby authorized to execute and deliver for and on behalf of the Issuer the Bond and the Documents in the fashion and within the scope set forth in the preceding Section, as well as any additional certificates, docu-

ments or other papers to perform all other acts as they deem necessary or appropriate to implement and carry out the matters herein authorized.

Section 12.03. Effectiveness of Resolution. This Resolution shall be in full force and effect from and after (a) its adoption by the Board of Directors of the Issuer and (b) approval of the issuance of the Bond by the Redmond City Council, all as provided by law. All resolutions or orders, or parts thereof, which conflict with the provisions of this Resolution are hereby waived to the extent of such conflict.

ARTICLE XIII

Miscellaneous

Section 13.01. Consents and Other Instruments of Registered Owner. Any consent, request, direction, approval, waiver, objection, appointment or other instrument required by this Resolution to be signed and executed by the Registered Owner may be signed and executed in any number of concurrent writings of similar tenor and may be signed or executed by such Registered Owner in person or by agent appointed in writing. Proof of the execution of any such instrument, if made in the following manner, shall be sufficient for any of the purposes of this Resolution, and shall be conclusive in favor of the Issuer with regard to any action taken under such instrument, namely:

A. The fact and date of the execution by any person of any such instrument may be proved by the affidavit of a witness to such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such instrument acknowledged to him the execution thereof. When such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such affidavit or certificate shall also constitute sufficient proof of his authority.

B. Any request, consent or vote of the Registered Owner shall bind every future Registered Owner of the same Bond and the Registered Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or permitted to be done by the Issuer in pursuance of such request, consent or vote.

Section 13.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or to be implied from this Resolution or the Bond is intended or shall be construed to give to any person other than the parties hereto, the the Partnership and the Registered Owner any legal or equitable

right, remedy, or claim under or in respect to this Resolution or any covenants, conditions and provisions hereof.

Section 13.03. Severability. If any provision of this Resolution shall be held or deemed to be, or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution, statute, rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or sections of this Resolution shall not affect the remaining portions of this Resolution, or any part thereof.

Section 13.04. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by certified mail, return receipt requested, postage prepaid, and addressed as provided in the Loan Agreement.

ADOPTED AND APPROVED at a special meeting of the Board of Directors held this June 25, 1985.

REDMOND PUBLIC CORPORATION

By


Chairman of the Board
of Directors

Attest:

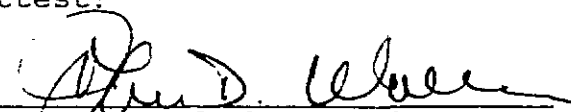

Secretary of the Board
of Directors

Exhibit A

Project Facilities Description

The Project Facilities consist of the acquisition of approximately 3.7 acres of land at 7140 180th N.E. Street, in the City of Redmond, and the construction of a building of approximately 67,000 square feet. The building will be leased to M & R Industries which manufactures exercise equipment (rowing machines, exercise bikes and treadmills). Approximately 7,000 square feet will be used by M & R Industries for office space. The building also includes dock high truck facilities and concrete tilt-up construction.


CERTIFICATE

I, the undersigned, Secretary of the Board of Directors of Redmond Public Corporation (herein called the "Development Corporation"), DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution numbered 85-~~7~~ (herein called the "Resolution") of the Development Corporation as adopted at a meeting of the Board of Directors of the Development Corporation held on June 25, 1985, 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 a legal quorum was present throughout the meeting and a legally sufficient number of members of the Board of Directors 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 and affixed the official seal of the Development Corporation this 26th day of June, 1985.


Secretary

[DEVELOPMENT CORPORATION SEAL]