

PORT OF MANCHESTER, KITSAP COUNTY, WASHINGTON

RESOLUTION NO. 6-10

- A RESOLUTION of the Port Commission of the Port of Manchester, Kitsap County, Washington, providing for the issuance and sale of \$474,000 principal amount of limited tax general obligation and refunding bonds to refund certain outstanding limited tax general obligation bonds of the Port and to provide funds for certain acquisitions and improvements to Port facilities; appointing an escrow agent and making other provisions for redemption of the outstanding bonds; authorizing the form and terms of the bonds; and authorizing the sale of the bonds.

ADOPTED: April 26, 2010

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WHEREAS, the Port Commission (the "Commission") of the Port of Manchester, Kitsap County, Washington (the "Port"), deems it necessary and in the best interest of the citizens of the Port to acquire and construct additional public parking to serve the launch ramp at the Port's Manchester dock and the adjacent waterfront recreational facilities (the "Project"); and

WHEREAS, pursuant to RCW chs. 53.36 and 39.46, the Port is authorized to borrow money to pay costs of the Project through the issuance of nonvoted general obligation bonds of the Port (the "Project Bonds"); and

WHEREAS, to pay costs of the Project, pursuant to Resolution No. 5-09 of the Commission, passed on April 7, 2009, the Port issued its Limited Tax General Obligation Bond, 2009 (Wells Fargo Bank Line of Credit), under date of April 14, 2009, in the original principal amount of not to exceed \$160,000 (the "2009 Bond"), which has a balance outstanding of approximately \$104,000; and

WHEREAS, Resolution No. 5-09 provides that the Port may prepay the 2009 Bond in whole or in part at any time by paying the principal amount thereof to be prepaid together with accrued interest to the date of prepayment, with no prepayment penalty; and

WHEREAS, pursuant to Resolution No. 1-97 of the Commission, passed on February 10, 1997, the Port issued its Limited Tax General Obligation Bonds, 1997, under date of April 1, 1997, in the original aggregate principal amount of \$285,000 (the "1997 Bonds"), which remain outstanding as follows:

Maturities (December 1)	Principal Amounts	Interest Rates
2010	\$15,000	5.70%
2011	15,000	5.75
2012	15,000	5.80
2013	20,000	5.85
2014	20,000	5.90
2015	20,000	5.90
2016	20,000	5.95
2017	25,000	5.95

; and

WHEREAS, Resolution No. 1-97 authorizes the defeasance and redemption of the 1997 Bonds maturing on and after December 1, 2008 in advance of their scheduled maturities in whole or in part on any date on and after December 1, 2007, at a price of par plus accrued interest to the date of redemption; and

WHEREAS, pursuant to Resolution No. 2-98, passed on June 8, 1998, the Port issued its Limited Tax General Obligation Bonds, 1998, under date of July 1, 1998, in the original aggregate principal amount of \$200,000 (the "1998 Bonds"), which remain outstanding as follows:

Maturities (December 1)	Principal Amounts	Interest Rates
2010	\$10,000	5.20%
2011	10,000	5.30
2012	10,000	5.40
2013	10,000	5.45
2014	15,000	5.50
2015	15,000	5.55
2016	15,000	5.55
2017	15,000	5.60
2018	15,000	5.60

; and

WHEREAS, Resolution No. 2-98 authorizes the defeasance and redemption of the 1998 Bonds maturing on and after December 1, 2009 in advance of their scheduled maturities in whole or in part on any date on and after December 1, 2008, at a price of par plus accrued interest to the date of redemption; and

WHEREAS, after due consideration it appears to the Commission that debt service savings may be obtained and long-term financing for costs of the Project provided by issuing limited tax general obligation refunding bonds of the Port (the "Refunding Bonds") (i) to prepay in full the 2009 Bond on the date of issuance of the Refunding Bonds, as permitted under the

terms of the resolution authorizing the issuance of the 2009 Bond, and (ii) to pay and redeem the 1997 Bonds and 1998 Bonds (the “Escrowed Bonds”) through a current refunding escrow as soon after the date of issuance of the Refunding Bonds as permitted under the terms of the resolutions authorizing the issuance of the Escrowed Bonds; and

WHEREAS, the Project Bonds and the Refunding Bonds may be issued and sold as a single series of bonds (the “Bonds”), and the Port has received the offer of Martin Nelson & Company (the “Underwriter”) to purchase the Bonds on the terms and conditions set forth herein; and

WHEREAS, it appears to the Commission that it is in the best interests of the Port that the Bonds be sold to the Underwriter on the terms set forth in its purchase offer and in this resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF MANCHESTER, KITSAP 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.

Acquired Obligations means the Government Obligations to be acquired by the Port pursuant to Section 9 of this resolution to effect the refunding of the Escrowed Bonds.

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

Bonds means the Project Bonds and the Refunding Bonds, issued as a single series designated as the Port’s Limited Tax General Obligation and Refunding Bonds, 2010, as provided in this resolution.

Bond Fund means the “Port of Manchester General Obligation Bond Redemption Fund” created or maintained pursuant to Section 7 to pay principal of and interest on the Bonds.

Bond Purchase Contract means the contract for the purchase and underwriting of the Bonds authorized to be entered into between the Port and the Underwriter pursuant to Section 11 of this resolution.

Bond Register means the registration books showing the name, address and tax identification number of each Registered Owner of the Bonds, maintained pursuant to Section 149(a) 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 of the applicable date that is five years after the date of issuance of such Bonds, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bonds.

Code means the federal Internal Revenue Code of 1986, as amended from time to time, and shall include all applicable regulations and rulings relating thereto.

Commission means the Commission of the Port, its general legislative body, or any successor thereto as provided by law.

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 3 hereof.

Escrow Agent means The Bank of New York Mellon, New York, New York.

Escrow Agreement means that agreement to provide for refunding the Escrowed Bonds, dated as of the date of delivery of the Bonds, entered into by the Port and the Escrow Agent pursuant to Section 10 of this resolution in substantially the form attached hereto as Exhibit A.

Escrowed Bonds means the 1997 Bonds and the 1998 Bonds authorized to be refunded as provided in this resolution and in the Escrow Agreement.

Government Obligations means 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.

Net Proceeds means the principal amount of such Bonds, plus accrued interest and original issue premium, if any, and less original issue discount, if any.

Port means the Port of Manchester, Kitsap County, Washington, a political subdivision duly organized and existing under and by virtue of the 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.

Project means the acquisition and construction of additional public parking to serve the launch ramp at the Manchester dock and the adjacent waterfront recreational facilities.

Project Bonds means the limited tax general obligation bonds of the Port in the principal amount of \$200,000, issued pursuant to this resolution to pay costs of the Project.

Project Fund means the Port of Manchester Capital Projects Fund.

Refunded Bonds means the 1997 Bonds, 1998 Bonds and 2009 Bond.

Refunding Account means the Port of Manchester 2010 Limited Tax General Obligation Refunding Account authorized to be established and held by the Escrow Agent pursuant to Section 9(b).

Refunding Bonds means the limited tax general obligation bonds of the Port in the principal amount of \$274,000, issued pursuant to this resolution to refund the Refunded Bonds.

Registered Owner means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC shall be deemed to be the sole Registered Owner.

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.

Tax Certificate means the Federal Tax Certificate dated the date of issuance of the Bonds, executed by the Port, relating to the use of proceeds of the Bonds and compliance with federal tax requirements.

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

1997 Bonds mean the Port's Limited Tax General Obligation Bonds, 1997, issued pursuant to Resolution No. 1-97 under date of April 1, 1997, in the original principal amount of \$285,000.

1998 Bonds means the Port's Limited Tax General Obligation Bonds, 1998, issued pursuant to Resolution No. 2-98 under date of July 1, 1998, in the original principal amount of \$200,000.

2009 Bond means the Port's Limited Tax General Obligation Bond, 2009 (Wells Fargo Bank Line of Credit), issued pursuant to Resolution No. 5-09 under date of April 14, 2009, in the original principal amount of not to exceed \$160,000.

Underwriter means Martin Nelson & Company, 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 of this resolution.

(f) Whenever any consent or direction is required to be given by the Port, such consent or direction shall be deemed given when given by a Port Manager.

Section 2. Project; Authorization and Description of the Bonds.

(a) *Project.* The Port is in need of capital improvements at the Manchester dock. The Port intends to acquire and construct additional public parking to serve the launch ramp at the Manchester dock and the adjacent waterfront recreational facilities (the “Project”).

(b) *Authorization and Description of the Bonds.* For the purpose of paying a portion of the costs of the Project and refunding the Refunded Bonds and thereby effecting a savings to the Port, providing long-term financing for costs of the Project, and paying costs of issuance of the Bonds, the Port shall issue its limited tax general obligation and refunding bonds. Such bonds shall be designated as the “Port of Manchester, Kitsap County, Washington, Limited Tax General Obligation and Refunding Bonds, 2010,” and issued in the aggregate principal amount \$474,000 (the “Bonds”). The Bonds shall be dated as of their date of issuance and delivery to the Underwriter, shall be fully registered as to both principal and interest, shall be in the denomination of \$1,000 each, or any integral multiple thereof, provided that no Bond shall represent more than one maturity, shall be numbered separately in such manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall bear interest from their date at the rates set forth below, payable on December 1, 2010, and semiannually thereafter on the first days of each June and December and shall mature on December 1 in the years and principal amounts set forth below:

Maturity Year (December 1)	Principal Amount ¹	Interest Rate
2010	\$ 14,000-R	1.00%
2011	28,000-R	1.00
2012	27,000-R	1.50
2013	35,000-R	1.90
2014	39,000-R	2.25
2015	38,000-R	2.60
2016	37,000-R	3.00
2017	41,000-R	3.30
2018	15,000-R	3.60
2019	15,000	3.80
2020	15,000	4.00
2021	15,000	4.15
2022	15,000	4.25
2023	20,000	4.30
2024	20,000	4.40
2029	100,000	5.00

Section 3. Registration, Payment and Transfer.

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

(b) *Registered Ownership.* The Port and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes, and neither the Port nor the Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 3(h) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 3(h)

¹ Principal amounts designated with a "-R" represent Refunding Bonds. The remaining principal amounts represent Project Bonds.

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/Letter of Representations.* To induce DTC to accept the Bonds as eligible for deposit at DTC, the Port has executed and delivered to DTC a Letter of Representations.

Neither the Port nor the 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 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 such Bond is paid.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of "CEDE & Co.", as nominee of DTC, with one Bond 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 Port Manager pursuant to subsection (ii) below or such substitute depository's successor; or (C) to any person as provided in subsection (iv) 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 Port Manager to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Port Manager 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 Registrar shall, upon receipt of all outstanding Bonds, together with a written request

on behalf of the Port Manager, 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 Port Manager.

(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 Port Manager 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 Port Manager shall deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Registrar of all then outstanding Bonds together with a written request on behalf of the Port Manager to the 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 such Bond is surrendered to the 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 Registrar. Upon such surrender, the 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, 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 Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination. The Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding the date any such Bond is to be redeemed.

(f) *Registrar's Ownership of Bonds.* The Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the 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 cancelled, 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.* The principal of and interest on the Bonds shall be payable in lawful money of the United States of America. The interest on the Bonds shall be calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Bonds are

in fully-immobilized form, such payments of principal and interest thereon shall be made as provided in the operational arrangements of DTC as referred to in the Letter of Representations.

In the event that the Bonds are no longer in fully-immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners of the Bonds at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Registrar.

Section 4. Optional Redemption; Purchase of Bonds.

(a) *Optional Redemption.* The Bonds maturing on or after December 1, 2020, are subject to redemption at the option of the Port on and after June 1, 2020, in whole or in part on any date (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.

(b) *Mandatory Redemption.* The 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.

Term Bonds

Year	Amount
2025	\$ 20,000
2026	20,000
2027	20,000
2028	20,000
2029*	20,000

* 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 Port.

(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 Port.

(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 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 Registrar) in increments of \$1,000. In the case of a Bond of a denomination greater than \$1,000, the Port and the Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$1,000 as is obtained by dividing the actual principal amount of such Bond by \$1,000. 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 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 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 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 Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the 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 Bond Register or at such other address as is furnished in writing by such Registered Owner to the 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 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 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 Registrar.

On or prior to any redemption date, the Port shall deposit with the 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 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 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 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 4, 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 5. Form of Bonds.

The Bonds shall be in substantially the following form:

NO. _____ UNITED STATES OF AMERICA \$ _____

STATE OF WASHINGTON
PORT OF MANCHESTER
KITSAP COUNTY
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BOND, 2010

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

REGISTERED OWNER: CEDE & Co.

PRINCIPAL AMOUNT:

THE PORT OF MANCHESTER, KITSAP COUNTY, 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 the date hereof 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 June and December.

Principal of, premium, if any, and interest on this bond are payable in lawful money of the United States of America. Interest shall be paid 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") between the Port and DTC. Principal also shall be payable in accordance with the operational arrangements referred to in the foregoing sentence to the Registered Owner or assigns. The fiscal agency of the State of Washington has been appointed as the registrar, paying agent and authenticating agent for the Bonds (the "Registrar"). Capitalized terms used in this bond which are not specifically defined have the meanings given such terms in the hereinafter defined Bond Resolution.

This bond is one of an authorized issue of bonds of like date and tenor, except as to number, amount, rate of interest and date of maturity in the aggregate principal amount of \$474,000 (the "Bonds"), and is issued pursuant to Resolution No. 6-10 (the "Bond Resolution") for the purpose of providing funds for certain acquisitions and improvements to Port facilities and to refund certain outstanding general obligation bonds of the Port.

The Bonds are subject to redemption prior to their stated maturities as stated in the Bond Resolution.

The Bonds are not “private activity bonds” as such term is defined in the Internal Revenue Code of 1986, as amended (the “Code”). The Port has designated the Bonds as “qualified tax exempt obligations” within the meaning of Section 265(b) of the Code.

The Port has irrevocably covenanted with the owners of the Bonds that it will annually include in its budget and levy taxes on all taxable property in the Port, within and as part of the property taxes authorized by law to be levied by the Port without a vote of the people, in an amount that, together with other lawfully available funds, will be sufficient to pay when due the principal of and interest on the Bonds. The full faith, credit and resources of the Port have been irrevocably pledged for the annual levy and collection of those taxes and the prompt payment of that 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 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 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 Manchester, Kitsap County, Washington, has caused this bond to be executed by the manual or facsimile signatures of the President and Secretary of the Port Commission as of this 10th day of May, 2010.

PORT OF MANCHESTER, KITSAP
COUNTY, 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

Date of Authentication: _____, 2010

This is one of the Limited Tax General Obligation and Refunding Bonds, 2010, of the Port of Manchester, Kitsap County, Washington, dated May 10, 2010, as described in the Bond Resolution.

WASHINGTON STATE FISCAL
AGENCY, as Registrar

By _____

In the event any Bonds are no longer in fully immobilized form, the form of such Bonds may be modified to conform to printing requirements and the terms of this resolution.

Section 6. 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.

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 7. Bond Fund and Provision for Tax Levy Payments. A special fund of the Port known as the "Port of Manchester General Obligation Bond Redemption Fund" (the "Bond Fund") has been created 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 irrevocably covenants with the owners of the Bonds that it will annually include in its budget and levy taxes on all taxable property in the Port, within and as part of the property taxes authorized by law to be levied by the Port without a vote of the people, in an

amount that, together with other lawfully available funds, will be sufficient to pay when due the principal of and interest on the Bonds. The full faith, credit and resources of the Port are hereby irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

Section 8. Defeasance. In the event that the Port, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities that, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this resolution except the right to receive payment of principal, premium, if any, and interest from such special account, and such Bond shall be deemed to be not outstanding under this resolution.

The Registrar shall give written notice of defeasance to the owners of all Bonds so provided for within 20 days of the defeasance.

Section 9. Application of Bond Proceeds; Plan of Refunding.

(a) *Project Bond Proceeds.* The Port shall establish a fund designated the “Capital Projects Fund” (the “Project Fund”) into which the proceeds of the Project Bonds (other than accrued interest) shall be deposited. Money on hand in the Project Fund shall be used to pay or reimburse costs of the Project. The Treasurer may invest money in the Project Fund in legal investments for Port funds. Earnings on such investments shall accrue to the benefit of the fund earning such interest. Any part of the proceeds of the Project Bonds remaining in the Project Fund after all costs of the Project have been paid (including costs of issuance) may be used for any capital purpose of the Port or may be transferred to the Bond Fund.

(b) *Refunding Bond Proceeds; Refunding Account.* On the date of issuance of the Bonds, proceeds of the Refunding Bonds in an amount sufficient to prepay in full the principal of and interest on the 2009 Bond shall be paid to the registered owner of the 2009 Bond. The Treasurer shall give notice of prepayment to the registered owner of the 2009 Bond in accordance with Resolution No. 5-09 authorizing issuance of the 2009 Bond.

The Bank of New York Mellon, New York, New York, is hereby appointed as Escrow Agent for the Escrowed Bonds (the “Escrow Agent”). There is hereby authorized to be established a special account of the Port, to be held by the Escrow Agent and designated as the Port of Manchester 2010 Limited Tax General Obligation Refunding Account (the “Refunding Account.”). The balance of the proceeds of sale of the Refunding Bonds shall be delivered to the Escrow Agent, together with any additional funds of the Port if necessary, to be deposited into the Refunding Account and applied to refund the Escrowed Bonds and pay the costs of issuance of the Bonds. Such funds shall be used by the Escrow Agent immediately upon receipt thereof in

accordance with the terms of the Escrow Agreement to defease and redeem the Escrowed Bonds and to pay costs of issuance of the Bonds. The Escrow Agent will purchase Government Obligations (which obligations so purchased, are herein called "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times that, together with any necessary beginning cash balance, will provide for the payment of the Escrowed Bonds.

The Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to acquired obligations in connection with refunding bond issues. The proceeds of the Refunding Bonds remaining after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the Bonds and/or returned to the Port for the payment of such expenses.

Section 10. Call For Redemption of Refunded Bonds and Escrow Agreement.

(a) *Call For Redemption of the Refunded Bonds.* The Port hereby irrevocably sets aside sufficient funds out of the proceeds of the Refunding Bonds and other Port funds, if necessary, to pay and redeem the Refunded Bonds. The Port shall irrevocably call the 2009 Bond for redemption on May 10, 2010, and the Escrowed Bonds for redemption on June 9, 2010, in accordance with the terms of the resolutions authorizing the prepayment and redemption and retirement of the Refunded Bonds prior to their fixed maturities. Said defeasance and call for redemption of the Escrowed Bonds shall be effective and irrevocable after the final establishment of the escrow account and delivery of the Acquired Obligations to the Escrow Agent.

The Escrow Agent is hereby authorized and directed to provide for the giving of notices of the defeasance and redemption of the Escrowed Bonds in accordance with the applicable provisions of Resolution Nos. 1-97 and 2-98. The Treasurer is authorized and requested to provide whatever assistance is necessary to accomplish such defeasance and redemption and the giving of notices therefor. The costs of publication of such notices shall be an expense of the Port.

The Escrow Agent is hereby authorized and directed to pay to the fiscal agency of the State of Washington, sums sufficient to pay, when due, interest on the Escrowed Bonds coming due on each date on which interest is due and payable, to and including June 9, 2010, and the redemption price of the Escrowed Bonds (100% of the principal amount thereof) on June 9, 2010. All such sums shall be paid from the money and Acquired Obligations deposited with the Escrow Agent pursuant to the previous section of this resolution, and the income therefrom and proceeds thereof. All money and Acquired Obligations deposited with the Escrow Agent and any income therefrom shall be credited to the Refunding Account and held, invested and applied in accordance with the provisions of this resolution and with the laws of the State of Washington for the benefit of the Port and owners of the Escrowed Bonds.

The Port will take such actions as are found necessary to see that all necessary and proper fees, compensation and expenses of the Escrow Agent for the Escrowed Bonds shall be paid when due.

(b) *Escrow Agreement.* The Port Manager is authorized and directed to execute and deliver to the Escrow Agent an Escrow Deposit Agreement in substantially the form attached to this resolution as Exhibit A, with such changes or modifications as the Port Manager, with the advice of bond counsel to the Port, considers necessary or advisable.

The Port hereby irrevocably sets aside for and pledges to the payment of the Escrowed Bonds the money and obligations to be deposited with the Escrow Agent pursuant to the Escrow Agreement to accomplish the plan of refunding of the Escrowed Bonds set forth herein and in the Escrow Agreement. When all of the Escrowed Bonds have been redeemed and retired, the Port may cause any remaining money to be transferred to the Bond Fund.

(c) *Finding of Defeasance.* The Commission hereby finds and determines that the money and Acquired Obligations to be deposited with the Escrow Agent to pay the principal and interest due and to become due on the Escrowed Bonds are sufficient to pay such amounts and will discharge and satisfy the obligations of the Port under Resolution Nos. 1-97 and 2-98 and the pledges, charges, trusts, covenants and agreements of the Port therein made. The Escrowed Bonds shall be deemed to be defeased and no longer outstanding immediately upon the deposit of such money and Acquired Obligations with the Escrow Agent.

Section 11. Sale of the Bonds. The Bonds shall be sold by negotiated sale to the Underwriter, under the terms and conditions thereof as provided in the Bond Purchase Contract presented to the Commission at this meeting and in this resolution. The Port Manager is hereby authorized and directed to execute the Bond Purchase Contract. The Port Manager 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 April 22, 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) *Tax Exemption.* The Port covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Bonds and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bonds.

(b) *Bank Designation.* The Port has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The Port does not expect to issue more than \$30,000,000 in qualified tax exempt obligations in 2010.

(c) *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 that may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Code that will cause the Bonds to be

“arbitrage bonds” within the meaning of said section. 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.

(d) *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 allocated to 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 allocable to 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 Governmental Project 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 Governmental Project, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the Governmental Project to which the Private Person Use of such portion of the Governmental Project relates. The Port further covenants that it will comply with any limitations on the use of the Governmental Project 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

(e) *Arbitrage Rebate.* The Port will pay to the United States of America in accordance with the provisions of the Tax Certificate all rebatable arbitrage determined to be due with respect to the Bonds.

(f) Modification of Tax Covenants. The covenants of this Section 12 are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds. To that end, the provisions of this Section 12 may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the Port's bond counsel that such modification or elimination will not adversely affect the tax exemption of interest on any Bonds.

Section 13. No Undertaking to Provide Ongoing Disclosure. The Port is exempt from the ongoing disclosure requirements of Securities and Exchange Commission Rule 15c2-12 by reason of the exemption set forth in subsection (d)(i) of that rule with respect to the issuance of securities in the principal amount of \$1,000,000 or less.

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.

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 Manchester, Kitsap County, Washington, held this 26th day of April, 2010.

PORT OF MANCHESTER, KITSAP COUNTY,
WASHINGTON

By _____
President and Commissioner

By _____
Vice President and Commissioner

By _____
Secretary and Commissioner

**ESCROW DEPOSIT AGREEMENT
PORT OF MANCHESTER, KITSAP COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2010**

THIS ESCROW AGREEMENT, dated as of May 10, 2010 (herein, together with any amendments or supplements hereto, called the “Agreement”) is entered into by and between the PORT OF MANCHESTER, KITSAP COUNTY, WASHINGTON (herein called the “Port”) and THE BANK OF NEW YORK MELLON, NEW YORK, NEW YORK, as escrow agent (herein, together with any successor in such capacity, called the “Escrow Agent”). The notice addresses of the Port and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

WITNESSETH:

WHEREAS, the Port heretofore has issued and there presently remain outstanding the obligations described in Exhibit B attached hereto (the “Escrowed Bonds”); and

WHEREAS, pursuant to Resolution No. 6-10 adopted on April 26, 2010 (the “Bond Resolution”), the Port has determined to issue its Limited Tax General Obligation and Refunding Bonds, 2010 (the “Bonds”), a portion of the proceeds of which are being used to refund the Escrowed Bonds; and

WHEREAS, the Escrow Agent has reviewed this Agreement, and is willing to serve as Escrow Agent hereunder; and

WHEREAS, pursuant to the Bond Resolution, the Escrowed Bonds have been designated for redemption prior to their scheduled maturity dates and, after provision is made for such redemption, the Escrowed Bonds will come due in such year, bear interest at such rates, and be payable at such times and in such amounts as are set forth in Exhibit C attached hereto and made a part hereof; and

WHEREAS, the Port desires that, concurrently with the delivery of the Escrowed Bonds to the purchasers thereof, the proceeds of the Escrowed Bonds, together with certain other available funds of the Port, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the “Acquired Obligations” for deposit to the credit of the Refunding Account established pursuant to the Bond Resolution and held by the Escrow Agent in accordance with this Agreement and to establish a beginning cash balance (if needed) in such Refunding Account; and

WHEREAS, the Acquired Obligations shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide money that, together with cash balances from time to time on deposit in the Refunding Account, will be sufficient to pay interest on the Escrowed Bonds as it accrues and becomes payable and the redemption price of the Escrowed Bonds on the redemption date therefor; and

WHEREAS, to facilitate the receipt and transfer of proceeds of the Acquired Obligations, particularly those in book-entry form, the Port desires to establish the Refunding Account at the corporate trust office of the Escrow Agent in Seattle, Washington; and

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the Escrowed Bonds, the Port and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

Article 1. Definitions

Section 1.1. Definitions.

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

Acquired Obligations means the noncallable Government Obligations described in Exhibit D attached to this Agreement, or cash or other noncallable obligations substituted therefor pursuant to Section 4.2 of this Agreement.

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.

Government Obligations means direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations - State and Local Government Series, (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

Paying Agent means the fiscal agency of the State of Washington, as the paying agent for the Escrowed Bonds.

Refunding Account means the account by that name established within the Bond Fund pursuant to Section 9 of the Bond Resolution and maintained by the Escrow Agent under this Agreement

Treasurer means the Kitsap County Treasurer as ex officio treasurer for the Port.

Section 1.2. Other Definitions.

The terms "Agreement," "Bond Resolution," "Bonds," "Escrow Agent," "Escrowed Bonds" and "Port," when they are used in this Agreement, have the meanings assigned to them in the preamble to this Agreement.

Section 1.3. Interpretations.

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Escrowed Bonds in accordance with applicable law.

Article 2. Deposit of Funds and Acquired Obligations

Section 2.1. Deposits in the Refunding Account.

Concurrently with the sale and delivery of the Bonds the Port shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Refunding Account, the funds sufficient to purchase the Acquired Obligations, establish a cash balance and pay costs of issuance described in Exhibit D attached hereto, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Port in writing and purchase the Acquired Obligations described in Exhibit D attached hereto.

Article 3. Creation and Operation of Refunding Account

Section 3.1. Refunding Account.

The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Port of Manchester 2010 Limited Tax General Obligation Bond Refunding Account (the "Refunding Account"). The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Refunding Account the funds and the Acquired Obligations described in Exhibit D attached hereto. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Refunding Account, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of (i) the principal of and interest on the Escrowed Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2 hereof, and (ii) costs of issuance. When the final transfers have been made for the payment of such principal of and interest on the Escrowed Bonds, any balance then remaining in the Refunding Account shall be transferred to the Port, and the Escrow Agent shall thereupon be discharged from any further duties hereunder. Immediately after payment in full of all costs of issuance as described in Exhibit D, any remaining funds in the Refunding Account attributable to costs of issuance shall be transferred to the Port

Section 3.2. Payment of Principal and Interest.

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances from time to time on deposit in the Refunding Account, the amounts required to pay the redemption price of the Escrowed Bonds on their redemption date and interest

thereon to such redemption date in the amounts and at the times shown in Exhibit C attached hereto.

Section 3.3. Sufficiency of Refunding Account.

The Port represents that, based upon the information provided by Martin Nelson & Company, the successive receipts of the principal of and interest on the Acquired Obligations will assure that the cash balance on deposit from time to time in the Refunding Account will be at all times sufficient to provide money for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Escrowed Bonds as such interest comes due and the principal of the Escrowed Bonds as the Escrowed Bonds are paid on an optional redemption date prior to maturity, all as more fully set forth in Exhibit E attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Refunding Account shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2. hereof, the Port shall timely deposit in the Refunding Account, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Refunding Account or the Port's failure to make additional deposits thereto.

Section 3.4. Trust Fund.

The Escrow Agent or its affiliate, shall hold at all times the Refunding Account, the Acquired Obligations and all other assets of the Refunding Account, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Acquired Obligations or any other assets of the Refunding Account to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Refunding Account only as set forth herein. The Acquired Obligations and other assets of the Refunding Account shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Escrowed Bonds; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Port, and the Escrow Agent shall have no right to title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement.

Article 4. Limitation on Investments

Section 4.1. Investments.

Except for the initial investment in the Acquired Obligations, and except as provided in Section 4.2 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Acquired Obligations, or to sell, transfer, or otherwise dispose of the Acquired Obligations.

Section 4.2. Substitution of Securities.

At the written request of the Port, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Refunding Account, or sell, transfer, otherwise dispose of or request the redemption of the Acquired Obligations and apply the proceeds therefrom to purchase Escrowed Bonds or Government Obligations which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a firm of certified public accountants that such transaction will not cause the amount of money and securities in the Refunding Account to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Escrowed Bonds as they become due, taking into account any optional redemption thereof exercised by the Port in connection with such transaction; and (b) the Escrow Agent shall have received the unqualified written legal opinion of the Port's bond counsel or tax counsel to the effect that such transaction will not cause any of the Bonds or Escrowed Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Section 2.1, 3.2, and 4.2, no withdrawals, transfers, or reinvestment shall be made of cash balances in the Refunding Account. Cash balances shall be held by the Escrow Agent in U.S. currency and shall not be reinvested by the Escrow Agent, except as directed or authorized herein. Except as provided in Section 2.1, 3.2 and 4.2 hereof, no withdrawals, transfers or reinvestment shall be made of cash balances in the Refunding Account. Cash balances shall be held by the Escrow Agent in United States currency as cash balances as shown on the books and records of the Escrow Agent and, except as provided herein, shall not be reinvested by the Escrow Agent; provided, however, a conversion to currency shall not be required (i) for so long as the Escrow Agent's internal rate of return does not exceed 20%, or (ii) if the Escrow Agent's internal rate of return exceeds 20%, the Escrow Agent receives a letter of instructions, accompanied by the opinion of nationally recognized bond counsel, approving the assumed reinvestment of such proceeds at such higher yield.

Article 6. Redemption of Escrowed Bonds

Section 6.1. Call for Redemption.

The Port hereby irrevocably calls the Escrowed Bonds for redemption on their earliest redemption date as shown on Appendices A-1 through A-4 attached hereto.

Section 6.2. Notices of Redemption/Notices of Defeasance.

The Escrow Agent hereby agrees to provide a copy of the notices of defeasance, substantially in the form attached hereto as Appendices A-1 and A-4, immediately upon the execution of this Agreement to the Paying Agent and to confirm that the Paying Agent shall

distribute a copy of the notice of defeasance to each owner of the Escrowed Bonds. The Escrow Agent hereby agrees to arrange for the delivery of notices of redemption of the Escrowed Bonds, which notices shall be in substantially the form attached hereto as Appendices A-1 through A-4. Notices of redemption shall be given in accordance with Resolution Nos. 1-97 and 2-98 authorizing the Escrowed Bonds. The Escrow Agent shall coordinate the delivery with the Paying Agent. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Escrowed Bonds. The Port agrees to pay or have paid all costs incurred by the Escrow Agent, as Escrow Agent, in giving those notices.

Article 7. Records and Reports

Section 7.1. Records.

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Acquired Obligations deposited to the Refunding Account and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

Section 7.2. Reports.

While this Agreement remains in effect, the Escrow Agent monthly shall prepare and send to the Treasurer, a written report summarizing all transactions relating to the Refunding Account, including, without limitation, credits to the Refunding Account as a result of interest payments on or maturities of the Acquired Obligations and transfers from the Refunding Account for payments on the Escrowed Bonds or otherwise, together with a detailed statement of all Acquired Obligations and the cash balance on deposit in the Refunding Account as of the end of such period.

Article 8. Concerning the Paying Agents and Escrow Agent

Section 8.1. Representations.

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 8.2. Limitation on Liability.

The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Escrowed Bonds shall be limited to the proceeds of the Acquired Obligations and the cash balances from time to time on deposit in the Refunding Account. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Refunding Account or

any failure of the obligors of the Acquired Obligations to make timely payment thereon, except for the obligation to notify the Port promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Bonds shall be taken as the statements of the Port and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not a party to the proceedings authorizing the Bonds or the Escrowed Bonds and is not responsible for nor bound by any of the provisions thereof (except to the extent that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrant therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Refunding Account, or any part thereof, or as to the title of the Port thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own neglect or willful misconduct, nor for any loss unless the same shall have been through its negligence or bad faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Port with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Refunding Account, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own willful misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Port or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Port at any time.

Section 8.3. Compensation.

The Port shall pay to the Escrow Agent fees for performing the services hereunder and for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement pursuant to the terms of the Fee Schedule attached hereto as Appendix B. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Refunding Account for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

Section 8.4. Successor Escrow Agents.

Any corporation, association or other entity into which the Escrow Agent may be converted or merged, or with which it may be consolidated, from any such conversion, merger or consolidation, *ipso facto*, shall be and become successor escrow agent hereunder, vested with all other matters as was its predecessor, without the execution or filing of any instrument or any further act on the part of the parties hereto, notwithstanding anything herein to the contrary.

If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Port, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Port within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Escrowed Bonds then outstanding by an instrument or instruments in writing filed with the Port, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Escrowed Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or any state authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$100,000,000 and subject to the supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the Port and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Port shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.4 are satisfied; (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement; and (c) all of the Acquired Obligations and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent.

Article 9. Miscellaneous

Section 9.1. Notice.

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the Port or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten days prior notice thereof.

Section 9.2. Termination of Responsibilities.

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Port, the owners of the Escrowed Bonds or to any other person or persons in connection with this Agreement.

Section 9.3. Binding Agreement.

This Agreement shall be binding upon the Port and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Escrowed Bonds, the Port, the Escrow Agent and their respective successors and legal representatives.

Section 9.4. Severability.

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 9.5. Washington Law Governs.

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Washington.

Section 9.6. Time of the Essence.

Time is of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 9.7. Notice to Moody's and S&P.

If this agreement or any provision thereof is severed, amended or revoked, the Port will provide written notice of such severance, amendment or revocation to Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York, 10007, Attention: Public Finance Rating Desk/Refunded Bonds, and to Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, Attention: Refunded Bonds Municipal Bond Department.

Section 9.8. Amendments.

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same is be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Escrowed Bonds. No such amendment shall be made without first receiving written confirmation from the rating agencies (if any) that have rated the Escrowed Bonds that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the Escrowed Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the Escrowed Bonds.

EXECUTED as of the date first written above.

**PORT OF MANCHESTER, KITSAP COUNTY,
WASHINGTON**

Port Manager

THE BANK OF NEW YORK MELLON

Authorized Signatory

- Exhibit A - Addresses of the Port, the Treasurer and the Escrow Agent
- Exhibit B - Description of the Escrowed Bonds
- Exhibit C - Schedule of Debt Service on the Escrowed Bonds
- Exhibit D - Description of Escrow Deposits
- Exhibit E - Refunding Account Cash Flow
- Appendix A-1 - Notice of Defeasance – 1997 Bonds
- Appendix A-2 - Notice of Redemption – 1997 Bonds
- Appendix A-3 - Notice of Defeasance – 1998 Bonds
- Appendix A-4 - Notice of Redemption – 1998 Bonds
- Appendix B - Fee Schedule

EXHIBIT A
Addresses of the Port and Escrow Agent

Port: Port of Manchester
P.O. Box 304
Manchester, WA 98353
Attention: Port Manager

Treasurer: Kitsap County Treasurer
614 Division Street, MS:32
Port Orchard, WA 98366
Attention: Treasurer

Escrow Agent: The Bank of New York Mellon
101 Barclay Street
Floor 7 West
New York, New York 10286
Attention: Edward Souter

EXHIBIT B
Description of the Escrowed Bonds

Port of Manchester, Kitsap County, Washington
Limited Tax General Obligation Bonds, 1997

Maturities (December 1)	Principal Amounts	Interest Rates
2010	\$15,000	5.70%
2011	15,000	5.75
2012	15,000	5.80
2013	20,000	5.85
2014	20,000	5.90
2015	20,000	5.90
2016	20,000	5.95
2017	25,000	5.95

Port of Manchester, Kitsap County, Washington
Limited Tax General Obligation Bonds, 1998

Maturities (December 1)	Principal Amounts	Interest Rates
2010	\$10,000	5.20%
2011	10,000	5.30
2012	10,000	5.40
2013	10,000	5.45
2014	15,000	5.50
2015	15,000	5.55
2016	15,000	5.55
2017	15,000	5.60
2018	15,000	5.60

EXHIBIT C
Schedule of Debt Service on Escrowed Bonds

Date	Interest	Principal/ Redemption Price	Total
6/1/2010	\$ 7,550.00	--	\$ 7,550.00
6/9/2010	<u>335.56</u>	<u>\$ 265,000.00</u>	<u>265,335.56</u>
Total:	\$ 7,885.56	\$ 265,000.00	\$ 272,885.56

EXHIBIT D
Escrow Deposit

I. Cash \$0.21

II. Other Obligations

<u>Description</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Total Cost</u>
SLG-Cert	6/1/2010	\$ 7,550	--	\$ 7,550.00
SLG-Cert	6/9/2010	<u>265,307</u>	0.130%	<u>265,307.00</u>
Total:		\$ <u>272,857</u>		\$ <u>272,857.00</u>

III. Costs of Issuance

Escrow Agent Fee (BONY)	\$ 350.00
Bond Counsel Fee (K&L Gates)	3,600.00
Rating Agency Fee (S&P)	<u>3,375.00</u>
TOTAL:	\$7,325.00

EXHIBIT E
Refunding Account Cash Flow

<u>Date</u>	<u>Escrow Requirement</u>	<u>Net Escrow Receipts</u>	<u>Excess Receipts</u>	<u>Cash Balance</u>
5/10/2010	--	\$ 0.21	\$ 0.21	\$ 0.21
6/1/2010	\$ 7,550.00	7,550.00	0.00	0.21
6/9/2010	<u>265,335.56</u>	<u>265,335.35</u>	<u>(0.21)</u>	0.00
Total:	\$ 272,885.56	\$ 272,885.56	0.00	

APPENDIX A-1
Notice of Defeasance
Port of Manchester, Kitsap County, Washington
Limited Tax General Obligation Bonds, 1997

NOTICE IS HEREBY GIVEN to the owners of that portion of the above-captioned bonds with respect to which, pursuant to an Escrow Agreement dated May 10, 2010, by and between the Port of Manchester, Kitsap County, Washington (the "Port"), and The Bank of New York Mellon (the "Escrow Agent"), the Port has deposited into an escrow account, held by the Escrow Trustee, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money sufficient to pay each year, to and including the redemption date of such bonds so provided for, the principal thereof and interest thereon (the "Defeased Bonds"). Such Defeased Bonds are therefore deemed to be no longer outstanding under Resolution No. 1-97 of the Port, which authorized the issuance of the Defeased Bonds, but will be paid by application of the assets of such escrow account.

The Defeased Bonds are described as follows:

Limited Tax General Obligation Bonds, 1997 (Dated April 1, 1997)

Maturities (December 1)	Principal Amounts	Interest Rates	CUSIP Nos.
2010	\$15,000	5.70%	734729AN6
2011	15,000	5.75	734729AP1
2012	15,000	5.80	734729AQ9
2013	20,000	5.85	734729AR7
2014	20,000	5.90	734729AS5
2015	20,000	5.90	734729AT3
2016	20,000	5.95	734729AU0
2017	25,000	5.95	734729AV8

APPENDIX A-2
Notice of Redemption*
Port of Manchester, Kitsap County, Washington
Limited Tax General Obligation Bonds, 1997

NOTICE IS HEREBY GIVEN that the Port of Manchester, Kitsap County, Washington has called for redemption on June 9, 2010 its outstanding Limited Tax General Obligation Bonds, 1997 maturing in the years 2010 through and including 2017 (the "Bonds").

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to June 9, 2010. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

The Bank of New York Mellon Worldwide Securities Processing 2001 Bryan Street 9th Floor Dallas, TX 75201	-or-	Wells Fargo Bank, National Association Corporate Trust Department 14th Floor - M/S 257 999 Third Avenue Seattle, WA 98104
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Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on June 9, 2010.

The following Bonds are being redeemed:

Maturities (December 1)	Principal Amounts	Interest Rates	CUSIP Nos.
2010	\$15,000	5.70%	734729AN6
2011	15,000	5.75	734729AP1
2012	15,000	5.80	734729AQ9
2013	20,000	5.85	734729AR7
2014	20,000	5.90	734729AS5
2015	20,000	5.90	734729AT3
2016	20,000	5.95	734729AU0
2017	25,000	5.95	734729AV8

* This notice shall be given not more than 60 nor less than 30 days prior to June 9, 2010, by first class mail to each registered owner of the Bonds.

**By Order of the Port of Manchester, Kitsap County, Washington
The Bank of New York Mellon, as Paying Agent**

Dated: _____.

Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act") unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your Bonds.

APPENDIX A-3
Notice of Defeasance
Port of Manchester, Kitsap County, Washington
Limited Tax General Obligation Bonds, 1998

NOTICE IS HEREBY GIVEN to the owners of that portion of the above-captioned bonds with respect to which, pursuant to an Escrow Agreement dated May 10, 2010, by and between the Port of Manchester, Kitsap County, Washington (the "Port") and The Bank of New York Mellon (the "Escrow Agent"), the Port has deposited into an escrow account, held by the Escrow Trustee, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money sufficient to pay each year, to and including the redemption date of such bonds so provided for, the principal thereof and interest thereon (the "Defeased Bonds"). Such Defeased Bonds are therefore deemed to be no longer outstanding under Resolution No. 2-98 of the Port, which authorized the issuance of the Defeased Bonds, but will be paid by application of the assets of such escrow account.

The Defeased Bonds are described as follows:

Limited Tax General Obligation Bonds, 1998 (Dated July 1, 1998)

Maturities (December 1)	Principal Amounts	Interest Rates	CUSIP Nos.
2010	\$10,000	5.20%	734729BH8
2011	10,000	5.30	734729BJ4
2012	10,000	5.40	734729BK1
2013	10,000	5.45	734729BL9
2014	15,000	5.50	734729BM7
2015	15,000	5.55	734729BN5
2016	15,000	5.55	734729BP0
2017	15,000	5.60	734729BQ8
2018	15,000	5.60	734729BR6

APPENDIX A-4
Notice of Redemption*
Port of Manchester, Kitsap County, Washington
Limited Tax General Obligation Bonds, 1998

NOTICE IS HEREBY GIVEN that the Port of Manchester, Kitsap County, Washington has called for redemption on June 9, 2010 its outstanding Limited Tax General Obligation Bonds, 1998 maturing in the years 2010 through and including 2018 (the "Bonds").

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to June 9, 2010. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

The Bank of New York Mellon Worldwide Securities Processing 2001 Bryan Street 9th Floor Dallas, TX 75201	-or-	Wells Fargo Bank, National Association Corporate Trust Department 14th Floor - M/S 257 999 Third Avenue Seattle, WA 98104
--	------	--

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on June 9, 2010.

The following Bonds are being redeemed:

Maturities (December 1)	Principal Amounts	Interest Rates	CUSIP Nos.
2010	\$10,000	5.20%	734729BH8
2011	10,000	5.30	734729BJ4
2012	10,000	5.40	734729BK1
2013	10,000	5.45	734729BL9
2014	15,000	5.50	734729BM7
2015	15,000	5.55	734729BN5
2016	15,000	5.55	734729BP0
2017	15,000	5.60	734729BQ8
2018	15,000	5.60	734729BR6

* This notice shall be given not more than 60 nor less than 30 days prior to June 9, 2010, by first class mail to each registered owner of the Bonds.

**By Order of the Port of Manchester, Kitsap County, Washington
The Bank of New York Mellon, as Paying Agent**

Dated: _____.

Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act") unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your Bonds.

**APPENDIX B
Fee Schedule**

Escrow Agent Fee: \$350.00

CERTIFICATE

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

1. That the attached resolution is a true and correct copy of Resolution No. 6-10 of the Port Commission (the "Resolution"), duly adopted at a special meeting thereof held on April 26, 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 April, 2010.

Secretary, Port Commission