

**SOUND TRANSIT
STAFF REPORT**

RESOLUTION NOS. R2007-22, R2007-23, and R2007-24

**Sales Tax Bonds of the Authority to be issued in a series to finance a portion of the
authority's regional transit system plan**

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	10/18/07 11/01/07 (tentative)	Discussion / Possible Action to Recommend Board Approval	Brian McCartan, Executive Director-FIT	(206) 398-5100
Board	11/08/07 11/29/07	Action Action	Tracy Butler, Treasurer	(206) 398-5146

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	
Interagency Agreement		Contingency Funds (Budget) Required	
Purchase/Sale Agreement		Budget Amendment Required	✓

PROPOSED ACTION

- Authorizes the issuance of fixed rate Series 2007A (R2007-22) and variable rate Series 2007B and C (R2007-23 and 24) bonds. Fixed rate bonds are subject to a bond sale resolution to be presented to the board after the bond pricing.
- These resolutions establish the basic covenants for these and future bonds issued on the same lien with pledged sales and rental car taxes.

KEY FEATURES

The final resolution is still under development but the key features as currently drafted are;

- Issues parity bonds having a pledge of pledged taxes and pledged accounts equal to that of the Series 2005A.
- Issues up to \$450 million in fixed rate bonds and up to \$200 million in variable rate bonds.
- Requires Sound Transit to impose sales tax and rental car taxes while the bonds are outstanding.
- Requires pledged taxes to be used in the following order:
 - first, to pay prior (*senior lien*) bonds;
 - second, to make all required payments for reserve accounts for the prior (*senior lien*) bonds;
 - third, to make principal and interest payments on Series 2005 Bonds and bonds authorized under this Resolution (subordinate bonds);
 - fourth, to make all required payments for subordinate lien reserve accounts;
 - fifth, to make all payments required to be made for junior lien bonds;
 - sixth, to pay the costs of operating and maintaining Sound Transit and its facilities; and
 - seventh, for any lawful purpose of the agency.

- Pledges Sound Transit’s collection of voter-approved sales, use, and rental car taxes toward repayment of bonds.
- Bonds issued under this Resolution would be subordinate to the Sound Transit 1999 Bonds and any subsequent bonds pledged under that lien.
- Prevents Sound Transit from issuing additional subordinate lien bonds unless:
 - It can generate enough sales tax, MVET and rental car taxes to pay 1.5x times the maximum debt service on the prior lien (senior lien) bonds;
 - It can generate enough sales tax and rental car taxes to pay 1.5x times maximum debt service coverage on subordinate lien bonds.
- Allows for the agency to pledge additional taxes to subordinate lien bonds, such as MVET and additional voter-approved sales tax, if legally available and if the Board elects to do so;
- Establishes accounts including:
 - the Subordinate Lien Bond Account in which the Sound Transit deposits pledged taxes (sales and rental car taxes and other such taxes as approved by the Board) and make payments on the bonds;
 - the Tax Stabilization Sub-account, which Sound Transit may use to save money in anticipation of a sales tax rollback.
- Authorizes the execution of interest rate and currency swap agreements to hedge risk.
- Provides for the appointment of a bondholders’ trustee if the Authority defaults in payment.
- Authorizes the issuance of fixed rate and variable rate bonds.
- Authorizes the bonds to be defeased or refunded.
- Authorizes the issuance of junior lien bonds.
- The terms of the variable rate bonds are defined in the variable rate bond resolutions (R2007-23 and 24).
- The final terms of the fixed rate bonds (amounts, maturity, interest rates, redemption provisions) would be adopted by the Board by later resolution at the time of a bond sale.

BUDGET IMPACT SUMMARY

Action Outside of Adopted Budget:	Y/N	Y Requires Comment
This Line of Business	N/A	
This Project	N/A	
This Phase	N/A	
This Task	N/A	
Budget amendment required	Y	Proceed with a bond sale, interest earnings and debt service will be higher than budgeted
Key Financial Indicators:	Y/N	Y Requires Comment
Contingency funds required	N/A	
Subarea impacts	N/A	
Funding required from other parties other than what is already assumed in financial plan	N/A	

N = Action is assumed in current Board-adopted budget. Requires no budget action or adjustment to financial plan

BUDGET DISCUSSION

The Adopted 2007 Budget and the Proposed 2008 Budget did not assume the issuance of bonds in 2007. If the agency were to proceed with a bond sale, interest earnings and debt service would be higher than what was included in the Adopted 2007 Budget and the Proposed 2008 Budget. The 2007 and 2008 Budgets would need to be amended to reflect these changes. The amendments will be part of the sale resolutions to be approved by the Board.

REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS

The agency's long-term financial plan forecasts the issuance of up to an additional \$1.6 billion of bonds to finance the agency's Phase 1 Board-approved capital plan. This action would be under the covenants for an existing lien (sales and rental car taxes) for bonds to be issued as a part of the funding for Phase 1 capital projects and is consistent with the agency's current financial planning assumptions.

BUDGET TABLE

N/A

SMALL BUSINESS PARTICIPATION

Sound Transit's investment banking team includes a women/minority-owned firm that will serve as the co-senior underwriter of the fixed rate bond sale.

PROJECT DESCRIPTION and BACKGROUND FOR PROPOSED ACTION

Finance staff has briefed and received guidance from the Finance Committee several times during the year on the ALM performance and objectives, and the funding needs of the capital projects.

Prior Board/Committee Actions

Motion/Resolution Number and Date	Summary of Action
R82 2/13/97	Imposed taxes authorized pursuant to a vote of the electorate to implement the Ten-Year Regional Transit Plan; levying, fixing, and imposing a motor vehicle excise tax, a retail sales and use tax, and a sales and use tax on retail rental cars, all for the sole purpose of providing high capacity transportation services through implementation of the Ten-Year Regional Transit Plan; and authorizing the Executive Director to enter into contracts with the state for tax collection and administration. (beginning on 4/1/97)
R98-47 11/12/98	Authorized Sales Tax and Motor Vehicle Excise Tax Bonds to be issued in a series to finance a portion of the Authority's regional transit system plan.
R98-48 11/12/98	Authorized the issuance and sale of Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999, in the principal amount of not to exceed \$400,000,000 to pay a portion of the cost of the Authority's regional transit system plan; fixing the date, form, and terms of the bonds; and authorizing the sale of the bonds.
R2005-02 2/10/05	Authorized the issuance of Sales Tax Bonds of the Authority in the principal amount of not to exceed \$500,000,000 to finance a portion of the Authority's regional transit system plan; fixing certain provisions and covenants of the Bonds, including provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of such bonds.
R2005-07 3/2/05	Authorized the sale and issuance of the Central Puget Sound Regional Transit Authority Sales Tax Bonds, Series 2005A; Specifying the amount, maturities, interest rates and other terms of the 2005A Bonds; providing for bond insurance; and ratifying, confirming and approving the purchase contract for the 2005A Bonds and actions of the Chief Financial Officer relating the sale of the 2005A Bonds.

FUNDING

Any bonds issued under this Resolution will be repaid from sales and rental car tax revenues during the term of the bonds.

CONSEQUENCES OF DELAY

If the Board does not authorize the sale of a new series of bonds at this point, the agency could not issue additional bonds at this time. The agency has sufficient cash at this point to fund the projects through December 2007 according to the financial and cash flow model. If the agency does not issue additional bonds at this time, it risks incurring insufficient funds to cover capital expenditures.

LEGAL REVIEW

The Legal Department, the agency's Bond Counsel (Foster Pepper and Shefelman), and counsel for the underwriters (TBD) will have authored and/or reviewed all bond related documents.

SOUND TRANSIT

RESOLUTION NO. R2007-23

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AUTHORIZING THE ISSUANCE OF SALES TAX BONDS OF THE AUTHORITY IN THE PRINCIPAL AMOUNT OF \$60,000,000 TO FINANCE A PORTION OF THE AUTHORITY'S REGIONAL TRANSIT SYSTEM PLAN; FIXING CERTAIN PROVISIONS AND COVENANTS OF THE BONDS, INCLUDING PROVISIONS SAFEGUARDING THE PAYMENT OF THE PRINCIPAL THEREOF AND INTEREST THEREON; AND AUTHORIZING AND DIRECTING THE SALE OF SUCH BONDS.

ADOPTED: November 8, 2007

TABLE OF CONTENTS

	<u>Page</u>
Section 1. Definitions.....	2
Section 2. Authorization and Description of 2007B Bonds.....	21
Section 3. Bond Sale Resolution	22
Section 4. Calculation of Interest Rates.....	23
Section 5. Determination of Flexible Rates and Flexible Rate Periods	24
Section 6. Determination of Daily Rates and Weekly Rates.....	25
Section 7. Determination of Term Rates, Term Rate Periods and Fixed Rates.....	26
Section 8. Alternate Rates.....	27
Section 9. Determination of Auction Rates	28
Section 10. Liquidity Provider Bonds	28
Section 11. Conversions	28
Section 12. Registration and Transfer or Exchange of the 2007B Bonds	36
Section 13. Payment of 2007B Bonds	38
Section 14. Redemption and Purchase of 2007B Bonds	39
Section 15. Failure to Pay 2007B Bonds	44
Section 16. Optional Tenders of 2007B Bonds in the Daily Mode or Weekly Mode	44
Section 17. Mandatory Purchase on Mandatory Purchase Dates	45
Section 18. Remarketing of 2007B Bonds	45
Section 19. Source of Funds for Purchase of 2007B Bonds	47
Section 20. Delivery of 2007B Bonds	47
Section 21. Book-Entry Tenders.....	48
Section 22. No Book-Entry System	48
Section 23. Liquidity Facility	50
Section 24. Purchase Fund	52
Section 25. Insufficient Funds for Tenders	53

Section 26.	Form and Execution of 2007B Bonds	54
Section 27.	Bond Registrar.....	55
Section 28.	Broker-Dealer	57
Section 29.	Auction Agent.....	58
Section 30.	Remarketing Agent.....	59
Section 31.	Sale of 2007B Bonds	60
Section 32.	Preservation of Tax Exemption for Interest on 2007B Bonds	61
Section 33.	Deposit, Use and Investment of Proceeds	61
Section 34.	Local Option Tax Accounts; Flow of Funds.....	62
Section 35.	Pledge of Pledged Taxes.....	64
Section 36.	Issuance of Future Parity Bonds and Prior Lien Bonds.....	66
Section 37.	Refunding Bonds	68
Section 38.	Junior Obligations; Obligations with Pledge of Revenues	69
Section 39.	Subordinate Bond Account and Subordinate Reserve Account.	69
Section 40.	Covenants	71
Section 41.	Parity Payment Agreements	74
Section 42.	Defeasance	75
Section 43.	Lost, Stolen, Mutilated or Destroyed 2007B Bonds.....	76
Section 44.	Supplements and Amendments.....	77
Section 45.	Defaults	79
Section 46.	Remedies Upon Default.....	80
Section 47.	Official Statement	84
Section 48.	Continuing Disclosure.....	84
Section 49.	Resolution a Contract	87
Section 50.	Severability.....	87
Section 51.	General Authorization	87
Section 52.	Ratification of Prior Acts	87

SOUND TRANSIT

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A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AUTHORIZING THE ISSUANCE OF SALES TAX BONDS OF THE AUTHORITY IN THE PRINCIPAL AMOUNT OF \$60,000,000 TO FINANCE A PORTION OF THE AUTHORITY'S REGIONAL TRANSIT SYSTEM PLAN; FIXING CERTAIN PROVISIONS AND COVENANTS OF THE BONDS, INCLUDING PROVISIONS SAFEGUARDING THE PAYMENT OF THE PRINCIPAL THEREOF AND INTEREST THEREON; AND AUTHORIZING AND DIRECTING THE SALE OF SUCH BONDS.

WHEREAS, the Board of Directors of The Central Puget Sound Regional Transit Authority (the "Authority"), by Resolution No. 73, authorized a regional transit system plan to provide high capacity transportation services in the central Puget Sound region (the "Plan"); and

WHEREAS, on November 5, 1996, at an election held within the boundaries of the Authority, the requisite number of voters approved the special motor vehicle excise taxes authorized by RCW 81.104.160(1) and the sales and use taxes authorized by RCW 81.104.170 to implement the Plan; and

WHEREAS, by Resolution No. 82, the Board authorized the imposition of the Local Option Taxes (as defined herein) and contracted with the State of Washington Department of Revenue and Department of Licensing to collect and transfer such taxes to the Authority, beginning on April 1, 1997; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180, the Authority on January 6, 1999, issued its Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999 (the "1999 Bonds"), secured by a pledge of the Local Option Taxes, to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution Nos. R2005-02 and R2005-07, the Authority on March 31, 2005, issued its Sales Tax Bonds,

Series 2005A (the "2005A Bonds"), secured by a pledge of the Pledged Taxes (defined herein), to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, the Authority desires to issue additional obligations as Variable Rate Bonds (as defined herein) to finance improvements for the purpose of providing high capacity transportation service, such obligations to be subordinate to the 1999 Bonds but consistent with the resolutions authorizing the issuance of the 1999 Bonds, and secured by a pledge of the Pledged Taxes on a parity with that securing the 2005A Bonds;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Central Puget Sound Regional Transit Authority that:

Section 1. Definitions. Capitalized terms relating to the Auction Mode (including Auction, Auction Agent, Auction Date, Auction Period, Auction Period Rate, Auction Procedures, Auction Rate, Auction Rate Period and Broker-Dealer) shall have the meanings given to such terms in Exhibit B. The following words and phrases shall have the meanings hereinafter set forth unless the context clearly indicates that another meaning is intended:

Accreted Value means with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amounts set forth in the Series Resolution as the amounts representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, as provided in the Series Resolution authorizing the issuance of such Capital Appreciation Bonds.

Additional Taxes means any taxes other than Local Option Taxes that are included as Pledged Taxes and pledged to the payment of Parity Bonds.

Additional Taxes Accounts mean separate accounts of the Authority, including any separate tax stabilization accounts, into which the Authority deposits Additional Taxes.

Adopted Rate Adjustment means any reduction or increase in the rate of the imposition of Pledged Taxes if the Authority has taken all actions and received all approvals required, as

applicable, to adjust such Pledged Taxes and, in the case of an increase, to pledge such increased taxes to the payment of Parity Bonds.

Alternate Liquidity Facility means a letter of credit, line of credit, standby bond purchase agreement or other liquidity instrument acceptable to the Bond Insurer (together with any associated reimbursement agreement) issued in accordance with the terms hereof as a replacement or substitute for the initial Liquidity Facility and that provides for the payment of the Purchase Price of 2007B Bonds upon the tender thereof in the event remarketing proceeds are insufficient therefor.

Alternate Rate means, on any Rate Determination Date, for any Mode, a rate per annum equal to 110% of (a) the SIFMA Municipal Swap Index (the "SIFMA Rate") most recently available as of the date of determination, or (b) if such index is no longer available, or if the SIFMA Rate is no longer published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association to determine the SIFMA Rate just prior to when the Securities Industry and Financial Markets Association stopped publishing the SIFMA Rate. The Bond Registrar shall make these determinations upon notification from the Authority, if there is no Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement.

Annual Debt Service means the amount required in any Fiscal Year to pay for the principal of and interest on all Parity Bonds Outstanding, excluding interest and principal to be paid from the proceeds of the sale of Parity Bonds or other obligations and excluding capitalized interest funded upon the issuance of Parity Bonds from sources other than Local Option Taxes or Pledged Taxes. For the purpose of calculating Annual Debt Service:

(1) in the case of Variable Rate Bonds, the interest rate thereon shall be calculated on the assumption that such Variable Rate Bonds will bear interest during such period at a rate equal to the Assumed Variable Rate; provided, that if a Payment Agreement is executed in connection with a Series of Parity Bonds that has the effect of converting the Variable Rate thereon to a synthetic fixed rate of interest, then for purposes of calculating Annual Debt Service the assumed interest rate for such Variable Rate Bonds shall be the synthetic fixed rate of interest payable by the Authority under the Payment Agreement for the term of the Payment Agreement;

(2) if a Payment Agreement has the effect of converting the fixed rate of interest thereon to a synthetic Variable Rate, then for purposes of calculating Annual Debt Service, the assumed interest rate for such Parity Bonds shall be the Assumed Variable Rate payable by the Authority under the Payment Agreement for the term of the Payment Agreement;

(3) in the case of Balloon Maturity Bonds, it shall be assumed that the principal of such Balloon Maturity Bonds, together with interest thereon at the rate applicable to such Balloon Maturity Bonds as set forth in a Series Resolution, shall be amortized in equal annual installments over a term set forth in the Series Resolution;

(4) in the case of Capital Appreciation Bonds, the principal and interest portions of the Accreted Value becoming due at maturity, or by virtue of a mandatory sinking fund deposit, shall be included in the calculation of Annual Debt Service; and

(5) if the Parity Bonds are Paired Obligations, the interest rate on such Parity Bonds shall be the resulting combined fixed interest rate to be paid by the Authority with respect to such Paired Obligations.

Assumed Variable Rate, with respect to the 2007B Bonds, shall have the meaning specified by the Bond Sale Resolution, and with respect to any other Series of Parity Bonds, means a rate or rates applicable to that Series of Parity Bonds that is calculated in accordance with a formula or index as set forth in the applicable Series Resolution.

Auction Mode means the Mode during which the 2007B Bonds bear interest at the Initial Period Rate or the Auction Period Rate.

Authority means The Central Puget Sound Regional Transit Authority, a regional transit authority duly organized and existing under and by virtue of the State Constitution, Chapter 81.112 RCW and Chapter 81.104 RCW.

Authority Certificate means a certificate executed by a Designated Authority Representative in connection with the issuance of Future Parity Bonds or Prior Bonds under Section 36 or in connection with the reduction of the Sales and Use Tax under Section 40(a).

Authority Purchase Account means the account of that name authorized to be created in Section 24.

Authorized Denomination means (1) with respect to 2007B Bonds in a Daily Mode or Weekly Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, (2) with respect to 2007B Bonds in a Flexible Mode, \$100,000 and any integral multiple of \$1,000 in excess thereof, (3) with respect to 2007B Bonds in a Long-Term Mode, \$5,000 and any integral multiple thereof, and (4) with respect to 2007B Bonds in the Auction Mode, \$25,000 and any integral multiple thereof.

Automatic Termination Event means an event of default set forth in the Liquidity Facility that would result in the immediate termination or suspension of the Liquidity Facility prior to its stated expiration date without prior notice from the Liquidity Provider to the Bond Registrar.

Available Amount means the amount available under the Liquidity Facility to pay the Purchase Price of the 2007B Bonds.

Average Annual Debt Service means the aggregate Annual Debt Service with respect to all Parity Bonds Outstanding (including Parity Bonds being issued at the time of calculation of Average Annual Debt Service) through the scheduled maturities thereof (stated maturity dates, or mandatory sinking fund redemption dates with respect to Term Bonds), divided by the number of years or portions thereof remaining during which interest on Parity Bonds is due

and/or Parity Bonds are scheduled to mature or be subject to mandatory redemption (commencing with the date of calculation).

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

Base Period means any consecutive 12-month period selected by the Authority out of the 24-month period immediately preceding the date of issuance of a Series of Parity Bonds for purposes of Section 36(d), or any consecutive 12-month period selected by the Authority out of the 16-month period immediately preceding the date of calculation for purposes of Section 40(a).

Beneficial Owner means any Person who acquires a beneficial ownership interest in a 2007B Bond held by the Securities Depository.

Board means the Board of Directors of the Authority.

Bond Counsel means a firm of lawyers nationally recognized as bond counsel and retained by the Authority.

Bond Insurance means any municipal bond insurance policy, surety bond, letter of credit or similar instrument issued to guarantee the payment of any applicable Series of Parity Bonds or to satisfy all or any portion of the Subordinate Reserve Account Requirement.

2007B Bond Insurance means the financial guaranty insurance policy provided by the Bond Insurer guaranteeing the payment of principal of and interest on the 2007B Bonds.

Bond Insurer means Financial Security Assurance Inc.

Bond Insurer Default means a default by the Bond Insurer under the 2007B Bond Insurance, or the filing or commencement of any bankruptcy or insolvency proceedings by or against the Bond Insurer, or the declaration by the Bond Insurer of a moratorium on the

payment of its unsecured debt obligations, or the repudiation by the Bond Insurer of the 2007B Bond Insurance.

Bond Purchase Contract means the purchase contract relating to the 2007B Bonds between the Authority and the Underwriter.

Bond Register means the registration books on which are maintained the names and addresses of the Owners of the 2007B Bonds.

Bond Registrar means the fiscal agent of the State of Washington, or any successor bond registrar selected by the Authority.

Bond Sale Resolution means the resolution of the Board adopted pursuant to this Resolution to specify certain additional provisions of the 2007B Bonds and their sale.

1999 Bonds means the Authority's Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999.

2005A Bonds means the Authority's Sales Tax Bonds, Series 2005A, authorized by Resolution Nos. R2005-02 and R2005-07.

2007 Bonds means the 2007A Bonds, the 2007B Bonds and the 2007C Bonds.

2007A Bonds means the Authority's Sales Tax Bonds, Series 2007A, authorized by Resolution No. R2007-22.

2007B Bonds means the Authority's Sales Tax Bonds, Series 2007B, authorized by this Resolution.

2007C Bonds means the Authority's Sales Tax Bonds, Series 2007C, authorized by Resolution No. R2007-24.

Book-Entry System means the system maintained by the Securities Depository for holding the 2007B Bonds in fully immobilized form.

Business Day means any business day other than (1) a Saturday or Sunday, or (2) a day on which the Bond Registrar, the Remarketing Agent, if any, or the Broker-Dealer, if any, are required or authorized to be closed, or (3) a day on which the office of the Liquidity Provider

at which it will pay draws or advances is required or authorized to be closed, or (4) a day on which The New York Stock Exchange is closed.

Capital Appreciation Bonds means Parity Bonds of any Series, all or a portion of the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Parity Bonds; provided, that if so provided in the Series Resolution authorizing their issuance, the Parity Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value on that date. Unless otherwise specified herein, references herein to the principal amount of Capital Appreciation Bonds shall refer to the Accreted Value of Capital Appreciation Bonds, and references to the interest rate on Capital Appreciation Bonds shall refer to the rate at which those Capital Appreciation Bonds accrete in value.

Chief Financial Officer means the chief financial officer of the Authority, and any successor to substantially the same duties.

Closing Date means the date of initial issuance and delivery of the 2007B Bonds to the Underwriter.

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

Conversion Date means, with respect to 2007B Bonds in a particular Mode, the date on which another Mode for the 2007B Bonds begins.

Current Mode has the meaning specified in Section 11(a)(i).

Daily Mode means the Mode during which the 2007B Bonds bear interest at the Daily Rate.

Daily Rate means the interest rate per annum on any 2007B Bond determined pursuant to Section 6(a).

Daily Rate Period means the period during which a 2007B Bond in the Daily Mode shall bear a Daily Rate, which shall be from the Business Day upon which a Daily Rate is determined to but not including the next succeeding Business Day.

Default means any of the events specified in Section 45.

Delayed Remarketing Period has the meaning specified in Section 25(b).

Designated Authority Representative means the Chair of the Board, the Chief Executive Officer of the Authority or the Chief Financial Officer, or such other person as may be designated from time to time by resolution of the Board.

DTC means The Depository Trust Company, New York, New York.

Electronic Means means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

Expiration Date means the stated expiration date of the Liquidity Facility, as it may be extended from time to time, or any earlier date on which the Liquidity Facility shall terminate at the direction of the Authority, expire or be cancelled.

Favorable Opinion of Bond Counsel means, with respect to any action hereunder requiring such an opinion, a written legal opinion of Bond Counsel to the effect that such action is permitted under the laws of the State and this Resolution and will not adversely effect the exclusion of interest on the 2007B Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered on the Closing Date).

Fiscal Year means the period beginning on January 1 of each year and ending on the next succeeding December 31, or any other 12-month period hereafter selected and designated as the official fiscal year of the Authority.

Fixed Rate means the interest rate per annum on any 2007B Bond determined pursuant to Section 7(b).

Fixed Rate Mode means the Mode during which the 2007B Bonds bear interest at the Fixed Rate.

Fixed Rate Period means the period from (and including) the Conversion Date upon which the 2007B Bonds were converted to the Fixed Rate Mode to (but excluding) the Maturity Date for the 2007B Bonds.

Flexible Mode means the Mode during which the 2007B Bonds bear interest at the Flexible Rate.

Flexible Rate means the interest rate per annum on a 2007B Bond determined pursuant to Section 5.

Flexible Rate Bond means a 2007B Bond in the Flexible Mode.

Flexible Rate Period means the period of from one to the lesser of (1) 270 calendar days or (2) the number of days for which interest at the Maximum Rate is provided in the interest component of the Available Amount under the Liquidity Facility then in effect (which period in each case must end on a day preceding a Business Day or the Maturity Date) during which a Flexible Rate Bond shall bear interest at a Flexible Rate, as established by the Remarketing Agent pursuant to Section 5.

Future Parity Bonds means bonds, notes or other obligations of the Authority issued after the issuance of the 2007B Bonds pursuant to a Series Resolution, which are expressly stated to be secured by a pledge of Pledged Taxes on an equal and ratable basis with the Pledged Taxes required to be paid into the Subordinate Bond Account to pay and secure the payment of the principal of and interest on the 2005A Bonds and the 2007 Bonds.

Government Obligations has the meaning given such term in Chapter 39.53 RCW, as hereafter amended.

Interest Accrual Period means the period during which a 2007B Bond accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid

(or, if no interest has been paid, from the Closing Date) and extend to (but exclude) the Interest Payment Date on which interest is to be paid.

Interest Payment Date means each date on which interest on the 2007B Bonds is to be paid and is: (1) with respect to each Flexible Rate Bond, each Mandatory Purchase Date applicable thereto; (2) with respect to the 2007B Bonds in the Daily Mode or Weekly Mode, the first Business Day of each month; (3) with respect to the 2007B Bonds in a Long-Term Mode, the first day of the sixth calendar month following the month in which such Long-Term Mode takes effect, and the first day of each sixth calendar month thereafter or, upon the receipt by the Bond Registrar of a Favorable Opinion of Bond Counsel, any other six-month interval chosen by the Authority (beginning with the first such day that is at least three months after the Conversion Date) and, with respect to a Term Rate Period, the final day of the current Interest Period if other than a regular six-month interval; (4) (without duplication as to any Interest Payment Date listed above) each Conversion Date and each Maturity Date; (5) with respect to any Liquidity Provider Bonds, the day set forth in the Liquidity Facility; and (6) with respect to the 2007B Bonds in the Auction Mode, Interest Payment Date shall have the meaning set forth in Exhibit B.

Interest Period means the period of time that the 2007B Bonds bear interest at the rate per annum that becomes effective at the beginning of such period, which shall be an Auction Rate Period, a Flexible Rate Period, a Daily Rate Period, a Weekly Rate Period, a Term Rate Period or a Fixed Rate Period.

Junior Obligations means bonds, notes or other obligations identified as "Junior Obligations" in the resolution authorizing such obligations and secured by a pledge of Pledged Taxes (which may include some or all of those taxes) subordinate to the Parity Bonds.

Letter of Representations means the Blanket Issuer Letter of Representations with DTC dated December 9, 1998, setting forth certain understandings of the Authority and the Bond Registrar with respect to DTC's services, as it may be amended from time to time, and any similar agreement with any successor or substitute Securities Depository.

Liquidity Facility means the initial letter of credit, line of credit, standby bond purchase agreement or other liquidity instrument acceptable to the Bond Insurer (together with any associated reimbursement agreement) issued in accordance with the terms hereof upon conversion of the 2007B Bonds to a Short-Term Mode and that provides for the payment of the Purchase Price of 2007B Bonds upon the tender thereof in the event remarketing proceeds are insufficient therefor, and any Alternate Liquidity Facility.

Liquidity Facility Purchase Account means the account of that name authorized to be created in Section 24.

Liquidity Provider means any bank, insurance company, pension fund or other financial institution that provides a Liquidity Facility.

Liquidity Provider Bonds means any 2007B Bonds purchased by the Liquidity Provider with funds drawn on or advanced under the Liquidity Facility, until such 2007B Bonds cease to be Liquidity Provider Bonds in accordance with the terms of this Resolution.

Liquidity Provider Failure means a failure of the Liquidity Provider to pay a properly presented and conforming draw or request for advance under the or Liquidity Facility or the filing or commencement of any bankruptcy or insolvency proceedings by or against the Liquidity Provider, or declaration by the Liquidity Provider of a moratorium on the payment of its unsecured debt obligations, or the repudiation by the Liquidity Provider of the Liquidity Facility.

Local Option Taxes means the MVET, the rental car sales and use taxes authorized by RCW 81.104.160 and the Sales and Use Taxes, and initially approved at an election held on November 5, 1996, as such taxes may be imposed from time to time by the Authority.

Local Option Tax Accounts means the revenue accounts established by the Authority in the Authority's Proprietary Fund ("Enterprise Fund") for the deposit of Local Option Taxes.

Long-Term Mode means the Term Rate Mode or the Fixed Rate Mode.

Mandatory Purchase Date means: (1) with respect to each Flexible Rate Bond, the first Business Day following the last day of each Flexible Rate Period for that Flexible Rate Bond,

(2) with respect to 2007B Bonds in the Term Rate Mode, the first Business Day following the last day of each Term Rate Period, (3) each Conversion Date, (4) each Substitution Date, (5) the fifth Business Day prior to the Expiration Date, (6) the date specified by the Bond Registrar following the occurrence of an event of default (other than an Automatic Termination Event) under the Liquidity Facility, which date shall be a Business Day not less than five days after the Bond Registrar's receipt of notice of such event of default from the Liquidity Provider and in no event later than the day preceding the termination date specified by the Liquidity Provider, and (7) with respect to 2007B Bonds in the Daily Mode or Weekly Mode, any Business Day specified by the Authority not less than 20 days after the Bond Registrar's receipt of such notice.

Maturity Date means, unless otherwise specified in the Bond Sale Resolution, November 1, 2037, or if established pursuant to Section 11(b)(iii) upon a conversion to the Fixed Rate Mode, any Serial Maturity Date.

Maximum Annual Debt Service means the highest Annual Debt Service with respect to Parity Bonds (including any Parity Bonds being issued at the time of calculation) that will mature or come due in the current or any future Fiscal Year.

Maximum Rate means: (1) with respect to all 2007B Bonds other than Liquidity Provider Bonds and 2007B Bonds in the Auction Mode, the lesser of (a) 12% per annum or (b) the interest rate per annum used to calculate the Available Amount under the Liquidity Facility; (2) with respect to Liquidity Provider Bonds, the rate specified in the Liquidity Facility as the maximum rate to be borne by Liquidity Provider Bonds; and (3) with respect to 2007B Bonds in the Auction Mode, (a) if the interest on the 2007B Bonds is not includable in gross income of the Beneficial Owner of such 2007B Bond for federal income tax purposes, 12% per annum, and (b) if the interest on the 2007B Bonds is includable in gross income of the Beneficial Owner of such 2007B Bond for federal income tax purposes, 18% per annum; but in no event shall any such rate exceed the highest rate allowed by law.

Mode means the Auction Mode, the Flexible Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode or the Fixed Rate Mode.

MSRB means the Municipal Securities Rulemaking Board.

MVET means the special motor vehicle excise taxes authorized by RCW 81.104.160.

New Mode means the Mode to which the 2007B Bonds are to be converted in accordance with Section 11.

Notice Parties means the Authority, Remarketing Agent, Bond Registrar, Broker-Dealer, Auction Agent, Bond Insurer and Liquidity Provider.

NRMSIR means each nationally recognized municipal securities information repository designated by the SEC as such in accordance with the Rule (but only for so long as such designation remains in effect).

Outstanding in connection with Parity Bonds means, as of the time in question, all Parity Bonds authenticated and delivered under a Series Resolution, except: (a) Parity Bonds theretofore paid and cancelled or required to be cancelled under a Series Resolution; (b) Parity Bonds which are deemed to have been defeased in accordance with a Series Resolution; and (c) Parity Bonds in substitution for which other Parity Bonds have been authenticated and delivered pursuant to a Series Resolution.

Owner means the registered owner of any Parity Bond.

Paired Obligations means any two Series of Parity Bonds (or portions thereof) designated as Paired Obligations in the Series Resolution, which are simultaneously issued or incurred and the interest rates on which, taken together, result in irrevocably fixed interest rate bonds for the term of such Parity Bonds.

Parity Bonds means the 2005A Bonds, the 2007 Bonds and any Future Parity Bonds.

Parity Payment Agreement means a Payment Agreement between the Authority and a Qualified Counterparty, meeting the conditions set forth in Section 41, under which the Authority's regularly scheduled Payment obligations are expressly stated to be secured by a

pledge of Pledged Taxes on an equal and ratable basis with the Pledged Taxes required to be paid into the Subordinate Bond Account to pay and secure the payment of the principal of and interest on Parity Bonds.

Payment means any regularly scheduled payment (designated as such by a Series Resolution) required to be made by or on behalf of the Authority under a Payment Agreement and which is determined according to a rate or formula set forth in the Payment Agreement.

Payment Agreement means a written agreement, for the purpose of managing or reducing the Authority's exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes, entered into on either a current or forward basis by the Authority and a Qualified Counterparty, all as authorized by any applicable laws of the State. Such agreement may or may not be characterized by a structure of reciprocity of payment.

Payment Date means any date specified in the Payment Agreement on which an Authority Payment or Receipt is due and payable under the Payment Agreement.

Payor means a Qualified Counterparty to a Payment Agreement that is obligated to make one or more payments thereunder.

Person means an individual, a corporation, a partnership, an association, a joint venture, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Plan means "Sound Move – The Ten-Year Regional Transit System Plan" adopted May 31, 1996, to provide high-capacity transportation services in the central Puget Sound region, and as it has been and may hereafter be updated, amended or supplemented.

Pledged Taxes means the rental car sales and use taxes authorized by RCW 81.104.160(2) and the Sales and Use Taxes initially approved at an election held on November 5, 1996, together with Additional Taxes and/or MVET if pledged to the Parity Bonds pursuant to Section 35.

Prior Bond Resolution means Authority Resolution R98-47 adopted November 12, 1998, as amended, supplemented or restated from time to time.

Prior Bonds means the 1999 Bonds and other obligations that may be issued in the future by the Authority under the Prior Bond Resolution that have a pledge of Pledged Taxes that are included in Local Option Taxes on a parity with the 1999 Bonds.

Project or Projects means any planning, design, construction, additions, betterments, extensions, and improvements provided for in the Plan or other capital or capitalizable costs incurred for any purpose related to the Plan, including, without limitation, the acquisition of land.

Purchase Date means (1) for a 2007B Bond in the Daily Mode or the Weekly Mode, any Business Day selected by the Beneficial Owner of that 2007B Bond pursuant to the provisions of Section 16, and (2) any Mandatory Purchase Date.

Purchase Fund means the fund by that name authorized to be created pursuant to Section 24.

Purchase Price means an amount equal to the principal amount of any 2007B Bonds purchased on any Purchase Date, plus accrued interest to the Purchase Date (unless the Purchase Date is an Interest Payment Date, in which case the Purchase Price shall not include accrued interest, which shall be payable regardless of the purchase).

Qualified Counterparty means a party (other than the Authority or a party related to the Authority) who is the other party to a Payment Agreement that has, or whose senior obligations are unconditionally guaranteed by a party that has, at least "A" ratings by at least two Rating Agencies, and who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

Rate Determination Date means any date on which the interest rate on 2007B Bonds shall be determined, which,

- (1) in the case of the Flexible Mode, shall be the first day of each Interest Period;
- (2) in the case of the Daily Mode, shall be each Business Day;

(3) in the case of the Weekly Mode, initially shall be no later than the Business Day preceding the Conversion Date, and thereafter shall be each Wednesday or, if a Wednesday is not a Business Day, then the Business Day succeeding such Wednesday;

(4) in the case of the Term Rate Mode, shall be a Business Day no earlier than 15 Business Days and no later than the Business Day preceding the first day of each Interest Period, as determined by the Remarketing Agent; and

(5) in the case of the Fixed Rate Mode, shall be a Business Day no later than the Business Day preceding the Conversion Date, as determined by the Remarketing Agent.

Rating Agencies means Moody's Investors Service, Inc., or its successors and assigns, Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., or its successors and assigns, Fitch Ratings or its successors and assigns, or such other securities rating agency if such other rating agency is selected by the Authority to provide a rating with respect to a Series of Parity Bonds or any portion thereof and which other rating agency as of the applicable date shall have assigned a rating to any Series of Parity Bonds or any portion thereof.

Rating Categories means the generic rating categories of the Rating Agencies, without regard to any refinement or gradation of such rating categories by a numerical modifier or otherwise.

Receipt means any payment to be made to, or for the benefit of, the Authority under a Payment Agreement by the Payor.

Record Date means (1) with respect to 2007B Bonds in a Short-Term Mode or the Auction Mode, the Business Day preceding each Interest Payment Date; and (2) with respect to 2007B Bonds in a Long-Term Mode, the 15th day of the month preceding each Interest Payment Date.

Redemption Date means the date fixed for redemption of 2007B Bonds subject to redemption in any notice of redemption given in accordance with the terms of this Resolution.

Redemption Price means an amount equal to the principal of and premium, if any, and accrued interest, if any, on the 2007B Bonds payable on the Redemption Date.

Refunding Bonds means Future Parity Bonds the proceeds of which will be used to refund Authority obligations as provided in Section 37.

Remarketing Agent means the remarketing agent authorized to be appointed pursuant to Section 30 in preparation for the conversion of the 2007B Bonds to a Short-Term Mode, or any successor thereto pursuant to the Remarketing Agreement, or any other remarketing agent that may be substituted in its place as provided in Section 30.

Remarketing Agreement means the agreement of that name between the Authority and the Remarketing Agent authorized to be entered into pursuant to Section 30, or any similar agreement between the Authority and the Remarketing Agent, as it may be amended or supplemented from time to time in accordance with its terms.

Remarketing Proceeds Account means the account by that name authorized to be created in Section 24.

Resolution means this Resolution No. R2007-23.

Rule means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended.

Sales and Use Taxes means the sales and use taxes authorized by RCW 81.104.170.

SEC means the United States Securities and Exchange Commission.

Securities Depository means DTC and any successor or substitute securities depository that the Authority may appoint in accordance with the provisions of Section 12.

Securities Depository Participant means (1) any Person for which, from time to time, the Securities Depository effectuates book-entry transfers and pledges of securities in the Book-Entry System and (2) any securities broker or dealer, bank, trust company or other Person that clears through or maintains a custodial relationship with a Person referred to in clause (1).

Serial Bonds means the 2007B Bonds maturing on the Serial Maturity Dates, as determined pursuant to Section 11(b)(iii).

Serial Maturity Dates means the dates on which the 2007B Bonds mature, if determined pursuant to Section 11(b)(iii).

Series means any separate series of Parity Bonds, including the 2007B Bonds, issued pursuant to a Series Resolution.

Series Resolution means this Resolution, the Bond Sale Resolution or another resolution or resolutions authorizing the issuance and sale of one or more Series of Parity Bonds, as such resolution may be amended or supplemented.

Short-Term Mode means the Daily Mode, the Weekly Mode or the Flexible Mode.

State means the State of Washington.

Subordinate Bond Account means the special account or accounts of the Authority created by Section 19(a) of Resolution No. R2005-02 for the purpose of paying the principal, sinking fund installments, premium, if any, and interest on any Parity Bonds.

Subordinate Reserve Account means the special reserve account created pursuant to Section 19(b) of Resolution No. R2005-02.

Subordinate Reserve Account Requirement means, for the 2007 Bonds, zero, and for Parity Bonds other than the 2007 Bonds (and except as otherwise permitted under Section 19(b) of Resolution No. R2005-02), the lesser of: (1) Maximum Annual Debt Service or (2) 125% of Average Annual Debt Service; provided, that upon the issuance of any Series of Parity Bonds, the Subordinate Reserve Account Requirement shall not be required to be funded or increased by an amount greater than 10% of the proceeds of that Series. For purposes of calculating the Subordinate Reserve Account Requirement, the initial issue price of Capital Appreciation Bonds shall be deemed to be the sale proceeds of such Bonds.

Substitution Date means the date on which an Alternate Liquidity Facility is scheduled to be substituted for the Liquidity Facility then in effect.

Supplemental Resolution means a resolution adopted by the Authority pursuant to Section 44.

Tax Stabilization Subaccount means the subaccount of that name authorized to be created pursuant to Section 2 of the Prior Bond Resolution, Section 14 of Resolution No. R2005-02, Section 14 of Resolution No. R2007-22, Section 34 of Resolution No. R2007-24 or Section 34 of this Resolution.

Tender Notice means a notice delivered by Electronic Means or in writing that states (1) the principal amount of the 2007B Bond to be purchased pursuant to Section 16, (2) the Purchase Date on which such principal amount of such 2007B Bond is to be purchased, (3) applicable payment instructions with respect to the 2007B Bonds being tendered for purchase and (4) an irrevocable demand for such purchase.

Tender Notice Deadline means (1) during the Daily Mode, 11:00 a.m., New York City time, on any Business Day and (2) during the Weekly Mode, 5:00 p.m., New York City time, on the Business Day seven days prior to the applicable Purchase Date.

Term Bonds means any Series of Parity Bonds identified as "Term Bonds" in the Series Resolution authorizing such Parity Bonds, the payment of principal of which will be made, in part, from mandatory sinking fund redemptions prior to their stated maturities.

Term Rate means the interest rate per annum for the 2007B Bonds determined pursuant to Section 7(a).

Term Rate Mode means the Mode during which the 2007B Bonds bear interest at the Term Rate.

Term Rate Period means the period from (and including) the Conversion Date on which the 2007B Bonds are converted to the Term Rate Mode to (but excluding) the Mandatory Purchase Date for that period, as established by the Authority pursuant to Section 7(a) and, thereafter, so long as the 2007B Bonds remain in the Term Rate Mode, the period from (and

including) the beginning date of each successive period to (but excluding) the Mandatory Purchase Date for that period, as established by the Authority pursuant to Section 7(a).

Underwriter means UBS Securities LLC.

Variable Rate means a variable interest rate or rates to be borne by a Series of Parity Bonds or any one or more maturities within a Series of Parity Bonds. The method of computing such variable interest rate shall be specified in the Series Resolution authorizing such Parity Bonds, except that such variable interest rate shall be subject to a maximum interest rate set forth in such Series Resolution.

Variable Rate Bonds means Parity Bonds, including the 2007B Bonds, that bear interest at a Variable Rate, except that Parity Bonds (or portion thereof) the interest rate on which shall have been fixed for the remainder of their term to maturity shall no longer be Variable Rate Bonds.

Weekly Mode means the Mode during which the 2007B Bonds bear interest at the Weekly Rate.

Weekly Rate means the interest rate per annum on the 2007B Bonds determined pursuant to Section 6(b).

Weekly Rate Period means the period during which a 2007B Bond in the Weekly Mode shall bear a Weekly Rate, which shall be the period commencing on Thursday of each week to and including Wednesday of the following week, except (1) the Weekly Rate Period commencing on a Conversion Date, which shall be the period commencing on the Conversion Date to and including the Wednesday of the following week, and (2) the Weekly Rate Period preceding a Conversion Date or the Maturity Date, which shall be from and including the Thursday of the week prior to the Conversion Date or the Maturity Date to but not including the Conversion Date or the Maturity Date.

Section 2. Authorization and Description of 2007B Bonds. For the purposes of paying part of the costs of carrying out the Plan and the costs of issuing and selling the 2007B

Bonds and for other Authority purposes approved by resolution of the Board, the Authority shall borrow money on the credit of the Authority and issue sales tax bonds evidencing indebtedness in the aggregate principal amount of \$60,000,000. The principal amount of the 2007B Bonds, together with the outstanding 1999 Bonds, the outstanding 2005A Bonds, the 2007A Bonds, the 2007C Bonds, and any other existing indebtedness of the Authority not authorized by the voters, shall not exceed 1.5% of the value of the taxable property within the boundaries of the Authority. The 2007B Bonds shall be designated "Sales Tax Bonds, Series 2007B," and shall have such other designation as determined by the Designated Authority Representative consistent with the provisions of this Resolution; shall be dated the Closing Date; shall be in Authorized Denominations; shall be numbered separately, in the manner and with any additional designation as the Bond Registrar deems necessary for the purpose of identification; and shall bear interest payable on the dates at the rates determined as specified herein. The 2007B Bonds shall mature on the dates and in years and amounts specified herein. All or some of the 2007B Bonds may be Term Bonds, as specified herein. The 2007B Bonds initially shall be issued in the Auction Mode and may be converted to another Mode as provided herein.

Section 3. Bond Sale Resolution. The Board may adopt the Bond Sale Resolution and in that resolution may provide for the matters described in this Resolution and such other matters that the Board deems necessary, appropriate, or desirable to carry out the purposes of this Resolution. The terms of the Bond Sale Resolution shall be deemed to be a part of this Resolution as if fully set forth herein.

The Bond Sale Resolution may provide conditions or covenants relating to the 2007B Bond Insurance, including additional terms, conditions, and covenants relating to the 2007B Bonds that are required by the Bond Insurer or by a Qualified Counterparty and are consistent with the provisions of this Resolution, including restrictions on investments and requirements of notice and consent. Notwithstanding any other provision of this Resolution to the contrary, the Bond Sale Resolution may specify a different series designation for the 2007B Bonds. The

Bond Sale Resolution may approve and authorize the execution and delivery on behalf of the Authority of any contracts and other documents consistent with the provisions of this Resolution for which the Authority's approval is necessary or to which the Authority is a party and that are related or incidental to the issuance and sale of the 2007B Bonds, the establishment of the initial interest rate or rates on the 2007B Bonds, and any tender, purchase, remarketing, or redemption provisions of the 2007B Bonds, including agreements with the Bond Insurer and Bond Insurance providers, Qualified Counterparties, remarketing agents, purchasers, fiscal agencies, custodians, and the Bond Registrar. The Chair of the Board, the Chief Executive Officer of the Authority and the Chief Financial Officer are each separately authorized to execute and deliver, on behalf of the Authority, any contracts and other documents consistent with the provisions of this Resolution for which the Authority's approval is necessary, or to which the Authority is a party, and that are related or incidental to the issuance and sale of the 2007B Bonds.

Because of the special circumstances regarding (1) the timing of the sale of the 2007B Bonds, (2) the need for the purchasers of the 2007B Bonds to receive prompt confirmation of the sale, and (3) the expected short length of the meeting to consider the Bond Sale Resolution, the Bond Sale Resolution may be adopted at a teleconference meeting of the Board at which meeting any number of Board members may attend by telephone. Pursuant to Section 15 of Resolution 1-1, as amended, Section 8.D of Resolution 1-1, as amended, shall be temporarily suspended for this purpose. Notice of such teleconference meeting shall be given pursuant to law and the teleconference technical connection for the meeting shall allow Board members to hear and to be heard by other Board members and the public.

Section 4. Calculation of Interest Rates.

(a) When a Short-Term Mode is in effect, interest on the 2007B Bonds shall be calculated on the basis of a 365/366-day year for the actual number of days elapsed. When a Long-Term Mode is in effect, interest on the 2007B Bonds shall be calculated on the basis of a

360-day year comprised of twelve 30-day months. When the Auction Mode is in effect, interest on the 2007B Bonds shall be calculated on the basis of (1) a 365/366-day year for the actual number of days elapsed if the 2007B Bonds are in an Auction Period of 180 days or less and (2) a 360-day year of twelve 30-day months if the 2007B Bonds are in an Auction Period that is greater than 180 days.

(b) No 2007B Bond shall bear interest at an interest rate higher than the Maximum Rate.

(c) In the absence of manifest error, the determination of interest rates and Interest Periods by the Remarketing Agent or the Auction Agent and the record of interest rates maintained by the Bond Registrar shall be conclusive and binding upon the Remarketing Agent, the Broker-Dealer, the Auction Agent, the Bond Registrar, the Authority, the Bond Insurer, the Liquidity Provider, the Owners and the Beneficial Owners.

Section 5. Determination of Flexible Rates and Flexible Rate Periods. The Flexible Rate Period for each Flexible Rate Bond shall end on a day preceding a Business Day or the Maturity Date, as the Remarketing Agent shall determine in accordance with the provisions of this subsection. A Flexible Rate Bond may have a Flexible Rate Period, and bear interest at a Flexible Rate, different from another Flexible Rate Bond. In making the determinations with respect to each Flexible Rate Period on each Rate Determination Date for a Flexible Rate Bond, subject to limitations imposed by the first sentence of this subsection and in subsection (c) of this Section, the Remarketing Agent shall select for such Flexible Rate Bond the Flexible Rate Period that would result in the Remarketing Agent being able to remarket such Flexible Rate Bond at a price equal to the principal amount thereof at the lowest average interest cost for all Flexible Rate Bonds. The Remarketing Agent shall not knowingly select a Flexible Rate Period for any Flexible Rate Bond that extends beyond any applicable Mandatory Purchase Date, Redemption Date or Maturity Date.

By 1:00 p.m., New York City time, on each Rate Determination Date, the Remarketing Agent shall determine the Flexible Rate Period and Flexible Rate for each Flexible Rate Bond that is subject to adjustment on such Rate Determination Date, and shall give notice by Electronic Means to the Bond Registrar and the Authority of such Flexible Rate Period and Flexible Rate and the applicable Mandatory Purchase Date. The Remarketing Agent shall make such Flexible Rate Period and Flexible Rate available after 2:00 p.m., New York City time, on such Rate Determination Date by telephone or Electronic Means to any Beneficial Owner or Notice Party requesting such information.

Section 6. Determination of Daily Rates and Weekly Rates.

(a) The interest rate in the Daily Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the 2007B Bonds at a price equal to the principal amount thereof, plus interest, if any, accrued through the Rate Determination Date during the then current Interest Accrual Period. The Remarketing Agent shall establish the Daily Rate by 10:00 a.m., New York City time, on each Rate Determination Date. The Daily Rate for any day during the Daily Mode that is not a Business Day shall be the Daily Rate established on the preceding Rate Determination Date. The Remarketing Agent shall make the Daily Rate available no less frequently than once each week by telephone or Electronic Means to any Beneficial Owner or Notice Party requesting such rate.

(b) The interest rate in the Weekly Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the 2007B Bonds at a price equal to the principal amount thereof, plus interest, if any, accrued through the Rate Determination Date during the then current Interest Accrual Period. The Remarketing Agent shall establish the Weekly Rate

by 4:00 p.m., New York City time, on each Rate Determination Date. The Weekly Rate shall be in effect during the applicable Weekly Rate Period. The Remarketing Agent shall make the Weekly Rate available no later than 5:00 p.m., New York City time, on the Business Day following the Rate Determination Date by telephone or Electronic Means to any Beneficial Owner or Notice Party requesting such rate.

Section 7. Determination of Term Rates, Term Rate Periods and Fixed Rates.

(a) Except as otherwise provided in Section 8(c) or Section 25(b), once the 2007B Bonds are converted to the Term Rate Mode, the 2007B Bonds shall continue in the Term Rate Mode until converted to another Mode in accordance with Section 11. The Term Rate shall be determined by the Remarketing Agent by 4:00 p.m., New York City time, on the Rate Determination Date, and the Remarketing Agent shall make the Term Rate available by telephone or by Electronic Means to any Beneficial Owner or Notice Party requesting such rate. The Term Rate shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the 2007B Bonds at a price equal to the principal amount thereof on the Rate Determination Date for the Term Rate Period selected by the Authority in writing delivered to the Remarketing Agent before such Rate Determination Date. A Term Rate Period must be at least 180 days in length, and no Term Rate Period may extend beyond the Maturity Date. If a new Term Rate Period is not selected by the Authority prior to a Rate Determination Date, the new Term Rate Period shall be the same length as the current Term Rate Period (or such lesser period as shall be necessary to comply with the last sentence of this subsection). By 5:00 p.m., New York City time, on the Rate Determination Date, the Remarketing Agent shall give notice by Electronic Means to the Bond Registrar and the Authority of the Term Rate. The Remarketing Agent shall make such Term Rate available after 5:00 p.m., New York City time, on such Rate

Determination Date by telephone or Electronic Means to any Beneficial Owner or Notice Party requesting such information.

(b) Once the 2007B Bonds are converted to the Fixed Rate Mode, the 2007B Bonds may not be converted to another Mode. The Fixed Rate (or Fixed Rates, in the case of Serial Bonds) shall be determined by the Remarketing Agent by 4:00 p.m., New York City time, on the Rate Determination Date, and the Remarketing Agent shall make the Fixed Rate(s) available by Electronic Means to the Authority, the Bond Registrar, each Beneficial Owner and any other Notice Party requesting such rate(s). Except as provided in Section 11(b)(iii), the Fixed Rate for each 2007B Bond shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of such 2007B Bond at a price equal to the principal amount thereof on the Rate Determination Date. The Fixed Rate(s) so established shall remain in effect until the Maturity Date.

Section 8. Alternate Rates. The following provisions shall apply in the event (1) the Remarketing Agent (or the Authority, with respect to the determination of the Interest Period for 2007B Bonds in the Term Rate Mode) fails or is unable to determine the interest rate or Interest Period for the 2007B Bonds other than when the 2007B Bonds are in the Auction Mode, (2) the method by which the Remarketing Agent (or the Authority, if applicable) determines the interest rate or Interest Period with respect to the 2007B Bonds shall be held to be unenforceable by a court of law of competent jurisdiction, or (3) if the Remarketing Agent suspends its remarketing effort in accordance with the Remarketing Agreement. These provisions shall continue to apply until such time as the Remarketing Agent (or the Authority, if applicable) again makes such determinations. In the case of clause (2), the Remarketing Agent (or the Authority, if applicable) may again make such determination at such time as there is delivered to the Remarketing Agent and the Authority an opinion of Bond Counsel to the effect that there are no longer any legal prohibitions against such determinations. These provisions shall not apply if the Authority

fails to select an Interest Period for the 2007B Bonds in the Term Rate Mode for a reason other than as described in clause (2).

(a) If the 2007B Bonds are then in the Flexible Rate Mode, then the next Interest Period shall be from, and including, the first day following the last day of the current Interest Period for the 2007B Bonds to, but excluding, the next succeeding Business Day and thereafter shall commence on each Business Day and extend to, but exclude, the next succeeding Business Day. For each such Interest Period, the interest rate for the 2007B Bonds shall be the applicable Alternate Rate in effect on the Business Day that begins an Interest Period.

(b) If the 2007B Bonds are then in the Daily Mode or the Weekly Mode, then the 2007B Bonds shall bear interest during each subsequent Interest Period at the Alternate Rate in effect on the first day of such Interest Period.

(c) If the 2007B Bonds are then in the Term Rate Mode, then the 2007B Bonds shall automatically convert to Flexible Rate Bonds, with an Interest Period commencing on the first day following the last day of the current Interest Period for the 2007B Bonds to, but excluding, the next succeeding Business Day and thereafter commencing on each Business Day and extending to, but excluding, the next succeeding Business Day. For each such Interest Period, the interest rate for the 2007B Bonds shall be the applicable Alternate Rate in effect at the beginning of each such Interest Period.

Section 9. Determination of Auction Rates. The Auction Period Rate shall be determined as provided in Exhibit B.

Section 10. Liquidity Provider Bonds. Liquidity Provider Bonds shall bear interest and be payable at the times and in the amounts required under the Liquidity Facility.

Section 11. Conversions.

(a) Conversions to Modes Other than to Fixed Rate Mode. At the direction of the Designated Authority Representative, all, but not less than all, of the 2007B Bonds then

Outstanding (other than 2007B Bonds in the Fixed Rate Mode) may be converted to another Mode (other than the Fixed Rate Mode) as follows:

(i) Conversion Notice; Notice to Owners. No later than a Business Day that is at least 30 days (or such shorter time as may be agreed to by the Authority, the Bond Registrar, the Remarketing Agent, the Auction Agent and the Broker-Dealer, but in any event not less than 15 days) preceding the proposed Conversion Date, the Authority shall give written notice to the Notice Parties of its intention to convert the 2007B Bonds from the Mode then prevailing (for purposes of this Section, the "Current Mode") to another Mode (for purposes of this Section, the "New Mode") specified in such written notice, a statement as to whether there will be a Liquidity Facility in effect with respect to the 2007B Bonds following such conversion and the identity of the provider of any such Liquidity Facility and, if the conversion is to a Term Rate Mode, the length of the initial Interest Period. Notice of the proposed conversion shall be given by the Bond Registrar to the Owners of the 2007B Bonds not less than the 15th day preceding the Conversion Date; provided, that no notice need be given for a Conversion Date occurring on the first Business Day following the last day of a Flexible Rate Period or Term Rate Period or on a Substitution Date. Such notice shall state: (1) the proposed Conversion Date; (2) the New Mode and, in the case of a conversion to the Auction Mode, the length of the Initial Period, the first Auction Date, the first Interest Payment Date following the Conversion Date and the initial Auction Period; (3) except in the case of a conversion from the Auction Mode, that the 2007B Bonds will be subject to mandatory purchase on the Conversion Date (regardless of whether all of the conditions to the proposed conversion are satisfied) and the Purchase Price of the 2007B Bonds; and (4) if the 2007B Bonds are not held by the Securities Depository in the Book-Entry System, information with respect to required delivery of 2007B Bond certificates and payment of the Purchase Price. If the conversion is from the Auction Mode, such notice shall also state that such Owner is required to tender such Owner's 2007B Bonds for purchase on the Conversion Date only if all of the conditions to the conversion are satisfied and that, if such

conditions are not satisfied, the 2007B Bonds shall not be subject to mandatory purchase, the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to the 2007B Bonds that otherwise would have been converted (excluding, however, the Auction Date falling on the Business Day preceding the failed Conversion Date), and the interest rate will continue to be the Auction Period Rate; provided, that the interest rate borne by the 2007B Bonds during the Auction Period commencing on such failed Conversion Date will be the Maximum Rate, and the Auction Period will be the seven-day Auction Period. In the case of 2007B Bonds being converted to the Auction Mode, the Bond Registrar shall not mail such written notice if converting from a Flexible Rate Period until it has received a written confirmation from the Remarketing Agent that no Interest Period for the 2007B Bonds extends beyond the Conversion Date.

(ii) Determination of Interest Rates and Interest Periods. The New Mode shall commence on the Conversion Date. The interest rate(s) shall be determined by the Remarketing Agent, and the Interest Period(s) shall be determined by the Remarketing Agent (in the case of 2007B Bonds being converted to the Flexible Mode) or the Authority (in the case of 2007B Bonds being converted to the Term Rate Mode) in the manner provided in Sections 5, 6 and 7, as applicable. In the case of 2007B Bonds being converted to the Auction Mode, the length of the initial Auction Period shall be selected by the Authority, and the Initial Period Rate for the Initial Period commencing on the Conversion Date shall be the rate of interest per annum determined by the Broker-Dealer on and as of the Conversion Date as the minimum rate of interest that, in the opinion of the Broker-Dealer under then-existing market conditions, would result in the sale of the 2007B Bonds at a price equal to the principal amount thereof, plus interest, if any, accrued through the Conversion Date.

(iii) Conditions Precedent.

(A) The Conversion Date shall be:

(1) in the case of a conversion from the Flexible Mode, a Mandatory Purchase Date for all of the Flexible Rate Bonds;

(2) in the case of a conversion from the Daily Mode or the Weekly Mode, any Business Day; provided, that in the case of a conversion from the Daily Mode or the Weekly Mode to the Auction Mode, the Conversion Date shall be a regularly scheduled Interest Payment Date for the Daily Mode or the Weekly Mode;

(3) in the case of a conversion from the Term Rate Mode, any Interest Payment Date on which the 2007B Bonds are subject to optional redemption or a Mandatory Purchase Date; and

(4) in the case of a conversion from the Auction Mode, the Interest Payment Date following the final Auction Period.

(B) The following items shall have been delivered to the Authority, Bond Registrar, Remarketing Agent, if any, Broker-Dealer, if any, Bond Insurer and Liquidity Provider, on or prior to the Conversion Date:

(1) in the case of a conversion from a Short-Term Mode to a Long-Term Mode or from a Long-Term Mode to a Short-Term Mode or to or from the Auction Mode, a Favorable Opinion of Bond Counsel dated the Conversion Date and addressed to the Notice Parties;

(2) if a Liquidity Facility is to be delivered in connection with such conversion, the items required by Section 23(c);

(3) notice from the Rating Agencies of the rating(s) to be assigned the 2007B Bonds on such Conversion Date; and

(4) the prior written consent of the Bond Insurer.

(C) 2007B Bonds may be converted to the Auction Mode only if, upon conversion, they will be held by the Securities Depository in the Book-Entry System.

(b) Conversion to Fixed Rate Mode. At the option of the Authority, all, but not less than all, of the 2007B Bonds then Outstanding may be converted to the Fixed Rate Mode as follows:

(i) Conversion Notice; Notice to Owners. No later than a Business Day that is 30 days (or such shorter time as may be agreed to by the Authority, the Bond Registrar, the Remarketing Agent, the Auction Agent and the Broker-Dealer, but in any event not less than 15 days) preceding the proposed Conversion Date, the Authority shall give written notice to the Notice Parties of its intention to effect a conversion from the Current Mode to the Fixed Rate Mode. Notice of the proposed conversion shall be given by the Bond Registrar to the Owners of the 2007B Bonds not less than 15 days preceding the Conversion Date, provided that no notice need be given for a Conversion Date occurring on the first Business Day following the last day of a Flexible Rate Period or Term Rate Period. Such notice shall state: (1) the proposed Conversion Date; (2) except in the case of conversion from the Auction Mode, that the 2007B Bonds will be subject to mandatory purchase on the Conversion Date (regardless of whether all of the conditions to the proposed conversion are satisfied) and the Purchase Price of the 2007B Bonds; and (3) if the 2007B Bonds are not held by the Securities Depository in the Book-Entry System, information with respect to required delivery of 2007B Bond certificates and payment of the Purchase Price. If the conversion is from the Auction Mode, such notice shall also state that such Owner is required to tender such Owner's 2007B Bonds for purchase on the Conversion Date only if all of the conditions to the conversion are satisfied and that, if such conditions are not satisfied, the 2007B Bonds shall not be subject to mandatory purchase, the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to the 2007B Bonds that otherwise would have been converted (excluding, however, the Auction Date falling on the Business Day preceding the failed Conversion Date), and the interest rate will

continue to be the Auction Period Rate; provided, that the interest rate borne by the 2007B Bonds during the Auction Period commencing on such failed Conversion Date will be the Maximum Rate, and the Auction Period will be the seven-day Auction Period.

(ii) Determination of Fixed Rates. The Fixed Rate (or Fixed Rates, in the case of Serial Bonds) shall be determined by the Remarketing Agent as provided in Section 7(b).

(iii) Serial Bonds and Term Bonds; Price. The 2007B Bonds shall be remarketed at a price equal to the principal amount thereof, shall mature on the same Maturity Date and shall be subject to the same mandatory sinking fund redemption, if any, and optional redemption provisions set forth in this Resolution; provided, that if the Authority shall deliver to the Bond Registrar a Favorable Opinion of Bond Counsel, the Authority may elect to (1) have some of the 2007B Bonds be Serial Bonds maturing on Serial Maturity Dates and some Term Bonds subject to mandatory sinking fund redemption even if such 2007B Bonds were not Serial Bonds or Term Bonds prior to such conversion, (2) change the optional redemption dates and/or redemption premiums set forth in Section 14(c), and/or (3) sell some or all of the 2007B Bonds at a premium or a discount.

(iv) Conditions Precedent.

(A) The Conversion Date shall be:

(1) in the case of a conversion from the Flexible Mode, a Mandatory Purchase Date for all of the Flexible Rate Bonds;

(2) in the case of a conversion from the Daily Mode or the Weekly Mode, any Business Day;

(3) in the case of a conversion from the Term Rate Mode, any Interest Payment Date on which the 2007B Bonds are subject to optional redemption or a Mandatory Purchase Date; and

(4) in the case of a conversion from the Auction Mode, the Interest Payment Date following the final Auction Period.

(B) The following items shall have been delivered to the Authority, Bond Registrar, Remarketing Agent, if any, Broker-Dealer, if any, Bond Insurer, and Liquidity Provider, on or prior to the Conversion Date:

(1) in the case of a conversion from a Short-Term Mode or from the Auction Mode, a Favorable Opinion of Bond Counsel dated the Conversion Date and addressed to the Notice Parties;

(2) notice from the Rating Agencies of the rating(s) to be assigned the 2007B Bonds on such Conversion Date; and

(3) the prior written consent of the Bond Insurer.

(c) Failure to Satisfy Conditions Precedent to a Conversion. In the event the conditions described in subsections (a) or (b) of this Section have not been satisfied by the applicable Conversion Date, then the New Mode shall not take effect; provided, that except in the case of a failed conversion from the Auction Mode, the 2007B Bonds shall be subject to mandatory purchase on such date if notice has been sent to the Owners stating that such 2007B Bonds would be subject to mandatory purchase on such date.

If the failed conversion was from the Flexible Mode, the 2007B Bonds shall remain in the Flexible Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the failed Conversion Date in accordance with Section 5. If the failed conversion was from the Daily Mode, the 2007B Bonds shall remain in the Daily Mode, with interest rates established in accordance with the applicable provisions of Section 6(a) on and as of the failed Conversion Date. If the failed conversion was from the Weekly Mode, the 2007B Bonds shall remain in the Weekly Mode, with interest rates established in accordance with the applicable provisions of Section 6(b) on and as of the failed Conversion Date. If the failed conversion was from the Term Rate Mode, the 2007B Bonds shall remain in the Term Rate Mode for an Interest

Period ending on the following Interest Payment Date for the 2007B Bonds in the Term Rate Mode, and the interest rate shall be established by the Remarketing Agent on the failed Conversion Date in accordance with Section 7(a). If the Remarketing Agent is unable to determine the interest rate on the failed Conversion Date, the provisions of Section 8 shall apply and be in effect at the beginning of each such Interest Period.

If the failed conversion was from the Auction Mode, then the 2007B Bonds shall not be subject to mandatory purchase, the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to the 2007B Bonds that otherwise would have been converted, excluding, however, the Auction Date falling on the Business Day preceding the failed Conversion Date, and the interest rate will continue to be the Auction Period Rate; provided, that the interest rate borne by the 2007B Bonds during the Auction Period commencing on such failed Conversion Date will be the Maximum Rate, and the Auction Period will be the seven-day Auction Period. The Bond Registrar will give written notice by first class mail postage prepaid as soon as practicable and in any event not later than the next Business Day to the Owners, the Authority and the Bond Insurer that such conversion has not occurred, that the 2007B Bonds will not be purchased on the failed Conversion Date, that the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to the 2007B Bonds that otherwise would have been converted, excluding, however, the Auction Date falling on the Business Day preceding the failed Conversion Date, and that the interest rate will continue to be the Auction Period Rate; provided, that the interest rate borne by the 2007B Bonds during the Auction Period commencing on such failed Conversion Date will be the Maximum Rate, and the Auction Period will be the seven-day Auction Period.

(d) Rescission of Election. Notwithstanding any other provision of this Resolution to the contrary, the Authority may rescind any election by it to convert a Mode as described above prior to the Conversion Date by giving written notice thereof to the Notice Parties prior to such Conversion Date; provided, that in the case of a conversion to the Auction Mode, such

rescission must occur prior to the setting of the Initial Period Rate by the Broker-Dealer. If the Bond Registrar receives notice of such rescission prior to the time the Bond Registrar has given notice to the Owners of the 2007B Bonds, then such notice of conversion shall be of no force and effect. If the Bond Registrar receives notice from the Authority of rescission of a conversion after the Bond Registrar has given notice thereof to the Owners of the 2007B Bonds, then if the proposed Conversion Date would have been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date unless the conversion is from the Auction Mode. If the proposed conversion was from the Flexible Mode, the 2007B Bonds shall remain in the Flexible Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the proposed Conversion Date in accordance with Section 5. If the proposed conversion was from the Daily Mode, the 2007B Bonds shall remain in the Daily Mode, with interest rates established in accordance with the applicable provisions of Section 6(a) on and as of the proposed Conversion Date. If the proposed conversion was from the Weekly Mode, the 2007B Bonds shall remain in the Weekly Mode, with interest rates established in accordance with the applicable provisions of Section 6(b) on and as of the proposed Conversion Date. If the proposed conversion was from the Term Rate Mode, the 2007B Bonds shall remain in the Term Rate Mode for an Interest Period ending on the following Interest Payment Date for the 2007B Bonds in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the proposed Conversion Date in accordance with Section 7(a). If the Remarketing Agent is unable to determine the interest rate on the proposed Conversion Date, the provisions of Section 8 shall apply and be in effect at the beginning of each such Interest Period. If the proposed conversion was from the Auction Mode, then an Auction for the 2007B Bonds will be held on the Business Day immediately preceding the proposed Conversion Date as though no notice of conversion had ever been given.

Section 12. Registration and Transfer or Exchange of the 2007B Bonds. The 2007B Bonds shall be issued only in registered form as to both principal and interest and shall be

recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the Owner of each 2007B Bond and the principal amount and number of each of the 2007B Bonds held by each Owner.

2007B Bonds surrendered to the Bond Registrar may be exchanged for 2007B Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same interest rate and maturity. 2007B Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any 2007B Bond during the period beginning on the date the Bond Registrar receives direction to send notice of redemption of that 2007B Bond and ending on the date the Bond Registrar sends such notice.

The 2007B Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. The 2007B Bonds so registered initially shall be held by DTC as Securities Depository in the Book-Entry System in accordance with the provisions of the Letter of Representations. Neither the Authority nor the Bond Registrar shall have any responsibility or obligation to Securities Depository Participants or the Persons for whom they act as nominees with respect to the 2007B Bonds regarding accuracy of any records maintained by the Securities Depository or Securities Depository Participants of any amount in respect of principal of or premium, if any, or interest on the 2007B Bonds, or any notice which is permitted or required to be given to Owners hereunder (except such notice as is required to be given by the Bond Registrar to the Securities Depository).

For as long as any 2007B Bonds are held by the Securities Depository in the Book-Entry System, except as otherwise provided in the Bond Sale Resolution with respect to the Bond Insurer, the Securities Depository shall be deemed to be the Owner for all purposes hereunder and all references to Owners shall mean the Securities Depository and shall not mean the Beneficial Owners. Registered ownership of such 2007B Bonds, or any portions thereof, may

not thereafter be transferred except: (i) to any successor Securities Depository or its nominee, if that successor shall be qualified under any applicable laws to provide the services proposed to be provided by it; (ii) to any substitute Securities Depository appointed by the Authority or such substitute Securities Depository's successor or such successor's nominee; or (iii) to any Person if the 2007B Bonds are not held by the Securities Depository in the Book-Entry System.

Upon the resignation of the Securities Depository from its functions as Securities Depository, or a determination by the Authority that it no longer wishes to continue the Book-Entry System through a Securities Depository, the Authority may appoint a substitute Securities Depository. Any such substitute Securities Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

If (i) the Securities Depository resigns from its functions as Securities Depository, and no substitute Securities Depository can be obtained, or (ii) the Authority determines that the 2007B Bonds are to be in certificated form, the ownership of 2007B Bonds may be transferred to any Person as provided herein and the 2007B Bonds no longer shall be held by the Securities Depository in the Book-Entry System.

Section 13. Payment of 2007B Bonds. Principal of and premium, if any, and interest on the 2007B Bonds shall be payable in lawful money of the United States of America. Interest on the 2007B Bonds during each Interest Accrual Period shall be paid by checks, drafts, or warrants of the Bond Registrar, or, if requested in writing prior to the Record Date by the Owner of \$1,000,000 or more in principal amount of 2007B Bonds, by wire, mailed or transferred on the applicable Interest Payment Date to Owners of the 2007B Bonds as those Owners and their addresses and accounts appear on the Bond Register on the Record Date. Principal of and premium, if any, on the 2007B Bonds shall be payable on the Maturity Date or Redemption Date upon presentation and surrender of the 2007B Bonds by the Owners at the principal corporate trust office or offices of the Bond Registrar. Notwithstanding the foregoing, payment of any

2007B Bonds held by the Securities Depository in the Book-Entry System shall be made in accordance with the Letter of Representations.

Section 14. Redemption and Purchase of 2007B Bonds.

(a) Optional Redemption of Flexible Rate Bonds. The Flexible Rate Bonds are not subject to optional redemption prior to their respective Mandatory Purchase Dates. The Flexible Rate Bonds are subject to redemption at the option of the Authority in whole or in part on their respective Mandatory Purchase Dates at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date.

(b) Optional Redemption of 2007B Bonds in the Daily Mode or the Weekly Mode. The 2007B Bonds in the Daily Mode or the Weekly Mode are subject to optional redemption by the Authority, in whole or in part, in Authorized Denominations on any Business Day, at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date.

(c) Optional Redemption of 2007B Bonds in the Term Rate Mode or the Fixed Rate Mode.

(i) The 2007B Bonds in the Term Rate Mode are subject to optional redemption by the Authority, in whole or in part, in Authorized Denominations on each Mandatory Purchase Date, at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date.

(ii) The 2007B Bonds in the Term Rate Mode or the Fixed Rate Mode are subject to optional redemption by the Authority, in whole on any date or in part on any Interest Payment Date (and if in part, in such order of maturity as the Authority shall specify and within a maturity by lot or by such other method as the Bond Registrar determines to be fair and reasonable and in Authorized Denominations) commencing on the Interest Payment Date following the tenth anniversary of the conversion to the Term Rate Mode or Fixed Rate Mode, at a Redemption Price equal to the principal amount thereof plus accrued interest to the

Redemption Date or, if applicable, as determined pursuant to Section 11(b)(iii). If the length of the Term Rate Period or Fixed Rate Period is less than ten years, then the 2007B Bonds shall not be subject to optional redemption during such Term Rate Period or Fixed Rate Period.

(iii) The Authority, in connection with a conversion to a Long-Term Mode, may waive or otherwise alter its rights to direct the redemption of any 2007B Bonds so converted at any time without premium if notice describing the waiver or alteration is submitted to the Bond Registrar and the Remarketing Agent, together with a Favorable Opinion of Bond Counsel, addressed to them.

(d) Optional Redemption of 2007B Bonds in the Auction Mode. The 2007B Bonds in the Auction Mode are subject to optional redemption by the Authority, in whole or in part, in Authorized Denominations, on the Interest Payment Date immediately following the end of an Auction Period at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date; provided, that unless otherwise consented to by the Broker-Dealer, after any optional redemption there shall remain Outstanding not less than \$10,000,000 in aggregate principal amount of 2007B Bonds.

(e) Mandatory Redemption of Liquidity Provider Bonds. Liquidity Provider Bonds shall be subject to mandatory redemption at the times, in the amounts and at the prices set forth in the Liquidity Facility.

(f) Notice of Redemption. For so long as the Book Entry-System is in effect, notice of any redemption shall be provided in accordance with the operational arrangements of the Securities Depository referred to in the Letter of Representations. Notice of redemption shall be given by the Authority in sufficient time that the Bond Registrar may, and the Bond Registrar shall, give notice to the Securities Depository at least 30 days prior to the proposed Redemption Date during any Long-Term Mode and at least 15 days prior to the proposed Redemption Date during any Short-Term Mode or the Auction Mode.

If the 2007B Bonds are not held by the Securities Depository in the Book-Entry System, the Bond Registrar shall give written notice of any redemption of 2007B Bonds by first class mail, postage prepaid, or by electronic notification made in a mutually agreeable format, not less than 30 days (for 2007B Bonds in a Long-Term Mode) or not less than 15 days (for 2007B Bonds in a Short-Term Mode or the Auction Mode) nor more than 60 days before the proposed Redemption Date to the Owners of 2007B Bonds that are to be redeemed at their last addresses shown on the Bond Register. Each notice of redemption shall contain the following information: (1) the Redemption Date, (2) the Redemption Price, (3) if less than all Outstanding 2007B Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the 2007B Bonds to be redeemed, (4) that on the Redemption Date the Redemption Price will become due and payable upon each 2007B Bond or portion called for redemption, and that interest shall cease to accrue from the Redemption Date, (5) that the 2007B Bonds are to be surrendered for payment at the principal office of the Bond Registrar, (6) the CUSIP numbers of all 2007B Bonds being redeemed, (7) the dated date of the 2007B Bonds, (8) the Mode for each 2007B Bond being redeemed, (9) the date of the notice and (10) any other information needed to identify the 2007B Bonds being redeemed. The requirements of this Section shall be deemed complied with when notice is mailed, whether or not it is actually received by any Owner.

In the case of an optional redemption, the notice may state that the Authority retains the right to rescind that notice on or prior to the Redemption Date, and that notice and optional redemption shall be of no effect to the extent that the Authority gives notice to the affected Owners at any time on or prior to the Redemption Date that the Authority is rescinding the redemption notice in whole or in part. Any 2007B Bonds subject to a rescinded notice of redemption shall remain Outstanding, and the rescission shall not constitute a Default.

Notwithstanding any other provision of this Resolution to the contrary, no additional notice of redemption is required to be given for a redemption occurring on a Mandatory Purchase Date.

(g) Notice of Redemption or Defeasance During the Auction Mode. During the Auction Mode, in addition to any requirement set forth in this Resolution, in the event of a redemption or defeasance, notice of such redemption or defeasance shall comply with the following requirements. The Bond Registrar shall notify the Auction Agent by Electronic Means of any notice of redemption or defeasance on the date received and prior to sending the notice to the Securities Depository as Owner of the 2007B Bonds. In the case of a partial redemption or defeasance, the Bond Registrar shall verify with the Auction Agent by Electronic Means the lottery publication date to be used in the notice. The Bond Registrar shall then send the notice of redemption or defeasance to the Securities Depository.

If the Bond Registrar and the Auction Agent are unable to verify a lottery publication date prior to sending a notice of partial redemption or defeasance to the Securities Depository, then such notice shall include, under an item entitled "Publication Date for Securities Depository Purposes," the Securities Depository lottery publication date applicable to such 2007B Bonds, which date shall be two Business Days after the second Auction Date that immediately precedes the date specified in such notice as the date fixed for the redemption or defeasance of such 2007B Bonds (the "Redemption/Defeasance Date") (three Business Days immediately preceding such Redemption/Defeasance Date in the case of 2007B Bonds in the daily Auction Period).

On the lottery publication date prior to the Redemption/Defeasance Date with respect to such 2007B Bonds, the Bond Registrar shall request the lottery results from the Securities Depository. Upon receipt, the Bond Registrar shall notify the Auction Agent by Electronic Means of such lottery results, i.e., the identities of the Securities Depository Participants and the respective principal amounts from the accounts of 2007B Bonds which have been called for

redemption or defeasance. At least two Business Days prior to the Redemption/Defeasance Date with respect to 2007B Bonds being partially redeemed or defeased, the Auction Agent shall request the Broker-Dealer to disclose to the Auction Agent (upon selection by such Securities Depository Participant of the Existing Owners whose 2007B Bonds are to be redeemed or defeased) the aggregate principal amount of such 2007B Bonds of each such Existing Owner, if any, to be redeemed or defeased. By the close of business on the day the Auction Agent receives any notice pursuant to this paragraph, the Auction Agent shall forward the contents of such notice to the Broker-Dealer by Electronic Means.

(h) Partial Redemption. Whenever fewer than all of the 2007B Bonds then Outstanding are to be redeemed, Liquidity Provider Bonds shall in all cases be redeemed first. Whenever fewer than all of the 2007B Bonds of a single maturity then Outstanding are to be redeemed, the Bond Registrar shall select the 2007B Bonds or portions thereof to be redeemed from the 2007B Bonds of that maturity by lot (or in such other manner as the Bond Registrar shall determine), except that, for so long as the 2007B Bonds are held by the Securities Depository in the Book-Entry System, the Securities Depository shall select the 2007B Bonds or portions thereof to be redeemed in accordance with the Letter of Representations. In no event shall any 2007B Bond be Outstanding in a principal amount that is not an Authorized Denomination.

If less than all of the principal amount of any 2007B Bond is redeemed, upon surrender of that 2007B Bond to the Bond Registrar there shall be issued to the Owner, without charge therefor, a new 2007B Bond (or 2007B Bonds, at the option of the Owner) of the same maturity and interest rate in any Authorized Denominations in the aggregate total principal amount remaining unredeemed.

(i) Effect of Call for Redemption. If notice of redemption has been duly given, then on the Redemption Date each 2007B Bond or portion thereof so called for redemption shall become payable at the Redemption Price specified in such notice unless that 2007B Bond or

portion thereof is subject to a rescinded notice of redemption. From and after the Redemption Date, if money for the payment of the Redemption Price of any 2007B Bond or portion thereof so called for redemption that becomes payable is held by the Bond Registrar, interest thereon shall cease to accrue and that 2007B Bond or portion thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security hereunder, and the Owner of such 2007B Bond or portion thereof shall have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such 2007B Bond to the Bond Registrar.

(j) Purchase. The Authority reserves the right and option to purchase any or all of the 2007B Bonds in the open market at any time at any price acceptable to the Authority plus accrued interest to the date of purchase.

(k) 2007B Bonds to be Canceled. All 2007B Bonds purchased or redeemed under this Section shall be canceled.

Section 15. Failure to Pay 2007B Bonds. If any 2007B Bond is not paid when properly presented at its maturity or Redemption Date, the Authority shall be obligated to pay interest on that 2007B Bond at the same rate provided in the 2007B Bond from and after its maturity or Redemption Date until that 2007B Bond, principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Subordinate Bond Account and the 2007B Bond has been called for payment by giving notice of that call to the Owner of each of those unpaid 2007B Bonds.

Section 16. Optional Tenders of 2007B Bonds in the Daily Mode or Weekly Mode. Subject to Section 21, the Beneficial Owner of each 2007B Bond in the Daily Mode or the Weekly Mode may elect to have that 2007B Bond (or a portion of that 2007B Bond in a principal amount equal to an Authorized Denomination, provided that the remaining principal amount is equal to an Authorized Denomination) purchased on any Business Day at a price equal to the Purchase Price, upon delivery of a Tender Notice to the Bond Registrar by the Tender Notice

Deadline. Immediately upon receipt of a Tender Notice, the Bond Registrar shall notify the Remarketing Agent and provide the Remarketing Agent with a copy of such Tender Notice.

Section 17. Mandatory Purchase on Mandatory Purchase Dates. The 2007B Bonds shall be subject to mandatory purchase at the Purchase Price on each Mandatory Purchase Date. The Bond Registrar shall give notice of such mandatory purchase by mail to the Owners of the 2007B Bonds subject to mandatory purchase no fewer than 15 days prior to the Mandatory Purchase Date. No notice shall be given of the Mandatory Purchase Date at the end of each Interest Period for Flexible Rate Bonds. Each notice shall state the Mandatory Purchase Date, the Purchase Price, the numbers of the 2007B Bonds to be purchased if less than all of the 2007B Bonds owned by such Owner are to be purchased, and that interest on 2007B Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any 2007B Bond shall not affect the validity of the mandatory purchase of any other 2007B Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Owner or Beneficial Owner.

Section 18. Remarketing of 2007B Bonds.

(a) The Remarketing Agent shall use its best efforts, pursuant to the terms and conditions of the Remarketing Agreement, to offer for sale:

(i) all 2007B Bonds or portions thereof as to which a Tender Notice pursuant to Section 16 has been given;

(ii) all 2007B Bonds required to be purchased on a Mandatory Purchase Date described in clauses (1), (2), (3), (4) or (7) of the definition thereof; and

(iii) any Liquidity Provider Bonds (A) purchased on a Purchase Date described in clause (i) or (ii) of this subsection, or (B) with respect to which the Liquidity Provider has provided notice to the Bond Registrar and the Remarketing Agent that the Available Amount

has been reinstated, or (C) with respect to which an Alternate Liquidity Facility is in effect, or (D) that are being remarketed in the Fixed Rate Mode.

The Remarketing Agent shall not knowingly remarket 2007B Bonds to the Authority or any affiliate thereof. In connection with the remarketing of any 2007B Bonds with respect to which notice of redemption or notice of mandatory purchase has been given, the Remarketing Agent will notify each Person to which such 2007B Bonds are remarketed of such notice of redemption or notice of mandatory purchase.

Notwithstanding any other provision of this Resolution to the contrary, if there shall have occurred and be continuing either a Bond Insurer Default or a Liquidity Provider Failure, the Remarketing Agent shall not remarket any 2007B Bonds. All other provisions of this Resolution, including those relating to the setting of interest rates and Interest Periods and mandatory and optional purchases, shall remain in full force and effect during the continuance of such Bond Insurer Default or Liquidity Provider failure.

(b) On or before each Purchase Date, with respect to that Purchase Date:

(i) the Remarketing Agent shall notify the Bond Registrar by Electronic Means by 12:00 noon, New York City time, of the principal amount of tendered 2007B Bonds it has remarketed and by 1:00 p.m., New York City time, of the information necessary to register and deliver 2007B Bonds remarketed with respect thereto;

(ii) the Remarketing Agent shall cause the proceeds of such remarketing to be paid to the Bond Registrar in immediately available funds by 12:15 p.m., New York City time; and

(iii) if the 2007B Bonds are not held by the Securities Depository in the Book-Entry System, the Bond Registrar shall authenticate new 2007B Bonds for the respective purchasers thereof and shall make such 2007B Bonds available for pick-up by the Remarketing Agent by 2:30 p.m., New York City time.

(c) On each Purchase Date, the Bond Registrar shall draw on the Liquidity Facility by 12:30 p.m., New York City time, in an amount equal to the Purchase Price of all 2007B Bonds tendered less the amount received pursuant to subsection (b)(ii) of this Section. The Bond Registrar shall give the Authority notice by 2:30 p.m., New York City time, on the Purchase Date if it does not have funds in the Remarketing Proceeds Account and the Liquidity Facility Purchase Account sufficient to pay the Purchase Price of 2007B Bonds tendered on such Purchase Date.

Section 19. Source of Funds for Purchase of 2007B Bonds. By 3:00 p.m., New York City time, on each Purchase Date, the Bond Registrar shall purchase tendered 2007B Bonds at the Purchase Price by wire transfer of immediately available funds. Funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated, and neither the Bond Registrar nor the Remarketing Agent shall be obligated to provide funds from any other source:

- (a) immediately available funds on deposit in the Remarketing Proceeds Account;
 - (b) immediately available funds on deposit in the Liquidity Facility Purchase Account;
- and
- (c) money of the Authority on deposit in the Authority Purchase Account.

Section 20. Delivery of 2007B Bonds. On each Purchase Date, each 2007B Bond to be purchased shall be delivered as follows:

(a) 2007B Bonds purchased by the Bond Registrar with funds described in Section 19(a) shall be delivered by the Remarketing Agent to the purchasers of such 2007B Bonds by 3:00 p.m., New York City time;

(b) 2007B Bonds purchased by the Bond Registrar with money described in Section 19(b) shall be registered immediately in the name of the Liquidity Provider or its nominee (which may be the Securities Depository) by 3:00 p.m., New York City time; and

(c) 2007B Bonds purchased by the Authority with money described in Section 19(c) shall be registered immediately in the name of the Authority or its nominee (which may be the Securities Depository) by 3:00 p.m., New York City time. 2007B Bonds so owned by the Authority shall continue to be Outstanding under the terms of this Resolution and be subject to all of the terms and conditions of this Resolution and shall be subject to remarketing by the Remarketing Agent.

Section 21. Book-Entry Tenders. Notwithstanding any other provision of this Resolution to the contrary, all tenders for purchase of 2007B Bonds held by the Securities Depository in the Book-Entry System shall be subject to the terms and conditions set forth in the Letter of Representations and to any regulations promulgated by the Securities Depository. For so long as the 2007B Bonds are held by the Securities Depository in the Book-Entry System, the tender option rights of Owners of 2007B Bonds may be exercised only by the Securities Depository by giving notice of its election to tender 2007B Bonds or portions thereof at the times and in the manner described in this Resolution. Unless permitted under the Letter of Representations, Beneficial Owners will not have any rights to tender 2007B Bonds directly to the Bond Registrar. Procedures under which a Beneficial Owner may direct a Securities Depository Participant to exercise a tender option right in respect of 2007B Bonds or portions thereof in an amount equal to all or a portion of such Beneficial Owner's beneficial ownership interest therein shall be governed by standing instructions and customary practices determined by such Securities Depository Participant. For so long as the 2007B Bonds are registered in the name of the Securities Depository or its nominee, delivery of 2007B Bonds required to be tendered for purchase shall be effected by the transfer on the Purchase Date of book-entry credits of beneficial interests in such 2007B Bonds with no requirement of physical delivery of any 2007B Bonds.

Section 22. No Book-Entry System. If the 2007B Bonds are not held by the Securities Depository in the Book-Entry System, the following procedures shall be followed:

(a) 2007B Bonds shall be delivered (with all necessary endorsements) at or before 12:00 noon, New York City time, on the Purchase Date at the office of the Bond Registrar in New York, New York; provided, that payment of the Purchase Price shall be made pursuant to this Section only if the 2007B Bond so delivered to the Bond Registrar conforms in all respects to the description thereof in the notice described in this Resolution. Payment of the Purchase Price with respect to purchases under this Section shall be made to the Owners of tendered 2007B Bonds by wire transfer of immediately available funds by the Bond Registrar by 3:00 p.m., New York City time, on the Purchase Date.

(b) If a 2007B Bond to be purchased is not delivered by the Owner to the Bond Registrar by 12:00 noon, New York City time, on the Purchase Date, the Bond Registrar shall hold any funds received for the purchase of that 2007B Bond in the Purchase Fund in trust and shall pay such funds to the former Owner of that 2007B Bond upon presentation of that 2007B Bond. Such undelivered 2007B Bond shall cease to accrue interest as to the former Owner on such Purchase Date, and money representing the Purchase Price shall be available against delivery of that 2007B Bond at the office of the Bond Registrar in New York, New York; provided, that any funds so held by the Bond Registrar that remain unclaimed by the former Owner of a 2007B Bond not presented for purchase for a period of three years after delivery of such funds to the Bond Registrar, shall, to the extent permitted by law, upon request in writing by the Authority and the furnishing of security or indemnity to the Bond Registrar's satisfaction, be paid to the Authority free of any trust or lien, and thereafter the former Owner of such 2007B Bond shall look only to the Authority and then only to the extent of the amounts so received by the Authority without any interest thereon, and the Bond Registrar shall have no further responsibility with respect to such money or payment of the Purchase Price of such 2007B Bond. The Bond Registrar shall authenticate a replacement 2007B Bond for any undelivered 2007B Bond, which shall then be remarketed by the Remarketing Agent in accordance with the provisions of this Resolution.

(c) The Bond Registrar shall hold all 2007B Bonds properly tendered to it for purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective Owners of the 2007B Bonds which shall have so tendered such 2007B Bonds until money representing the Purchase Price of such 2007B Bonds shall have been delivered to or for the account of or to the order of such Owners.

Section 23. Liquidity Facility.

(a) If a Liquidity Facility is in effect, on each Purchase Date, the Bond Registrar, by demand given by Electronic Means by 12:30 p.m., New York City time, shall draw on the Liquidity Facility in accordance with the terms thereof so as to receive thereunder by 2:30 p.m., New York City time, on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of 2007B Bonds received on such date by 12:15 p.m., New York City time, to enable the Bond Registrar to pay the Purchase Price in connection therewith. The proceeds of such draw shall be deposited in the Liquidity Facility Purchase Account pursuant to Section 24(b).

(b) In no event shall the Bond Registrar draw on the Liquidity Facility with respect to 2007B Bonds owned by the Authority.

(c) The Authority may provide an Alternate Liquidity Facility on any Business Day not later than the fifth Business Day prior to the Expiration Date of the Liquidity Facility then in effect. The Authority shall give the Notice Parties written notice of the proposed substitution of an Alternate Liquidity Facility no less than 30 days prior to the date on which the Bond Registrar is required to provide notice of the proposed substitution to the Owners of the 2007B Bonds. The Bond Registrar shall give notice of such Substitution Date in accordance with Section 17. On or before the Substitution Date there shall be delivered to the Bond Registrar, (i) the Alternate Liquidity Facility in substitution for the Liquidity Facility then in effect, (ii) a Favorable Opinion of Bond Counsel, (iii) a written opinion of counsel to the provider of the Alternate Liquidity Facility to the effect that such Alternate Liquidity Facility is a valid, legal and binding

obligation of the provider thereof, (iv) written consent of the Bond Insurer, and (v) unless waived by such entity, written evidence satisfactory to the Bond Insurer and the Liquidity Provider of the provision for purchase by the provider of the Alternate Liquidity Facility from the Liquidity Provider of all Liquidity Provider Bonds (which upon such purchase shall remain Liquidity Provider Bonds until ceasing to be Liquidity Provider Bonds in accordance with the provisions of this Resolution), at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due to the Liquidity Provider under the Liquidity Facility on or before the Substitution Date. Upon the satisfaction of the conditions described in the preceding sentence, the Bond Registrar shall accept such Alternate Liquidity Facility at the close of business on the Substitution Date and shall surrender the Liquidity Facility then in effect to the provider thereof. If any condition to the substitution is not satisfied, the substitution shall not occur, but the 2007B Bonds shall remain subject to mandatory purchase on the proposed Substitution Date.

(d) In the event of an extension of the Expiration Date (which shall not be considered the provision of an Alternate Liquidity Facility), the Authority shall give to the Notice Parties written notice of the new Expiration Date at least 30 days prior to the Expiration Date in effect prior to such extension.

(e) The references to Liquidity Facility and Liquidity Provider shall be disregarded during any period during which a Liquidity Facility is not in effect.

(f) In preparation for conversion of the 2007B Bonds to a Short-Term Mode, the Designated Authority Representative is authorized to select and appoint a Liquidity Provider pursuant to this Resolution and to perform the other duties of the Liquidity Provider described hereunder and in the Liquidity Facility, which the Designated Authority Representative is hereby authorized to execute and deliver on behalf of the Authority. The Authority authorizes and directs the Designated Authority Representative and all other proper officers, agents, attorneys and employees of the Authority to cooperate with the Liquidity Provider in preparing the Liquidity

Facility and such additional agreements, certificates, and other documentation on behalf of the Authority as shall be necessary or advisable in providing for the Liquidity Facility.

(g) The Authority further authorizes the Designated Authority Representative to obtain one or more extensions of the Expiration Date of the Liquidity Facility or to select and appoint the provider of an Alternate Liquidity Facility and to execute and deliver on behalf of the Authority an Alternate Liquidity Facility at any time and from time to time when the Designated Authority determines that such extension or replacement is necessary or beneficial to the Authority. The Authority further authorizes and directs the Designated Authority Representative and all other proper officers, agents, attorneys and employees of the Authority to cooperate with the Liquidity Provider or the provider of any Alternate Liquidity Facility in preparing such additional agreements, certificates, and other documentation on behalf of the Authority as shall be necessary or advisable in providing for the such extension or replacement.

Section 24. Purchase Fund. Upon conversion of the 2007B Bonds to a Short-Term Mode, there is hereby authorized to established and maintained by the Bond Registrar a separate fund to be known as the "Purchase Fund." Upon the establishment of the Purchase Fund, the Bond Registrar shall further establish three separate accounts within the Purchase Fund to be known as the "Remarketing Proceeds Account," the "Liquidity Facility Purchase Account" and the "Authority Purchase Account."

(a) Remarketing Proceeds Account. Upon receipt of remarketing proceeds of 2007B Bonds on a Purchase Date, the Bond Registrar shall deposit such proceeds in the Remarketing Proceeds Account for application to the Purchase Price of the 2007B Bonds. Notwithstanding the foregoing, upon the receipt of remarketing proceeds of Liquidity Provider Bonds, the Bond Registrar shall immediately pay such proceeds to the Liquidity Provider to the extent of any amount owing to the Liquidity Provider.

(b) Liquidity Facility Purchase Account. Upon receipt of proceeds from a draw on the Liquidity Facility, the Bond Registrar shall deposit such proceeds in the Liquidity Facility

Purchase Account for application to the Purchase Price of the 2007B Bonds to the extent that the money on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to the Purchase Price for any 2007B Bonds shall be immediately returned to the Liquidity Provider.

(c) Authority Purchase Account. Upon receipt of money from the Authority pursuant to Section 19(c), the Bond Registrar shall deposit such money in the Authority Purchase Account for application to the Purchase Price of the 2007B Bonds to the extent that the money on deposit in the Remarketing Proceeds Account and Liquidity Facility Purchase Account shall not be sufficient. Any amounts deposited in the Authority Purchase Account and not needed with respect to the Purchase Price for any 2007B Bonds shall be immediately returned to the Authority.

(d) Investment. Amounts held in the Remarketing Proceeds Account and the Liquidity Facility Purchase Account shall be held uninvested and separate and apart from all other funds and accounts.

Section 25. Insufficient Funds for Tenders.

(a) If money sufficient to pay the Purchase Price of all 2007B Bonds to be purchased on any Purchase Date is not available, (1) no purchase shall be consummated on such Purchase Date; (2) all such 2007B Bonds shall be returned to the Owners thereof; (3) all remarketing proceeds shall be returned to the Remarketing Agent for return to the Persons providing such money; and (4) all proceeds of draws on the Liquidity Facility, if any, shall be returned to the Liquidity Provider.

(b) All 2007B Bonds shall then automatically convert to the Weekly Mode (if not already in such Mode) and bear interest at the Alternate Rate plus 3% during the period of time from and including the applicable Purchase Date to (but not including) the date on which the Bond Registrar holds in the Purchase Fund money sufficient to pay the Purchase Price of all

2007B Bonds (the "Delayed Remarketing Period"). The first Rate Determination Date for purposes of determining the Alternate Rate shall be the Purchase Date.

(c) The Authority may direct the conversion of the 2007B Bonds to a different Mode during the Delayed Remarketing Period in accordance with Section 11; provided, that the Authority shall not be required to comply with the notice requirements described in Section 11; and provided further, that in the event the Delayed Remarketing Period extends for 90 consecutive days, then the Authority shall promptly commence the process of converting the 2007B Bonds to a Mode acceptable to the Bond Insurer.

(d) Subject to the provisions of the Remarketing Agreement, the Remarketing Agent shall continue to use its best efforts to remarket the 2007B Bonds during the Delayed Remarketing Period.

Section 26. Form and Execution of 2007B Bonds. The 2007B Bonds shall be typed, printed, photocopied, or lithographed on good bond paper in substantially the form set forth in Exhibit A, consistent with the provisions of this Resolution, the Bond Sale Resolution and State law; shall be signed by the Chair of the Board and the Chief Executive Officer, either or both of whose signatures may be manual or in facsimile; and the seal of the Authority or a facsimile reproduction thereof shall be impressed or printed thereon.

Only 2007B Bonds bearing a Certificate of Authentication in substantially the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution:

CERTIFICATE OF AUTHENTICATION

This bond is one of the fully registered The Central Puget Sound Regional Transit Authority Sales Tax Bonds, Series 2007B, described in the Bond Resolution.

WASHINGTON STATE FISCAL AGENT
Bond Registrar

By _____
Authorized Signer

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the 2007B Bond so authenticated has been duly executed, authenticated, and delivered and is entitled to the benefits of this Resolution.

If any officer whose manual or facsimile signature appears on a 2007B Bond ceases to be an officer of the Authority authorized to sign bonds before that 2007B Bond is authenticated or delivered by the Bond Registrar or issued by the Authority, that 2007B Bond nevertheless may be authenticated, delivered, and issued and, when authenticated, issued, and delivered, shall be as binding on the Authority as though that person had continued to be an officer of the Authority authorized to sign bonds. Any 2007B Bond also may be signed on behalf of the Authority by any person who, on the actual date of signing of that 2007B Bond, is an officer of the Authority authorized to sign bonds, although he or she did not hold the required office on the date of issuance of that 2007B Bond.

Section 27. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the 2007B Bonds, which shall be open to inspection by the Authority at all times. The Bond Registrar is authorized, on behalf of the Authority, to authenticate and deliver 2007B Bonds transferred or

exchanged in accordance with the provisions of the 2007B Bonds and this Resolution, to serve as the Authority's paying agent for the 2007B Bonds, and to carry out all of the Bond Registrar's powers and duties under this Resolution. The Authority reserves the right in its discretion to appoint special paying agents, registrars, or trustees in connection with the payment of some or all of the principal of, premium, if any, or interest on the 2007B Bonds.

The Authority may remove the Bond Registrar at any time at the option of the Designated Authority Representative upon prior notice to the Notice Parties and appointment by the Designated Authority Representative on behalf of the Authority of a successor Bond Registrar on terms and conditions to be set forth in a written agreement between the Authority and such successor Bond Registrar. Any successor Bond Registrar must be a trust company or commercial bank with trust powers. No resignation or removal of the Bond Registrar shall be effective until a successor is appointed and the successor Bond Registrar accepts the duties of the Bond Registrar hereunder and receives the 2007B Bond Insurance and Liquidity Facility, together with all other funds then held by the Bond Registrar. If a new Bond Registrar is appointed by the Authority (other than the Washington State fiscal agent), notice of the name and address of the new Bond Registrar shall be mailed to the Owners of the 2007B Bonds appearing on the Bond Register at the time the Bond Registrar prepares the notice. The notice may be mailed together with the next interest payment due on the 2007B Bonds, but, to the extent practicable, shall be mailed no later than the Record Date for any principal payment or redemption date of any 2007B Bond.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the 2007B Bonds. The Bond Registrar may become the Owner of 2007B Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners of the 2007B Bonds.

This Section and other relevant portions of this Resolution shall constitute a “system of registration” as that term is used in RCW 39.46.030.

Section 28. Broker-Dealer.

(a) Initial Broker-Dealer. The Authority hereby appoints UBS Securities LLC as initial Broker-Dealer to perform the duties of the Broker-Dealer described hereunder and in a Broker-Dealer Agreement, which the Designated Authority Representative is hereby authorized to execute and deliver on behalf of the Authority. The Broker-Dealer shall keep such books and records as are consistent with prudent industry practice and make such books and records available for inspection by the Notice Parties at all reasonable times.

(b) Resignation or Removal. The Broker-Dealer may at any time resign and be discharged of the duties and obligations created by this Resolution and the Broker-Dealer Agreement as set forth in the Broker-Dealer Agreement. The Broker-Dealer may be removed at any time, at the direction of the Authority as set forth in the Broker-Dealer Agreement. Any successor Broker-Dealer shall be appointed by the Designated Authority Representative on behalf of the Authority, with the consent of the Bond Insurer, and shall be a member of the National Association of Securities Dealers, Inc., have a capitalization of at least \$50,000,000, be authorized by law to perform all the duties of the Broker-Dealer set forth in this Resolution and the Broker-Dealer Agreement, be acceptable to the Bond Insurer and enter into a Broker-Dealer Agreement, which the Designated Authority Representative is hereby authorized to execute and deliver on behalf of the Authority. The delivery to the Bond Registrar of a certificate of the Designated Authority Representative setting forth the effective date of the appointment of a successor Broker-Dealer and the name of such successor, together with written evidence of the consent of the Bond Insurer, shall be conclusive evidence that (i) if applicable, the predecessor Broker-Dealer has been removed in accordance with the provisions of this Resolution and the Broker-Dealer Agreement and (ii) such successor has been appointed and is qualified to act as Broker-Dealer under the terms of this Resolution and the Broker-Dealer Agreement.

(c) Merger or Consolidation. If the Broker-Dealer consolidates with, merges or converts into, or transfers all or substantially all of its assets to, another entity, the resulting, surviving or transferee entity without any further act shall be the successor Broker-Dealer hereunder and under the Broker-Dealer Agreement.

Section 29. Auction Agent.

(a) Initial Auction Agent. The Authority shall appoint the initial Auction Agent specified by the Bond Sale Resolution to perform the duties of the Auction Agent described hereunder and in an Auction Agreement, which the Designated Authority Representative is hereby authorized to execute and deliver on behalf of the Authority. The Auction Agent shall keep such books and records as are consistent with prudent industry practice and make such books and records available for inspection by the Notice Parties at all reasonable times.

(b) Resignation or Removal. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Resolution and the Auction Agreement as set forth in the Auction Agreement. The Auction Agent may be removed at the direction of the Authority as set forth in the Auction Agreement. Any successor Auction Agent shall be appointed by the Designated Authority Representative on behalf of the Authority, with the consent of the Bond Insurer, and shall be a bank or trust company organized under the laws of the State or the State of New York, a national banking association or a member of the National Association of Securities Dealers, Inc., in each case having a capitalization of at least \$50,000,000, be authorized by law to perform all the duties of the Auction Agent set forth in this Resolution and the Auction Agreement, be acceptable to the Bond Insurer and enter into an Auction Agreement, which the Designated Authority Representative is hereby authorized to execute and deliver on behalf of the Authority. The delivery to the Bond Registrar of a certificate of the Designated Authority Representative setting forth the effective date of the appointment of a successor Auction Agent and the name of such successor, together with written evidence of the consent of the Bond Insurer, shall be conclusive evidence that (i) if

applicable, the predecessor Auction Agent has been removed in accordance with the provisions of this Resolution and the Auction Agreement and (ii) such successor has been appointed and is qualified to act as Auction Agent under the terms of this Resolution and the Auction Agreement.

(c) Merger or Consolidation. If the Auction Agent consolidates with, merges or converts into, or transfers all or substantially all of its assets (or, in the case of a bank or national banking association, its corporate assets) to, another entity, the resulting, surviving or transferee entity without any further act shall be the successor Auction Agent hereunder and under the Auction Agreement.

Section 30. Remarketing Agent.

(a) Initial Remarketing Agent. In preparation for conversion of the 2007B Bonds to a Short-Term Mode, the Designated Authority Representative is hereby authorized to select and appoint an initial Remarketing Agent to remarket 2007B Bonds pursuant to this Resolution and perform the other duties of the Remarketing Agent described hereunder and in the Remarketing Agreement, which the Designated Authority Representative is hereby authorized to execute and deliver on behalf of the Authority. The Remarketing Agent shall keep such books and records as are consistent with prudent industry practice and make such books and records available for inspection by the Notice Parties at all reasonable times.

(b) Resignation or Removal. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Resolution and the Remarketing Agreement as set forth in the Remarketing Agreement. The Remarketing Agent may suspend its remarketing efforts as set forth in the Remarketing Agreement. The Remarketing Agent may be removed at any time, at the direction of the Authority as set forth in the Remarketing Agreement. Any successor Remarketing Agent shall be appointed by the Designated Authority Representative on behalf of the Authority, with the consent of the Bond Insurer and Liquidity Provider, and shall be a member of the National Association of Securities Dealers, Inc., have a

capitalization of at least \$50,000,000, be authorized by law to perform all the duties of the Remarketing Agent set forth in this Resolution and the Remarketing Agreement, be acceptable to the Bond Insurer and Liquidity Provider and enter into a Remarketing Agreement, which the Designated Authority Representative is hereby authorized to execute and deliver on behalf of the Authority. The delivery to the Bond Registrar of a certificate of the Designated Authority Representative setting forth the effective date of the appointment of a successor Remarketing Agent and the name of such successor, together with written evidence of the consent of the Bond Insurer and Liquidity Provider, shall be conclusive evidence that (i) if applicable, the predecessor Remarketing Agent has been removed in accordance with the provisions of this Resolution and the Remarketing Agreement and (ii) such successor has been appointed and is qualified to act as Remarketing Agent under the terms of this Resolution and the Remarketing Agreement.

(c) Merger or Consolidation. If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all of its assets to, another entity, the resulting, surviving or transferee entity without any further act shall be the successor Remarketing Agent hereunder and under the Remarketing Agreement.

Section 31. Sale of 2007B Bonds. The Designated Authority Representative shall provide for the sale of the 2007B Bonds by a negotiated sale with the Underwriter pursuant to the Bond Purchase Contract, which the Designated Authority Representative is hereby authorized to execute and deliver on behalf of the Authority. The Authority authorizes and directs the Designated Authority Representative and all other proper officers, agents, attorneys and employees of the Authority to cooperate with the Underwriter in preparing the Bond Purchase Contract and such additional agreements, certificates, and other documentation on behalf of the Authority as shall be necessary or advisable in providing for the Bond Purchase Contract.

The 2007B Bonds shall be delivered to the Underwriter as provided in the Bond Purchase Contract immediately upon payment to the Authority of the purchase price plus any accrued interest to the Closing Date in immediately available federal funds.

Section 32. Preservation of Tax Exemption for Interest on 2007B Bonds. The Authority covenants that it will take all actions necessary to prevent interest on the 2007B Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the 2007B Bonds or other funds of the Authority treated as proceeds of the 2007B Bonds at any time during the term of the 2007B Bonds which will cause interest on the 2007B Bonds to be included in gross income for federal income tax purposes. The Authority also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to the 2007B Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the 2007B Bonds, including the calculation and payment of any penalties that the Authority has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the 2007B Bonds from being included in gross income for federal income tax purposes.

Section 33. Deposit, Use and Investment of Proceeds. The principal proceeds and premium, if any, received from the sale and delivery of the 2007B Bonds shall be paid into or allocated to the "2007 Bond Proceeds Account" of the Authority or such other accounts or subaccounts of the Authority as the Chief Financial Officer may designate, and used to pay all or part of the costs of carrying out the Plan, issuing and selling the 2007B Bonds and for other Authority purposes approved by resolution.

The Chief Financial Officer may establish and may transfer, record, allocate or restrict proceeds of the 2007B Bonds among such accounts or subaccounts of the Authority and make such transfers, recordings, allocations, restrictions or deposits on terms he or she may deem necessary, appropriate or desirable to carry out the purposes of this Resolution.

Accrued interest on the 2007B Bonds received from the sale and delivery of the 2007B Bonds, if any, shall be paid into or allocated to the Subordinate Bond Account prior to the first debt service payment date with respect to those 2007B Bonds. Until needed to pay the costs described herein, the Authority may invest principal proceeds of the 2007B Bonds temporarily in any legal investment, and the investment earnings shall be deposited in such accounts as may be designated by the Chief Financial Officer. Earnings subject to a federal tax or rebate requirement may be withdrawn from any such account and used for those tax or rebate purposes.

Any proceeds of 2007B Bonds remaining after paying the costs of carrying out the Plan, issuing and selling the 2007B Bonds and for other Authority purposes approved by resolution, may be used to pay principal of and interest on the 2007B Bonds consistent with applicable law.

All Pledged Taxes allocated to the payment of the principal of and interest on the 2007B Bonds shall be deposited in the Subordinate Bond Account.

Section 34. Local Option Tax Accounts; Flow of Funds.

(a) Local Option Tax Accounts and Additional Taxes Accounts. The Authority maintains Local Option Tax Accounts into which it promptly deposits Pledged Taxes upon the receipt thereof. The Authority may create a Tax Stabilization Subaccount in the Local Option Tax Accounts and deposit Pledged Taxes collected in any Fiscal Year into that subaccount or withdraw Pledged Taxes deposited therein from such subaccount and use amounts in such subaccount for any lawful purposes in accordance with the flow of funds set forth in Section 34(b), including for the purposes set forth in Section 40(a), and subject to the requirements set forth in the Prior Bond Resolution and in Resolution No. R2005-02. The Tax Stabilization Subaccount may be the same subaccount of that name established under Section 2(a) of the Prior Bond Resolution. Notwithstanding the foregoing, the Authority may provide that Additional Taxes shall be deposited into Additional Taxes Accounts, including a separate tax stabilization subaccount therein.

(b) Flow of Funds. Pledged Taxes deposited in the Local Option Tax Accounts shall be used by the Authority only for the following purposes and in the following order of priority:

First, to make all payments required to be made into the bond account for the Prior Bonds in the following order:

- (1) to pay the interest when due on the Prior Bonds (including regularly scheduled payment obligations under parity payment agreements for Prior Bonds); and
- (2) to pay the maturing principal (including sinking fund redemptions) of the Prior Bonds;

Second, to make all payments required to be made into the reserve account for the Prior Bonds by Section 7(b) of the Prior Bond Resolution to meet the reserve account requirement for the Prior Bonds and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Qualified Letter of Credit or Qualified Bond Insurance (as defined in the Prior Bond Resolution) with respect to the reserve account requirement for the Prior Bonds;

Third, to make all payments required to be made into the Subordinate Bond Account in the following order:

- (1) to pay the interest when due on Parity Bonds (including regularly scheduled payment obligations under Parity Payment Agreements for Parity Bonds);
- (2) to pay the maturing principal (including sinking fund redemptions) of Parity Bonds; and
- (3) to reimburse the provider of any Bond Insurance (other than Bond Insurance obtained to satisfy all or a part of the Subordinate Reserve Account Requirement, and other than the provider of a letter of credit, standby bond purchase agreement or other liquidity facility) for payments of the principal and/or interest on Parity Bonds; provided, that if there is not sufficient money to make all payments under all

reimbursement agreements the payments will be made to the providers on a pro rata basis;

Fourth, to make all payments required to be made into the Subordinate Reserve Account by Section 39(b) to meet the Subordinate Reserve Account Requirement and to make all payments required to be made pursuant to a reimbursement obligation in connection with Bond Insurance with respect to the Subordinate Reserve Account Requirement; provided, that if there is not sufficient money to make all payments under all reimbursement agreements the payments will be made to the providers on a pro rata basis;

Fifth, to make all payments required to be made into any other bond redemption account and reserve account created to pay the principal of, premium, if any, and interest on any Junior Obligations (to the extent any such obligations are issued with a pledge of Pledged Taxes superior to the payment of operation and maintenance expenses); provided, that the Authority may determine by resolution that items in this "Fifth" category shall be paid in any specified order of priority;

Sixth, to pay costs of operating and maintaining the Authority and its facilities; and

Seventh, for any lawful purpose of the Authority, including without limitation the purchase of bonds; to make termination payments required under any Payment Agreement or a payment agreement for other Authority obligations; and to pay Junior Obligations with a pledge of Pledged Taxes junior to the payment of operation and maintenance expenses; provided, that the Authority may determine by resolution that items in this "Seventh" category shall be paid in any specified order of priority.

Additional Taxes deposited in Additional Taxes Accounts shall be used by the Authority for the purposes and in the order of priority set forth above, beginning with the paragraph "Third".

Section 35. Pledge of Pledged Taxes. From and after the issuance and delivery of the 2007B Bonds and so long as any of the 2007B Bonds remain Outstanding, the Authority

irrevocably obligates and binds itself to impose, collect and deposit all Pledged Taxes into the Local Option Tax Accounts and the Additional Taxes Accounts, as applicable, and to set aside and pay into the Subordinate Bond Account, from Pledged Taxes, on or prior to the date on which the interest on, principal of, premium, if any, and sinking fund requirements for the 2007B Bonds shall become due, the amounts necessary to pay that interest, principal, sinking fund requirements and premium coming due on 2007B Bonds. All Parity Bonds now or hereafter Outstanding shall be equally and ratably payable and secured hereunder and under each Series Resolution without priority by reason of date of adoption of the Series Resolution providing for their issuance or by reason of their Series or date of sale or delivery; provided, that any Series of Parity Bonds also may be payable from and secured by Bond Insurance specifically pledged to or provided for that Series of Parity Bonds. The Authority may also, at its sole option, apply amounts legally available from any other source to the repayment of Parity Bonds or to make the deposits required hereunder. The Authority expressly reserves the right (but is not obligated) to include and pledge Additional Taxes, the MVET, and/or receipts resulting from an Adopted Rate Adjustment, as "Pledged Taxes." The Board hereby determines that the future inclusion of such Additional Taxes or the MVET as Pledged Taxes will benefit the Authority and the Owners of Parity Bonds. The inclusion of Additional Taxes as Pledged Taxes will not constitute a pledge of those Additional Taxes to the payment of Prior Bonds unless the Authority expressly provides therefor.

All Parity Bonds are special limited obligations of the Authority payable from and secured solely by Pledged Taxes and amounts, if any, in the Subordinate Bond Account, the Subordinate Reserve Account (except as otherwise provided in Section 19(b) of Resolution No. R2005-02), the Local Option Tax Accounts, the Additional Taxes Accounts, the Tax Stabilization Subaccount and any project account created for the deposit of Parity Bond proceeds, subject to the prior pledge of money in the Local Option Tax Accounts and the Tax Stabilization Subaccount that has been created in favor of the Prior Bonds. The 2007B Bonds

are "Subordinate Lien Obligations" as that term is defined by and under the Prior Bond Resolution.

There is hereby pledged for the payment of the 2007B Bonds (a) amounts in the Subordinate Bond Account, the Additional Taxes Accounts and proceeds of the 2007B Bonds deposited in any account created for the deposit of 2007B Bond proceeds, and such pledge is hereby declared to be a charge on the amounts in such accounts equal to the charge of any other Parity Bonds thereon, and superior to all other charges of any kind or nature, and (b) the Pledged Taxes and amounts in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount and earnings thereon, to the extent amounts and earnings in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount represent revenues from Pledged Taxes, and such pledge is hereby declared to be a prior charge upon the Pledged Taxes and the accounts described in this paragraph superior to all other charges of any kind or nature except the charge of the Prior Bonds on Local Option Taxes, and equal to the charge of any other Parity Bonds.

Following the occurrence of a "Default" within the meaning of Section 14 of the Prior Bond Resolution, Pledged Taxes may not be used to pay the principal of or interest on Parity Bonds unless all deposits and payments required to be made with respect to the Prior Bonds have been fully made or paid.

The Parity Bonds are not obligations of the State of Washington or any political subdivision thereof other than the Authority. The Parity Bonds do not constitute a lien or charge upon any general fund or upon any money or other property of the Authority not specifically pledged thereto.

Section 36. Issuance of Future Parity Bonds and Prior Lien Bonds. Following the issuance of the 2007B Bonds, except as provided in Section 37 the Authority may issue various Series of Future Parity Bonds only upon compliance with the following conditions as certified by a Designated Authority Representative:

- (a) there is no deficiency in the Subordinate Bond Account;
- (b) an amount equal to the Subordinate Reserve Account Requirement (including for the Future Parity Bonds to be issued) shall be on deposit or shall be otherwise provided for in the Subordinate Reserve Account on or prior to the date of issuance of such Future Parity Bonds, all in accordance with Section 39(b);
- (c) no Default (as defined in Section 45) has occurred and is continuing; and
- (d) an Authority Certificate is delivered upon the issuance of such Future Parity Bonds, which shall state that:

(i) *Prior Bonds Coverage Test.* Local Option Taxes received during the Base Period were not less than 1.5 times "Maximum Annual Debt Service" (as defined in the Prior Bond Resolution) on all Prior Bonds that will be outstanding upon the issuance of such series of Future Parity Bonds (the "Prior Bonds Coverage Requirement"); and

(ii) *Parity Bond Coverage Test for Period While MVET Not Included as Pledged Taxes.* Pledged Taxes received during the Base Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement (and after all MVET have been applied for that purpose) were not less than 1.5 times Maximum Annual Debt Service during the period that MVET will not be included as Pledged Taxes to secure the Future Parity Bonds; and

(iii) *Parity Bond Coverage Test for Period While MVET and/or Additional Taxes Are Included as Pledged Taxes.* Pledged Taxes received during the Base Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement, were not less than 1.5 times Maximum Annual Debt Service during the period that MVET and/or Additional Taxes will be included as Pledged Taxes to secure the Future Parity Bonds.

In preparing such certificate: (A) the Local Option Taxes and/or Pledged Taxes during the Base Period may be only those shown in audited or unaudited financial statements of the Authority; (B) the Designated Authority Representative shall take into account in calculating amounts received during the Base Period any Adopted Rate Adjustment, Additional Taxes and MVET included as Pledged Taxes pursuant to Section 35, and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Period; (C) MVET and/or Additional Taxes may not be taken into account to meet the requirements of

clause (iii) above unless the Authority receives an opinion of Bond Counsel to the effect that the pledge of such MVET and/or Additional Taxes to such Future Parity Bonds is in full force and effect for the period in which they are included as Pledged Taxes; (D) any Adopted Rate Adjustment, Additional Taxes and/or extension of an existing tax shall be taken into account only if a certified public accountant, economic consultant or financial advisor experienced with state or local taxation or municipal bonds certifies that it is reasonable to expect that such adjusted, new or extended taxes will be received in the amounts assumed for purposes of the Authority Certificate; and (E) deposits into and withdrawals from the Tax Stabilization Subaccount during the Base Period may not be taken into account.

The Authority covenants that it will not issue additional series of Prior Bonds unless it delivers an Authority Certificate as set forth in this Section in addition to any certificates that may be required under the Prior Bond Resolution. The Authority further covenants that it will not issue any obligations that are secured by a pledge of any or all of the Pledged Taxes subordinate to the pledge of any such taxes to the Prior Bonds but senior to the pledge of such taxes to the Parity Bonds.

Section 37. Refunding Bonds. The Authority, by means of a Series Resolution and in compliance with the provisions of Section 36 (except as otherwise provided below), may issue Refunding Bonds as follows:

(a) Refunding Bonds may be issued at any time, consistent with applicable law, upon delivery of an Authority Certificate for the purpose of refunding (including by purchase) Authority obligations, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase), making future Subordinate Reserve Account deposits, paying for Bond Insurance, making payment to a provider of a letter of credit for Parity Bonds, making any settlement payment in connection with the termination of a hedging instrument relating to the Refunding Bonds or the Parity Bonds to be refunded, paying the expenses of issuing the Refunding Bonds and of effecting such refunding.

(b) Refunding Bonds also may be issued for the purpose of refunding Parity Bonds without regard to the requirements of Section 36(d), if a Designated Authority Representative certifies that the Annual Debt Service on such Refunding Bonds in any Fiscal Year will not exceed the Annual Debt Service by more than \$5,000 on the Parity Bonds to be refunded were such refunding not to occur.

(c) Refunding Bonds also may be issued, consistent with applicable law, without regard to the requirements of Section 36, for the purpose of refunding (including by purchase) any Authority obligations (other than Junior Obligations) for the payment of which sufficient funds are not available, or are forecasted by a Designated Authority Representative to be unavailable, in the future.

Section 38. Junior Obligations; Obligations with Pledge of Revenues. The Authority may issue Junior Obligations for any lawful purpose of the Authority. The resolution authorizing a series of Junior Obligations shall provide that the maturity date of Junior Obligations may not be accelerated (not including any indirect acceleration of the maturity thereof through reimbursement obligations to the provider of a credit facility occurring as a result of the mandatory tender for purchase of Junior Obligations) and shall further provide that following the occurrence of a Default, Pledged Taxes may not be used to pay the principal of or interest on Junior Obligations unless all deposits and payments required to be made with respect to the Prior Bonds and the Parity Bonds have been fully made or paid. In addition, the Authority reserves the right to issue obligations payable from revenues of the Authority other than Pledged Taxes.

Section 39. Subordinate Bond Account and Subordinate Reserve Account.

(a) Subordinate Bond Account. The Subordinate Bond Account has been heretofore created as a special account of the Authority for the purpose of providing for and securing the payment of Parity Bonds and the payment of Parity Payment Agreements meeting the requirements of Section 41. The Subordinate Bond Account is pledged to the payment of Parity

Bonds and Parity Payment Agreements meeting the requirements of Section 41, and shall be separate and apart from all other accounts of the Authority. Notwithstanding the foregoing, only regularly scheduled payments made under a Parity Payment Agreement are secured by this Section.

Subject to the requirements of Section 34(b), the Authority hereby irrevocably obligates and binds itself for so long as any 2007B Bonds remain Outstanding to set aside or cause to be set aside into the Subordinate Bond Account from Pledged Taxes:

(i) on or before each interest payment date with respect to 2007B Bonds, an amount that is sufficient to pay the interest scheduled to become due on Outstanding 2007B Bonds on such date;

(ii) on or before each principal payment date with respect to 2007B Bonds, an amount that is sufficient to pay the principal of all 2007B Bonds maturing on such date;

(iii) on or before each redemption date selected or scheduled for 2007B Bonds (including any scheduled mandatory redemption date for Term Bonds), an amount that is sufficient to pay the principal of and any premium on all 2007B Bonds to be redeemed on such date and, to the extent such date is not a scheduled interest payment date, the interest payable on all 2007B Bonds to be redeemed on such date; and

(iv) regularly scheduled payments under a Parity Payment Agreement.

(b) Subordinate Reserve Account. The Subordinate Reserve Account has been heretofore created as a special account of the Authority for the purpose of securing the payment of the principal of, premium, if any, and interest on the Parity Bonds. The 2007 Bonds shall not be secured by amounts in the Subordinate Reserve Account or by Bond Insurance providing any portion of the Subordinate Reserve Account Requirement for other Parity Bonds and shall not be provided with any rights or protections under Section 19(b) of Resolution No. R2005-02. The debt service on the 2007 Bonds shall not be included in the calculation of the Subordinate Reserve Account Requirement for all other Series of Parity Bonds.

(c) Deposits into Accounts. For purposes of this Resolution, the Authority shall be considered to have paid or deposited amounts into any account when it records, allocates, restricts or debits the Authority's records. The Authority shall be considered to have withdrawn amounts from any account when it records, unrestricts or credits the Authority's records.

(d) Investment of Amounts in Accounts. Amounts in the Local Option Tax Accounts, the Additional Taxes Accounts and the Subordinate Bond Account shall be invested by the Authority in any legal investment for funds of regional transit authorities of the State.

Section 40. Covenants. The Authority makes the following covenants with the Owners of the 2007B Bonds for as long as any of the same remain Outstanding:

(a) Tax Covenants. The Authority shall impose the rental car sales and use tax authorized by RCW 81.104.160(2) at a rate of not less than eight-tenths of one percent and the Sales and Use Tax at a rate of not less than four-tenths of one percent; provided, that the Authority may impose the Sales and Use Tax at a rate of less than four-tenths of one percent but not less than three-tenths of one percent so long as an Authority Certificate is delivered on or prior to the date of that reduction in rate and within 30 days of the end of each Fiscal Year during which the Sales and Use Tax has been so reduced, which Authority Certificate shall comply with the requirements described below. To the extent permitted by law and approved by the voters (if a vote is required), the Authority may, in a Series or Supplemental Resolution, pledge to the repayment of the Parity Bonds the Sales and Use Tax in excess of four-tenths of one percent, the rental car sales and use tax authorized by RCW 81.104.160(2) in excess of eight-tenths of one percent and any other tax authorized by law. Notwithstanding the foregoing, the Authority may at its discretion pledge amounts attributable to any increase of the Sales and Use Tax rate above four-tenths of one percent and any increase in the rental car sales and use tax above eight-tenths of one percent to any other obligations or to other Authority purposes.

If the Authority desires to impose the Sales and Use Tax at a rate less than four-tenths of one percent, an Authority Certificate shall be delivered that states that:

(i) *Prior Bonds Coverage Test.* Local Option Taxes received during the Base Period were not less than 1.5 times "Maximum Annual Debt Service" (as defined in the Prior Bond Resolution) on all Prior Bonds outstanding on the date the Authority Certificate is given (the "Prior Bonds Coverage Requirement"); and

(ii) *Parity Bonds Coverage Test for Period While MVET Not Included as Pledged Taxes.* Pledged Taxes received during the Base Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement (and after all MVET have been applied for that purpose) were not less than 1.5 times Maximum Annual Debt Service during the period that MVET will not be included as Pledged Taxes to secure Parity Bonds Outstanding on the date the Authority Certificate is given; and

(iii) *Parity Bonds Coverage Test for Period While MVET and/or Additional Taxes Are Included as Pledged Taxes.* Pledged Taxes received during the Base Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement were not less than 1.5 times Maximum Annual Debt Service during the period that MVET and/or Additional Taxes will be included as Pledged Taxes to secure Parity Bonds Outstanding on the date the Authority Certificate is given.

In preparing such certificate: (A) the Local Option Taxes and/or Pledged Taxes during the Base Period may be only those shown in audited or unaudited financial statements of the Authority; (B) the Designated Authority Representative shall take into account in calculating amounts received during the Base Period any Adopted Rate Adjustment, Additional Taxes and MVET included as Pledged Taxes pursuant to Section 35, and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Period; (C) the Sales and Use Tax received during the Base Period shall be adjusted to reflect the reduced rate of less than four-tenths of one percent; (D) MVET and/or Additional Taxes may not be taken into account to meet the requirements of clause (iii) above unless the Authority receives an opinion of Bond Counsel to the effect that the pledge of such MVET and/or Additional Taxes to Parity Bonds is in full force and effect for the period in which they are included as Pledged Taxes; and (E) any Adopted Rate Adjustment, Additional Taxes and/or extension of an existing tax shall be taken into account only if a certified public accountant, economic consultant or financial advisor experienced with state or local taxation or municipal

bonds certifies that it is reasonable to expect that such adjusted, new or extended taxes will be received in the amounts assumed for purposes of the Authority Certificate.

There may be added to Local Option Taxes and/or to Pledged Taxes collected in the Base Period, amounts withdrawn from the Tax Stabilization Subaccount in the Base Period and deposited into the Local Option Tax Accounts and/or the Additional Taxes Accounts (provided, that the amount withdrawn from the Tax Stabilization Subaccount in the Base Period may not be deemed to have exceeded 0.25 times the debt service on Parity Bonds in that Base Period).

If the Authority is imposing the Sales and Use Tax authorized by RCW 81.104.170 at a rate less than four-tenths of one percent and if the Authority is unable to deliver an Authority Certificate as described above within 30 days of the end of any Fiscal Year, it shall, within 90 days of the end of that Fiscal Year, take all action required on its part to increase the rate of that Sales and Use Tax imposed, but not to exceed the rate of four-tenths of one percent for the purpose of being able to deliver such Authority Certificate.

The Authority shall take all reasonable actions necessary to impose and provide for the continued collection of the Pledged Taxes and the application of those taxes for repayment of the Parity Bonds in accordance with this Resolution. The Authority shall take all reasonable actions necessary to impose and provide for the continued collection of the Local Option Taxes and the application of those taxes for the repayment of the Prior Bonds in accordance with the Prior Bond Resolution and the application of those Local Option Taxes in accordance with the Prior Bond Resolution and this Resolution. Except as expressly permitted under this subsection, the Authority shall not take any action that limits, terminates, reduces or otherwise impairs its authority to impose and collect all Local Option Taxes and Pledged Taxes.

(b) Maintenance of its Facilities. The Authority will at all times keep and maintain or cause to be maintained its transit facilities and equipment and operate the same and the business or businesses in connection therewith in the manner determined by the Board.

(c) Property and Liability Insurance. The Authority will maintain insurance or institute a self-insurance program, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Board shall deem prudent for the protection of the Authority.

(d) Books and Records. The Authority will keep books of account and accurate records of all of its revenue, including tax receipts, received from any source whatsoever, and of all costs of administration and maintenance and operation of all of its business that are in accordance with applicable accounting principles as in effect from time to time.

Section 41. Parity Payment Agreements. A Payment made under a Payment Agreement may be secured by a pledge of Pledged Taxes equal to the pledge securing the 2007B Bonds if the Payment Agreement satisfies the requirements for issuing Future Parity Bonds described in Section 36, taking into consideration regularly scheduled Payments and Receipts (if any) under the Payment Agreement. The following shall be conditions precedent to the use of any Payment Agreement on a parity with the 2007B Bonds:

(a) The Authority shall obtain an opinion of Bond Counsel with respect to the due authorization, validity and enforceability of such Payment Agreement as to the Authority, and opining that the action proposed to be taken is authorized or permitted by this Resolution or the applicable provisions of any Supplemental Resolution and will not adversely affect the exemption from federal income taxation of the interest on any Outstanding Parity Bonds.

(b) Prior to entering into a Payment Agreement, the Authority shall adopt a Series Resolution or supplemental resolution which shall:

(i) set forth the manner in which the Payments and Receipts are to be calculated and a schedule of Payment Dates;

(ii) establish general provisions for the rights of parties to Payment Agreements; and

(iii) set forth such other matters as the Authority deems necessary or desirable in connection with the management of Payment Agreements as are not inconsistent with the provisions of this Resolution.

The Payment Agreement may obligate the Authority to pay, on one or more scheduled and specified Payment Dates, the Payments in exchange for the Payor's obligation to pay or to cause to be paid to the Authority, on scheduled and specified Payment Dates, the Receipts. The Authority may also enter into Payment Agreements that are not reciprocated by the other party to the agreement.

If the Authority enters into a Parity Payment Agreement, Payments shall be made from the Subordinate Bond Account and Annual Debt Service shall include any regularly scheduled Authority Payments adjusted by any regularly scheduled Receipts during a Fiscal Year or Base Period, as applicable. Receipts shall be paid directly into the Subordinate Bond Account. Obligations to make unscheduled payments, such as termination payments, may not be entered into on a parity with the Parity Bonds.

Nothing in this Section shall preclude the Authority from entering into Payment Agreements with a claim on Pledged Taxes junior to that of the Parity Bonds. Furthermore, nothing in this Section shall preclude the Authority from entering into obligations on a parity with the Parity Bonds in connection with the use of Payment Agreements or similar instruments if the Authority obtains an opinion of Bond Counsel that the obligations of the Authority thereunder are consistent with this Resolution.

Section 42. Defeasance. If the Authority deposits irrevocably with an escrow agent money and/or noncallable Government Obligations which, together with the earnings thereon and without any reinvestment thereof, are sufficient to pay the principal of and premium, if any, on any 2007B Bond in the Fixed Rate Mode or portion thereof (the "Defeased Bonds") as the same shall become due, together with all interest accruing thereon to their Maturity Date or Redemption Date, and, in the case of Defeased Bonds to be redeemed prior to their Maturity

Date, irrevocably calls the Defeased Bonds for redemption on the Redemption Date, and pays or makes provision for payment of all fees, costs and expenses of that escrow agent due or to become due with respect to the Defeased Bonds, then all liability of the Authority with respect to the Defeased Bonds shall cease, the Defeased Bonds shall be deemed not to be Outstanding and the Owners of the Defeased Bonds shall be restricted exclusively to the money or Government Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds. That escrow agent shall hold that money, Government Obligations and earnings in trust exclusively for those Owners, and that money, Government Obligations and earnings shall not secure any other Parity Bonds. In determining the sufficiency of the money and Government Obligations deposited pursuant to this Section, that escrow agent shall receive, at the expense of the Authority, and may rely upon: (a) a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to the Authority and that escrow agent and (b) an opinion of Bond Counsel to the effect that the defeasance is permitted under the laws of the State and this Resolution and will not, in and of itself, adversely affect the exclusion of interest on the Defeased Bonds from gross income for federal income tax purposes. The Defeased Bonds shall no longer be secured by or entitled to the benefits of this Resolution, except for the purposes of any payment from the money or Government Obligations deposited with that escrow agent and except for the provisions of this Resolution relating to the execution, authentication, registration, exchange, transfer and cancellation of the 2007B Bonds.

Section 43. Lost, Stolen, Mutilated or Destroyed 2007B Bonds. In case any 2007B Bond shall be lost, stolen, mutilated or destroyed, the Bond Registrar may execute and deliver a new 2007B Bond of like date, number and tenor to the Owner thereof upon the Owner paying the expenses and charges of the Authority in connection therewith and upon the Owner filing with the Authority evidence satisfactory to the Authority that such 2007B Bond was actually lost,

stolen or destroyed (including the presentation of a mutilated 2007B Bond) and of ownership thereof, and upon furnishing the Authority with indemnity satisfactory to the Authority.

Section 44. Supplements and Amendments.

(a) Without Owners' Consent. The Authority may adopt at any time without the consent or concurrence of any Owner, a Supplemental Resolution or Resolutions amendatory or supplemental to this Resolution for any one or more of the following purposes:

(i) To authorize a Parity Payment Agreement pursuant to Section 41;

(ii) To add covenants and agreements of the Authority for the purpose of further securing the payment of the 2007B Bonds; provided, that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Prior Resolution, this Resolution or any Series Resolution;

(iii) To prescribe further limitations and restrictions upon the issuance of Parity Bonds and/or the incurrence of obligations under Parity Payment Agreements which are not contrary to or inconsistent with the limitations and restrictions in the Prior Resolution, this Resolution or any Series Resolution;

(iv) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of this Resolution;

(v) To subject additional property, Additional Taxes, MVET, income or revenues to the pledge of this Resolution or confirm as further assurance any pledge or provision for payment of the 2007B Bonds created by this Resolution and to make such confirming changes as shall be necessary or desirable in connection therewith, in each such case as are not contrary to or inconsistent with the limitations and restrictions in the Prior Resolution, this Resolution or any Series Resolution;

(vi) To cure any ambiguity or defect or inconsistent provision in this Resolution or to insert such provisions clarifying matters or questions arising under this

Resolution as are necessary or desirable; provided that such modifications shall not materially and adversely affect the security for the payment of the Prior Bonds or any Parity Bonds;

(vii) To qualify this Resolution under the Trust Indenture Act of 1939, as amended, as long as there is no material adverse effect on the security for the payment of the Prior Bonds or any Parity Bonds;

(viii) To obtain or maintain a rating with respect to any Series of Parity Bonds or to modify the provisions of this Resolution to obtain from any Rating Agency a rating on any Series of Parity Bonds or any portion thereof which is higher than the rating which would be assigned without such modification (so long as it does not adversely affect the interests of Owners in a manner that would require Owner consent under Section 44(b)); or

(ix) To modify any of the provisions of this Resolution in any other respect that does not materially and adversely affect the security for the payment of the Prior Bonds or any Parity Bonds and will not cause any Rating Agency to lower a rating on any Parity Bonds.

(b) With Owners' Consent. This Resolution may be amended from time to time by a Supplemental Resolution approved by the Owners of a majority in aggregate principal amount of the Parity Bonds then Outstanding. So long as the payment of principal of and interest on the 2007B Bonds is guaranteed by Bond Insurance, the provider of that Bond Insurance may exercise approval on behalf of all the Owners of the 2007B Bonds so guaranteed. However, without the specific consent of the Owner of each Parity Bond, no Supplemental Resolution shall (1) permit the creation of a charge on Pledged Taxes superior to the payment of the Parity Bonds; (2) reduce the percentage of Bond Owners which are required to consent to any Supplemental Resolution; or (3) give to any Parity Bond or Parity Bonds any preference over any other Parity Bond or Parity Bonds. No Supplemental Resolution shall change the date of payment of the principal of any Parity Bond, reduce the principal amount or Accreted Value of any Parity Bond, change the rate or extend the time of payment of interest thereof, reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which

any Parity Bond may first be called for redemption prior to its fixed maturity date without the specific consent of the Owner of that Parity Bond; and no such amendment shall change or modify any of the rights or obligations of the Bond Registrar or provider of Bond Insurance for the 2007B Bonds without its written consent.

(c) The Authority shall provide notice to the Rating Agencies then rating Parity Bonds, and to the providers of credit facilities for the Parity Bonds, upon any amendment to this Resolution.

(d) Nothing herein shall limit the Authority's ability to adopt resolutions authorizing the issuance of Prior Bonds.

Section 45. Defaults. Any one or more of the following events shall constitute a "Default" under this Resolution and each Series Resolution:

(a) If any "Default" shall have occurred and be continuing as described in Section 14 of the Prior Bond Resolution;

(b) If the Authority shall default in the performance of any obligation with respect to payments into the Subordinate Bond Account or Subordinate Reserve Account and such default is not remedied;

(c) If default shall be made in the due and punctual payments of the principal of and premium, if any, on any of the Parity Bonds when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise;

(d) If default shall be made in the due and punctual payment of any installment of interest on any Parity Bond;

(e) If the Authority shall fail to purchase or redeem Term Bonds in an aggregate principal amount at least equal to the sinking fund requirements for the applicable Fiscal Year;
or

(f) If the Authority shall materially default in the observance and performance of any other of the covenants, conditions and agreements on the part of the Authority contained in this

Resolution or any other Series Resolution and such default shall have continued for a period of 90 days after discovery by the Authority or written notice to the Authority; provided, that if such failure can be remedied, but not within such 90-day period, and if the Authority has taken all action reasonably possible to remedy such failure within such 90-day period, such failure shall not become a Default for so long as the Authority shall diligently proceed to remedy the Default.

Section 46. Remedies Upon Default. The remedies of the Owners during the continuance of a Default shall, to the extent permitted by law, be governed by this Section.

(a) Bondowners' Trustee. So long as a Default shall not have been remedied, a Bondowners' Trustee may be appointed by the Owners of at least 50% in principal amount of the Parity Bonds then Outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact duly authorized and delivered to the Bondowners' Trustee and the Authority. Any Bondowners' Trustee appointed under the provisions of this Section shall be a bank or trust company organized under the laws of the State or the State of New York or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the Owners of a majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact duly authorized.

The Bondowners' Trustee appointed in the manner herein provided, and each successor thereto, is hereby declared to be a trustee for the Owners of all the Parity Bonds and is empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

(b) Suits at Law or in Equity. The Bondowners' Trustee may upon the happening of a Default, and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Owners to collect any amounts due and owing the Authority and pledged to the Parity Bonds, or to obtain other appropriate relief, and may enforce

the specific performance of any covenant, agreement or condition contained in this Resolution; provided, that upon the occurrence of a Default, payment of the Parity Bonds shall not be subject to acceleration.

Any action, suit or other proceedings instituted by the Bondowners' Trustee shall be brought in its name as trustee for the Owners and all such rights of action upon or under any of the Parity Bonds or the provisions of this Resolution may be enforced by the Bondowners' Trustee without the possession of any Parity Bonds, and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law, and the Owners of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the Owners of the Parity Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of the Parity Bonds; to execute any paper or documents for the receipt of such money, and to do all acts with respect thereto that the Owner might have done in person. Nothing in this Section shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any Owner of any Parity Bond, any plan or reorganization or adjustment affecting the Parity Bonds or any right of any Owner, or to authorize or empower the Bondowners' Trustee to vote the claims of the Owners in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the Authority shall be a party.

(c) Books of Authority Open to Inspection. The Authority covenants that if a Default shall have happened and shall not have been remedied, the books of record and account of the Authority shall at all times be subject to the inspection and use of the Bondowners' Trustee and to individual Owners.

The Authority covenants that if a Default shall happen and shall not have been remedied, the Authority will continue to account, as a trustee of an express trust, for all Pledged Taxes and other accounts pledged under this Resolution.

(d) Payment of Funds to Bondowners' Trustee. The Authority covenants that if a Default shall happen and shall not have been remedied, the Authority, upon demand of the Bondowners' Trustee, shall pay over to the Bondowners' Trustee (i) forthwith, all amounts in the Subordinate Bond Account, Subordinate Reserve Account, and any project account created for the deposit of Parity Bond proceeds; and (ii) as promptly as practicable after receipt thereof, all Pledged Taxes subsequently received by the Authority and pledged under this Resolution, subject to the prior charge thereon in favor of the Owners of the Prior Bonds, and further subject to any deposits and payments required to be made under Section 15 of the Prior Bond Resolution.

(e) Application of Funds by Bondowners' Trustee. During the continuance of a Default, the Pledged Taxes and other funds received by the Bondowners' Trustee pursuant to the provisions of the preceding paragraph shall be applied by the Bondowners' Trustee first, to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Bondowners' Trustee and second, in accordance with the provisions of Section 34(b).

In the event that at any time the funds held by the Bondowners' Trustee and the Bond Registrar shall be insufficient for the payment of the principal of, premium, if any, and interest then due on the Parity Bonds, such funds (other than funds held for the payment or redemption of particular Parity Bonds which have theretofore become due at maturity or by call for redemption) and all Pledged Taxes received or collected for the benefit or for the account of Owners of the Parity Bonds by the Bondowners' Trustee shall be applied as follows:

First, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, earliest maturities first, and, if the amount available shall not be sufficient to pay in full any installment or installments or interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second, to the payment to the persons entitled thereto of the unpaid principal and premium, if any, of any Parity Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, earliest maturities first, and, if the amount available shall not be sufficient to pay in full all the Parity Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(f) Relinquishment of Funds Upon Remedy of Default. If and whenever all overdue installments of interest on all Parity Bonds, together with the reasonable and proper charges, expenses and liabilities of the Bondowners' Trustee and the Owners of Parity Bonds, their respective agents and attorneys, and all other sums payable by the Authority under this Resolution, including the principal of, premium, if any, and accrued unpaid interest on all Parity Bonds which shall then be payable, shall either be paid by or for the account of the Authority, or provision satisfactory to the Bondowners' Trustee shall be made for such payment, and all Defaults under this Resolution or the Parity Bonds shall be made good or secured to the satisfaction of the Bondowners' Trustee or provision deemed by the Bondowners' Trustee to be adequate shall be made therefor, the Bondowners' Trustee shall pay over to the Authority all money and securities then remaining unexpended and held by the Bondowners' Trustee and thereupon all such funds shall thereafter be applied as provided in this Resolution. No such payment over to the Authority by the Bondowners' Trustee or resumption of the application of Pledged Taxes as provided in this Resolution shall extend to or affect any subsequent Default under this Resolution or impair any right consequent thereon.

(g) Suits by Individual Owners. No Owner shall have any right to institute any action, suit or proceeding at law or in equity unless a Default shall have happened and be continuing and unless no Bondowners' Trustee has been appointed as herein provided, but any remedy herein authorized to be exercised by the Bondowners' Trustee may be exercised individually by any Owner, in his or her own name and on his or her own behalf or for the benefit of all Owners,

in the event no Bondowners' Trustee has been appointed, or with the consent of the Bondowners' Trustee if such Bondowners' Trustee has been appointed; provided, that nothing in this Resolution or in the Parity Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Parity Bonds to the Owners thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

(h) Remedies Granted in Resolution not Exclusive. No remedy granted in this Resolution to the Bondowners' Trustee or the Owners of the Parity Bonds is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution or existing at law or in equity on or after the date of adoption of this Resolution.

Section 47. Official Statement. The Authority hereby authorizes and directs the Designated Authority Representative: (1) to review and approve the information contained in the official statement (the "Official Statement") prepared in connection with the sale of the 2007B Bonds; and (2) for the sole purpose of the Underwriter's compliance with paragraph (b)(1) of the Rule, to deem "final" a preliminary Official Statement, if any, as of its date, except for the omission of information permitted to be omitted under the Rule. After an Official Statement has been reviewed and approved in accordance with the provisions of this Section, the Authority hereby authorizes the distribution of the Official Statement to prospective purchasers of the 2007B Bonds.

Section 48. Continuing Disclosure.

(a) This Section constitutes the written undertaking (the "Undertaking") for the benefit of the holders of the 2007B Bonds as required by the Rule. For purposes of this Undertaking, the term "holders of the 2007B Bonds" shall have the meaning intended for such term under the Rule.

(b) The Authority, as an "obligated person" within the meaning of the Rule, undertakes to provide or cause to be provided, either directly or through a designated agent:

(i) To each NRMSIR, and to a state information depository, if one is established in the State and recognized by the SEC (the "SID"), annual financial information and operating data regarding the Authority of the type included in the Official Statement for the 2007B Bonds as follows: (i) audited financial statements prepared in accordance with generally accepted accounting principles applicable to Washington municipalities and consistent with requirements of the Washington State Auditor, except that if any audited financial statements are not available by nine months after the end of any Fiscal Year, the annual financial information filing shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the Authority, and the Authority's audited financial statements shall be filed in the same manner as the annual financial information filing when and if they become available; (ii) operating and financial information consisting of (A) aggregate principal amount of Prior Bonds and Parity Bonds Outstanding; (B) amount of Local Option Taxes and Pledged Taxes levied and collected by type; (C) any change by type in the rate or in the total amount of Local Option Taxes or Pledged Taxes the Authority is authorized to levy; and (D) a sufficiency calculation of the type set forth in Section 40(a) if the Authority is required to provide an Authority Certificate under that Section.

Except as otherwise provided above, the annual financial information described above will be provided to each NRMSIR and the SID not later than the last day of the ninth month after the end of each Fiscal Year of the Authority, commencing with the Authority's fiscal year ending December 31, 2007. The annual financial information may be provided in a single or in multiple documents, and may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Authority is an obligated person as defined by the Rule, which documents have been filed with each NRMSIR and the SID. If the document incorporated by reference is a "final official statement" it must be available from the MSRB.

(ii) To each NRMSIR or to the MSRB, and to the SID, timely notice of the occurrence of any of the following events with respect to the 2007B Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the 2007B Bonds; (vii) modifications to the rights of the holders of the 2007B Bonds; (viii) 2007B Bond calls (other than scheduled mandatory redemptions of Term Bonds); (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the 2007B Bonds; and (xi) rating changes.

(iii) To each NRMSIR or to the MSRB, and to the SID, timely notice of a failure by the Authority to provide required annual financial information on or before the date specified in paragraph (i) of this subsection.

(c) This Undertaking may be amended without the consent of any holder of any 2007B Bond, any broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule. The Authority will give notice to each NRMSIR or the MSRB, and to the SID, of the substance (or provide a copy) of any amendment to this Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information being provided.

(d) If the Authority fails to comply with this Undertaking, the Authority will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the Authority learns of that failure. No failure by the Authority or other obligated person to comply with this Undertaking shall constitute a default with respect to the Parity Bonds. The sole

remedy of any holder of a 2007B Bond will be to take such actions as that holder deems necessary and appropriate to compel the Authority or other obligated person to comply with this Undertaking.

(e) To the extent authorized by the SEC, the Authority may satisfy this Undertaking by transmitting the required filings using <http://www.disclosureusa.org> (or such other centralized dissemination agent as may be approved by the SEC).

(f) The Authority's obligations under this Undertaking shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the 2007B Bonds then Outstanding. In addition, this Undertaking, or any provision thereof, will be null and void if the Authority (i) obtains an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws to the effect that those portions of the Rule which require the Authority to comply with this Undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the 2007B Bonds; and (ii) notifies the SID and either the MSRB or each then existing NRMSIR of such termination.

Section 49. Resolution a Contract. This Resolution shall constitute a contract with the Owners of the 2007B Bonds.

Section 50. Severability. If any one or more of the provisions of this Resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provision or provisions shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of this Resolution or of the 2007B Bonds issued pursuant to the terms hereof.

Section 51. General Authorization. The Designated Authority Representative and each of the other proper officers of the Authority are each authorized and directed to do everything as in their judgment may be necessary, appropriate or desirable in order to carry out the provisions of and complete the transactions contemplated by this Resolution.

Section 52. Ratification of Prior Acts. Any action taken consistent with the Authority but prior to the effective date of this Resolution, including but not limited to issuing requests for


proposals for financing or underwriting services, executing engagement letters for financing or underwriting services based on responses to such requests, preparing and issuing disclosure materials relating to the 2007B Bonds, and executing contracts or other documents, is ratified, approved, and confirmed.

ADOPTED by the Board of The Central Puget Sound Regional Transit Authority at a regular meeting thereof held the 8th day of November, 2007.



John W. Ladenburg
Board Chair

ATTEST:



Marcia Walker
Board Administrator

Exhibit A: Form of 2007B Bonds
Exhibit B: Auction Mode Provisions

EXHIBIT A
FORM OF 2007B BONDS

No. R- _____

\$ _____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA
STATE OF WASHINGTON
THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY
SALES TAX BOND, SERIES 2007B

Maturity Date: _____

CUSIP No.: _____

Registered Owner: CEDE & CO.

Principal Amount: DOLLARS

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY (the "Authority"), a regional transit authority of the State of Washington, for value received, promises to pay the Registered Owner identified above on the Maturity Date identified above the Principal Amount identified above and to pay interest thereon from the later of the date of this bond or from the most recent date to which interest has been paid at the interest rate per annum calculated and determined in accordance with the Bond Resolution, payable on each Interest Payment Date to the Maturity Date or earlier Redemption Date. If this bond is duly presented for payment and not paid on its Maturity Date or earlier Redemption Date, then interest shall continue to accrue at the interest rate per annum calculated and determined in accordance with the Bond Resolution until this bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Subordinate Bond Account and this bond has been called for payment by giving notice to the Registered Owner.

Principal of and premium, if any, and interest on this bond are payable in lawful money of the United States of America.

Interest on this bond during each Interest Accrual Period shall be paid by checks, drafts, or warrants of the fiscal agent of the State of Washington (the "Bond Registrar"), or, if requested in writing prior to the Record Date by the Owner of \$1,000,000 or more in principal amount of 2007B Bonds, by wire, mailed or transferred on the applicable Interest Payment Date to the Registered Owner of this bond as that Registered Owner and its address and account appear on the Bond Register on the Record Date. Principal of and premium, if any, on this bond shall be payable on the Maturity Date or Redemption Date upon presentation and surrender of this bond by the Registered Owner at the principal corporate trust office or offices of the Bond Registrar. Notwithstanding the foregoing, payment of this bond if held by the Securities Depository in the Book-Entry System shall be made in accordance with the Letter of Representations.

This bond is one of an authorized issue of bonds designated The Central Puget Sound Regional Transit Authority Sales Tax Bonds, Series 2007B, aggregating \$60,000,000 in principal amount, of like date, tenor and effect, except as to numbers. The 2007B Bonds are issued by the Authority pursuant to Resolution No. R2007-23 and Resolution No. R2007-_____ (together, the "Bond Resolution") for the purpose of providing all or part of the funds to pay part of the cost of providing high-capacity transportation services in the central Puget Sound region and to pay the costs of issuance and sale of the 2007B Bonds, all as provided in the Bond Resolution. The 2007B Bonds are issued in fully registered form in Authorized Denominations.

Reference is made to the Bond Resolution for the covenants and declarations of the Authority and other terms and conditions upon which this bond has been issued, which terms and conditions, including terms pertaining to redemption, optional tender, mandatory purchase, defeasance and amendment of the Bond Resolution, are made a part hereof by this reference. The Authority irrevocably and unconditionally covenants that it will keep and perform all of the covenants of this bond and of the Bond Resolution. Reference also is made to the Bond Resolution for the definitions of the capitalized terms used and not otherwise defined herein.

From and after the issuance and delivery of the 2007B Bonds and so long as any of the 2007B Bonds remain Outstanding, the Authority irrevocably obligates and binds itself to impose, collect and deposit all Pledged Taxes into the Local Option Tax Accounts and the Additional Taxes Accounts, as applicable, and to set aside and pay into the Subordinate Bond Account, from Pledged Taxes, on or prior to the date on which the interest on, principal of, premium, if any, and sinking fund requirements for the 2007B Bonds shall become due, the amounts necessary to pay that interest, principal, sinking fund requirements and premium coming due on 2007B Bonds.

There is hereby pledged for the payment of the 2007B Bonds (a) amounts in the Subordinate Bond Account, the Additional Taxes Accounts and proceeds of the 2007B Bonds deposited in any account created for the deposit of 2007B Bond proceeds, and such pledge is hereby declared to be a charge on the amounts in such accounts equal to the charge of any other Parity Bonds thereon, and superior to all other charges of any kind or nature, and (b) the Pledged Taxes and amounts in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount and earnings thereon, to the extent amounts and earnings in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount represent revenues from Pledged Taxes, and such pledge is hereby declared to be a prior charge upon the Pledged Taxes and the accounts described in this paragraph superior to all other charges of any kind or nature except the charge of the Prior Bonds on Local Option Taxes, and equal to the charge of any other Parity Bonds.

The 2007B Bonds are special limited obligations of the Authority payable from and secured solely by Pledged Taxes and amounts, if any, in the Subordinate Bond Account, the Local Option Tax Accounts, the Additional Taxes Accounts, Tax Stabilization Subaccount and any project account created for the deposit of Parity Bond proceeds, subject to the prior pledge of money in the Local Option Tax Accounts and the Tax Stabilization Subaccount that has been created in favor of the Prior Bonds. The 2007B Bonds are "Subordinate Lien Obligations" as that term is defined by and under the Prior Bond Resolution.

The 2007B Bonds are not obligations of the State of Washington or any political subdivision thereof other than the Authority. The 2007B Bonds do not constitute a lien or charge upon any general fund or upon any money or other property of the Authority not specifically pledged thereto.

In the manner and subject to the limitations set forth in the Bond Resolution, the 2007B Bonds may bear interest in the Auction Mode, the Flexible Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode or the Fixed Rate Mode, all calculated and determined as provided in the Bond Resolution. In the manner and subject to the limitations set forth in the Bond Resolution, the 2007B Bonds may be converted to another Mode.

The 2007B Bonds are subject to redemption at the option of the Authority on the dates, at the prices, in the manner and subject to the limitations set forth in the Bond Resolution.

For so long as the Book Entry-System is in effect, notice of any redemption shall be provided in accordance with the operational arrangements of the Securities Depository referred to in the Letter of Representations. Notice of redemption shall be given by the Authority in sufficient time that the Bond Registrar may, and the Bond Registrar shall, give notice to the Securities Depository at least 30 days prior to the proposed Redemption Date during any Long-Term Mode and at least 15 days prior to the proposed Redemption Date during any Short-Term Mode or the Auction Mode.

If the 2007B Bonds are not held by the Securities Depository in the Book-Entry System, the Bond Registrar shall give written notice of any redemption of 2007B Bonds by first class mail, postage prepaid, not less than 30 days (for 2007B Bonds in a Long-Term Mode) or not less than 15 days (for 2007B Bonds in a Short-Term Mode or the Auction Mode) nor more than 60 days before the proposed Redemption Date to the Owners of 2007B Bonds that are to be redeemed at their last addresses shown on the Bond Register.

In the case of an optional redemption, the notice may state that the Authority retains the right to rescind that notice on or prior to the Redemption Date, and that notice and optional redemption shall be of no effect to the extent that the Authority gives notice to the affected Owners at any time on or prior to the Redemption Date that the Authority is rescinding the redemption notice in whole or in part. Any 2007B Bonds subject to a rescinded notice of redemption shall remain Outstanding, and the rescission shall not constitute a Default.

Notwithstanding any other provision of the Bond Resolution to the contrary, no additional notice of redemption is required to be given for a redemption occurring on a Mandatory Purchase Date.

The Authority has further reserved the right and option to purchase any or all of the 2007B Bonds at any time at a price acceptable to the Authority plus accrued interest to the date of such purchase.

In the manner and subject to the limitations set forth in the Bond Resolution, 2007B Bonds surrendered to the Bond Registrar may be exchanged for 2007B Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same interest rate and maturity. 2007B Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any 2007B Bond during the period between any Record Date and the corresponding principal payment date or Redemption Date.

This bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon has been signed by the Bond Registrar.

The principal of and premium, if any, and interest on this bond shall be paid only to the Registered Owner as of the Record Date set forth above and to no other Person, and this bond may not be assigned except on the Bond Register.

It is certified and declared that all acts, conditions and things required to be done precedent to and in the issuance of this bond have been done, have happened and have been performed as required by law, and that the total indebtedness of the Authority, including the 2007B Bonds, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Authority has caused this bond to be executed on behalf of the Authority by the facsimile signatures of the Chair of its Board of Directors and its Chief Executive Officer and a facsimile reproduction of the seal of the Authority to be printed hereon, this _____ day of _____, 2007.

THE CENTRAL PUGET SOUND REGIONAL
TRANSIT AUTHORITY

By _____
Chair, Board of Directors

By _____
Chief Executive Officer

Date of Authentication: _____

CERTIFICATE OF AUTHENTICATION

This bond is one of the fully registered The Central Puget Sound Regional Transit Authority Sales Tax Bonds, Series 2007B, described in the Bond Resolution.

WASHINGTON STATE FISCAL AGENT
Bond Registrar

By: _____
Authorized Signer

STATEMENT OF INSURANCE

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this bond to The Bank of New York, in New York, New York, or its successor, as Bond Registrar. Said Policy is on file and available for inspection at the principal office of the Bond Registrar and a copy thereof may be obtained from Financial Security or the Bond Registrar.

ASSIGNMENT

For value received, the undersigned Registered Owner does sell, assign and transfer unto:

(Name, address and social security or other identifying number of assignee)

the within-mentioned 2007B Bond and irrevocably constitutes and appoints

to transfer the same on the Bond Register with full power of substitution in the premises.

Dated: _____

Registered Owner

(NOTE: The signature above must correspond with the name of the Registered Owner as it appears on the front of this bond in every particular, without alteration or enlargement or any change whatsoever.)

Signature Guaranteed:

(NOTE: Signature must be guaranteed pursuant to law.)

EXHIBIT B
AUCTION MODE PROVISIONS

ARTICLE I

Definitions

The following words and terms as used in this Exhibit B (this "Exhibit") and elsewhere in this Resolution have the following meanings with respect to 2007B Bonds in an Auction Rate Period unless the context or use indicates another or different meaning or intent.

Agent Member means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

All Hold Rate means, as of any Auction Date, (1) if the interest on the 2007B Bonds is not includable in gross income of the Beneficial Owner of such 2007B Bond for federal income tax purposes, 90% of the Index in effect on such Auction Date for any 2007B Bond if the Auction Period is seven days, 95% of the Index on such Auction Date for any 2007B Bond if the Auction Period is 28 days or 35 days, and 70% of the Index on such Auction Date for any 2007B Bond if the Auction Period exceeds 35 days, and (2) if the interest on the 2007B Bonds is includable in gross income of the Beneficial Owner of such 2007B Bond, 90% of the Index in effect on such Auction Date for any 2007B Bond; provided, that the All Hold Rate shall not exceed the Maximum Rate.

Auction means each periodic implementation of the Auction Procedures.

Auction Agent means the Person appointed as Auction Agent in accordance with the Auction Agreement. The initial Auction Agent shall be specified by the Bond Sale Resolution.

Auction Agreement means an agreement between the Auction Agent and the Bond Registrar pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with respect to the 2007B Bonds while the 2007B Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

Auction Conversion Date means the date on which the 2007B Bonds convert from an Interest Period other than an Auction Rate Period and begin to bear interest at the Auction Period Rate.

Auction Date means:

(a) Daily Auction Period. If the 2007B Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) Flexible Auction Period. If the 2007B Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the 2007B Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such 2007B Bonds (whether or not an Auction shall be conducted on such date);

provided, that the last Auction Date with respect to the 2007B Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the 2007B Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the Maturity Date; and

provided further, that if the 2007B Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the 2007B Bonds and (y) the Business Day next preceding the Maturity Date. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date shall be specified by the Bond Sale Resolution.

Auction Desk means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the 2007B Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

Auction Period means:

(a) Flexible Auction Period. A Flexible Auction Period;

(b) Daily Auction Period. With respect to the 2007B Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next Interest Payment Date;

(c) Seven-day Auction Period. With respect to the 2007B Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(A)	(B)	(C)
When Auctions Occur on this day	Auction Period Generally Begins this day	Auction Period Generally Ends this day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

(d) 28-day Auction Period. With respect to 2007B Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) 35-day Auction Period. With respect to 2007B Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) Three-month Auction Period. With respect to 2007B Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period or following an Auction Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) Six-month Auction Period. With respect to 2007B Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period or following an Auction Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding April 30 or October 31;

provided, that if there is a conversion of the 2007B Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day

which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

Auction Period Rate means the Auction Rate or any other rate of interest to be borne by the 2007B Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, that in no event may the Auction Period Rate exceed the Maximum Rate.

Auction Procedures means the procedures for conducting Auctions for 2007B Bonds during an Auction Rate Period set forth in this Exhibit.

Auction Rate means for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, that if all of the 2007B Bonds are the subject of Submitted Hold Orders, the All Hold Rate, and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate.

Auction Rate Period means any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the Maturity Date.

Available Bonds means, on each Auction Date, the number of Units of 2007B Bonds that are not the subject of Submitted Hold Orders.

Bid has the meaning specified in Section 2.01(a) of this Exhibit.

Bidder means each Existing Owner and Potential Owner who places an Order.

Broker-Dealer means, initially, UBS Securities LLC, and any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Authority and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Authority. The "Broker-Dealer of record" with respect to any 2007B Bond is the Broker-Dealer which placed the Order for such 2007B Bond or whom the Existing Owner of such 2007B Bond has designated as its Broker-Dealer with respect to such 2007B Bond, in each case as reflected in the records of the Auction Agent.

Broker-Dealer Agreement means an agreement among the Auction Agent, the Authority and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit, as such agreement may from time to time be amended or supplemented.

Broker-Dealer Deadline means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

Business Day, in addition to any other definition of "Business Day" included in this Resolution, while 2007B Bonds bear interest at the Auction Period Rate, shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the 2007B Bonds.

Clerical Error means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a "Clerical Error" is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

Error Correction Deadline means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, that in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

Existing Owner means a Beneficial Owner of 2007B Bonds; provided, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

Flexible Auction Period means:

(a) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of Auctions generally conducted on Wednesdays, on a

Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, or

(b) any period which is longer than 182 days which begins on an Interest Payment Date and ends not later than the Maturity Date.

Hold Order means an Order to hold the 2007B Bonds as provided in Section 2.01(a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

Index means (1) if the interest on the 2007B Bonds is not includable in gross income of the Beneficial Owner of such 2007B Bond for federal income tax purposes, on any Auction Date with respect to 2007B Bonds in any Auction Period of 35 days or less, the S&P Weekly Index and, with respect to 2007B Bonds in any Auction Period of more than 35 days, the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in *The Wall Street Journal* or such other source as may be mutually agreed upon by the Authority and the Broker-Dealers, and (2) if the interest on the 2007B Bonds is includable in gross income of the Beneficial Owner of such 2007B Bond for federal income tax purposes, on any Auction Date with respect to 2007B Bonds in any Auction Period of 35 days or less, One-Month LIBOR and, with respect to 2007B Bonds in any Auction Period of more than 35 days, the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in *The Wall Street Journal* or such other source as may be mutually agreed upon by the Authority and the Broker-Dealers. If any of these rates is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Authority. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period; i.e., a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

Initial Period means the period from the Closing Date to but not including the date specified by the Bond Sale Resolution. Following an Auction Conversion Date the Initial Period shall mean the period specified as the "Initial Period" in the notice of conversion to an Auction Rate Period.

Initial Period Rate means (a) for an Initial Period commencing on the Closing Date, the rate set by the Underwriter prior to delivery of the 2007B Bonds and (b) for an Initial Period commencing on an Auction Conversion Date, the lowest rate which, in the judgment of the Broker-Dealer, is necessary to enable the 2007B Bonds to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the Auction Conversion Date. Such determination shall be conclusive and binding upon the Authority, the Bond Registrar, the Auction Agent, the Bond Insurer and the Owners. Not later than 5:00 p.m., New York City time, on the date of determination of the Initial Period Rate, the Broker-Dealer shall notify the Authority and the Auction Agent of the Initial Period Rate by Electronic Means.

Interest Payment Date with respect to 2007B Bonds bearing interest at Auction Period Rates, means, notwithstanding anything else in this Resolution to the contrary, the initial Interest Payment Date specified by the Bond Sale Resolution, and thereafter, (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the

Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding the first day of such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the 2007B Bonds would be payable if such 2007B Bonds bore interest at the Fixed Rate and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the 2007B Bonds becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

One-Month LIBOR means the offered rate (rounded up to the next highest one one-thousandth of one percent (0.001%)) for deposits in U.S. dollars for a one-month period which appears on the Reuters Screen LIBOR01 Page at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

Order means a Hold Order, Bid or Sell Order.

Potential Owner means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the 2007B Bonds in addition to the 2007B Bonds currently owned by such Person, if any; provided, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

Sell Order has the meaning specified in Section 2.01(a) of this Exhibit.

S&P Weekly Index means the Standard & Poor's Weekly High Grade Index which is composed of thirty-four MIG-1 rated municipal tax-exempt notes that are not subject to alternative minimum taxes and the coupon of each issue is adjusted to price that component on par and track the high-grade weekly tax-exempt levels.

Submission Deadline means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Bond Registrar or the Authority pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the "SIFMA Recommendation") unless the Auction Agent is instructed otherwise in writing by the Bond Registrar or the Authority. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

Submitted Bid has the meaning specified in Section 2.04(b) of this Exhibit.

Submitted Hold Order has the meaning specified in Section 2.04(b) of this Exhibit.

Submitted Order has the meaning specified in Section 2.04(b) of this Exhibit.

Submitted Sell Order has the meaning specified in Section 2.04(b) of this Exhibit.

Sufficient Clearing Bids means an Auction for which the number of Units of the 2007B Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of such 2007B Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate.

Units has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

Winning Bid Rate means the lowest rate specified in any Submitted Bid which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of the 2007B Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds.

ARTICLE II

Auction Procedures

Section 2.01. Orders by Existing Owners and Potential Owners.

(a) Prior to the Broker-Dealer Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of 2007B Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of 2007B Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in subsection (b)(i)(A) of this Section), and/or

(C) the principal amount of 2007B Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of 2007B Bonds which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) of this subsection is referred to as a "Hold Order," an Order containing the information referred to in clauses (i)(B) or (ii) of this subsection is referred to as a "Bid," and an

Order containing the information referred to in clause (i)(C) of this subsection is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding 2007B Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of 2007B Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of 2007B Bonds to be determined as described in Section 2.05(a)(v) of this Exhibit if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of 2007B Bonds to be determined as described in Section 2.05(b)(iv) of this Exhibit if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of 2007B Bonds specified in such Sell Order;
or

(B) such principal amount or a lesser principal amount of 2007B Bonds as described in Section 2.05(b)(iv) of this Exhibit if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of 2007B Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of 2007B Bonds as described in Section 2.05(a)(vi) of this Exhibit if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the 2007B Bonds held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to

the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of 2007B Bonds held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of 2007B Bonds to be converted held by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of 2007B Bonds to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f) of this Exhibit; and

(iii) for purposes of any Auction other than during a daily Auction Period, any 2007B Bonds sold or purchased pursuant to subsections (b)(i), (ii) or (iii) of this Section shall be sold or purchased at a price equal to the principal amount thereof; provided, that for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be equal to the principal amount thereof plus accrued interest to the date of sale or purchase.

Section 2.02. Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders accepted by such Broker-Dealer in accordance with Section 2.01 of this Exhibit and specifying with respect to each Order or aggregation of Orders pursuant to subsection (b) of this Section:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of 2007B Bonds, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the 2007B Bonds;

(iv) to the extent that such Bidder is an Existing Owner:

(A) the number of Units of 2007B Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the number of Units of 2007B Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the number of Units of 2007B Bonds, if any, subject to any Sell Order placed by such Existing Owner; and

(v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of 2007B Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, that Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the Authority, the Bond Registrar or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the 2007B Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error on the part of the Broker-Dealer in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) of this subsection, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this subsection and the Auction Agent has already run the Auction, the Auction Agent shall

rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this subsection by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) of this subsection and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m., New York City time, on the Auction Date (or 2:00 pm., New York City time, in the case of 2007B Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m., New York City time, on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in 2007B Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the 2007B Bonds; provided, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 2.03. Treatment of Orders by the Auction Agent. Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a

representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding 2007B Bonds are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of 2007B Bonds for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of 2007B Bonds for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the 2007B Bonds subject to Hold Orders referred to in clause (i) of this subsection;

(B) subject to clause (ii)(A) of this subsection, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of 2007B Bonds for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of 2007B Bonds for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) of this subsection;

(C) subject to clause (ii)(A) of this subsection, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of 2007B Bonds for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of 2007B Bonds for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) of this subsection; and

(D) the number of Units, if any, of such 2007B Bonds subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of 2007B Bonds equal to the excess of the number of Units of 2007B Bonds for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the 2007B Bonds considered to be subject to Hold Orders pursuant to clause (i) of this subsection and the number of Units of 2007B Bonds considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) of this subsection.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Bond Registrar or the Authority that any portion of an Order by a Broker-Dealer relates to a 2007B Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a 2007B Bond which the Auction Agent has been notified by the Bond Registrar or the Authority has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the 2007B Bonds is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of 2007B Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of 2007B Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of 2007B Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

(h) Any Bid specifying a rate higher than the Maximum Rate will (i) be treated as a Sell Order if submitted by an Existing Owner and (ii) not be accepted if submitted by a Potential Owner.

Section 2.04. Determination of Auction Period Rate.

(a) If requested by the Bond Registrar or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Bond Registrar, if requested) of the All Hold Rate, the Index and, if the Maximum Rate is not a fixed interest rate, the Maximum Rate. Such advice and confirmation shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer, a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively, a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be 100% of the Index if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Bond Registrar, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be 100% of the Index if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Bond Registrar, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii)(A) of this subsection, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate or an All Hold Rate had been determined. In the event an Auction Period is extended as set forth in clauses (i)(B) or (ii)(B) of this subsection, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(e) If the 2007B Bonds are no longer maintained in the Book-Entry System by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate.

Section 2.05. Allocation of 2007B Bonds.

(a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) of this Section, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the 2007B Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the 2007B Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the 2007B Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the 2007B Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the 2007B Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of 2007B Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding 2007B Bonds which are not the subject of Submitted Hold Orders described in clause (i) of this subsection or of Submitted Bids described in clauses (iii) or (iv) of this subsection by (B) a fraction the numerator of which shall be the number of Units of Outstanding 2007B Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding 2007B Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of 2007B Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the 2007B Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of 2007B Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding 2007B Bonds which are not the subject of Submitted Hold Orders described in clause (i) of this subsection or of Submitted Bids described in clauses (iii), (iv) or (v) of this subsection by (B) a fraction the numerator of which shall be the number of Units of Outstanding 2007B Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding 2007B Bonds subject to such Submitted Bids made by all such

Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the 2007B Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the 2007B Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the 2007B Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of 2007B Bonds obtained by multiplying (A) the aggregate number of Units of 2007B Bonds subject to Submitted Bids described in clause (iii) of this subsection by (B) a fraction the numerator of which shall be the number of Units of Outstanding 2007B Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding 2007B Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of 2007B Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in subsection (a) or (b) of this Section, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the 2007B Bonds that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the 2007B Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the 2007B Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any 2007B Bonds on such Auction Date.

(d) If, as a result of the undertakings described in subsection (a) of this Section, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the 2007B Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the 2007B Bonds for purchase among Potential Owners so that the principal amount of the 2007B Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the 2007B Bonds on such Auction Date.

Section 2.06. Notice of Auction Period Rate.

(a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of 2007B Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of 2007B Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the 2007B Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of 2007B Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of 2007B Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids;

(vi) the amount of interest payable per Unit on each Interest Payment Date with respect to such Auction Period; and

(vii) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct

such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of 2007B Bonds to be purchased pursuant to such Bid (including, with respect to the 2007B Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date) against receipt of such 2007B Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of 2007B Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Authority and the Bond Registrar by mutually acceptable Electronic Means and the Bond Registrar shall promptly give notice of such Auction Rate to the Securities Depository.

Section 2.07. Index.

(a) If for any reason on any Auction Date the Index shall not be determined, the Index shall be the Index for the prior Business Day.

(b) The determination of the Index as provided herein shall be conclusive and binding upon the Authority, the Bond Registrar, the Broker-Dealers, the Auction Agent and the Owners.

Section 2.08. Miscellaneous Provisions Regarding Auctions.

(a) In this Exhibit, each reference to the purchase, sale or holding of 2007B Bonds shall refer to beneficial interests in 2007B Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Period, the provisions of this Resolution and the definitions contained herein and described in this Exhibit, including the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Rate, Auction Period Rate and Auction Rate, may be amended pursuant to this Resolution by obtaining the consent of the Owners of all affected Outstanding 2007B Bonds bearing interest at the Auction Period Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Bond Registrar mailed notice of such proposed amendment to the Owners of the affected Outstanding 2007B Bonds as required by this Resolution, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Authority and the Bond Registrar an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the 2007B Bonds or any exemption from federal income taxation to which the interest on the 2007B Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the Owners of all affected Outstanding 2007B Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Authority that it is unwilling or unable to continue as Owner of the 2007B Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Authority shall execute and the Bond Registrar shall authenticate and deliver certificates representing the

2007B Bonds. Such 2007B Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Authority and the Bond Registrar.

During an Auction Rate Period, so long as the ownership of the 2007B Bonds is maintained in the Book-Entry System by the Securities Depository, an Existing Owner or a Beneficial Owner may sell, transfer or otherwise dispose of a 2007B Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of 2007B Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such 2007B Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the 2007B Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

(d) The Auction Agent shall continue to implement the Auction Procedures notwithstanding the occurrence of a Default under this Resolution.

Section 2.09. Changes in Auction Period or Auction Date.

(a) Changes in Auction Period.

(i) During any Auction Rate Period, the Authority may, from time to time on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the 2007B Bonds among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the 2007B Bonds. The Authority shall initiate the change in the length of the Auction Period by giving written notice to the Bond Registrar, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least ten Business Days prior to the Auction Date for such Auction Period. A change to the daily Auction Period shall be made only with the consent of the Broker-Dealers.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the 2007B Bonds.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its 2007B Bonds if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any Auction Rate Period, the Auction Agent, at the direction of the Authority, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the 2007B Bonds. The Auction Agent shall provide notice of the Authority's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Bond Registrar, the Authority and the Broker-Dealers, with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier or later Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which an Auction Period ends and the Interest Payment Dates relating to a such Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by the Broker-Dealer for a majority of the outstanding Units (based on the number of Units for which a Broker-Dealer is listed as the Broker-Dealer in the Existing Owner Registry maintained by the Auction Agent pursuant to Section 2.2(a) of the Auction Agreement), and, if there is not a majority so directing, the Auction Date shall be moved to the next succeeding Business Day following the scheduled Auction Date, and the Interest Payment Date and the Auction Period shall be adjusted accordingly.