

**SOUND TRANSIT  
STAFF REPORT**

**RESOLUTION NOS. R2009-15, R2009-16, R2009-17, and R2009-18**

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

<b>Meeting:</b>	<b>Date:</b>	<b>Type of Action:</b>	<b>Staff Contact:</b>	<b>Phone:</b>
Finance Committee	8/20/09	Discussion	Brian McCartan, Executive Director, FIT	206-398-5100
Finance Committee	9/03/09	Discussion/Possible Action to Recommend Board Approval of Resolution Nos. R2009-15 and R2009-16	<b>Tracy Butler, Treasurer</b>	206-398-5146
Board	9/10/09	Action on Resolution Nos. R2009-15 and R2009-16		
Board	9/16/09	Action on Resolution Nos. R2009-17 and R2009-18		

<b>Contract/Agreement Type:</b>	✓	<b>Requested Action:</b>	✓
Competitive Procurement		Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	
Agreement with Other Jurisdiction(s)		Budget Amendment Required	✓
Real Estate			

**PROPOSED ACTIONS**

- Authorizes the issuance of Series 2009P (R2009-15) and Series 2009S (R2009-16) Bonds as fixed rate tax exempt bonds and/or fixed rate taxable Build America Bonds. The bonds are subject to bond sale Resolution Nos. R2009-17, and R2009-18 to be presented to the Board on the day of the bond pricing.
- Resolution 2009-15 establishes the basic covenants for 2009P and future bonds issued with the repayment pledge of MVET (through February 1, 2028), sales and rental car taxes. Sound Transit bonds backed by all three of these taxes are referred to below as "Prior Bonds."
- Resolution No. R2009-16 establishes the basic covenants for 2009S and future bonds issued with the repayment pledge of only sales and rental car taxes. Sound Transit bonds backed by these two taxes, and not the MVET, are referred to below as "Subordinate Bonds."

**KEY FEATURES of ACTIONS**

- Issues Prior Bonds 2009P having a pledge of pledged taxes and pledged accounts equal to that of the Series 1999, with the final maturity not longer than 2028.
- Issues Subordinate Bonds 2009S having a pledge of pledged taxes and pledged accounts equal to that of the Series 2005A, and 2007A.
- Authorizes the issuance of up to \$400 million in fixed rate tax exempt bonds and up to \$400 million in fixed rate taxable Build America Bonds (as Prior Bonds and/or as Subordinate Bonds), in the total principal amount of not to exceed \$400 million.
- Requires Sound Transit to impose MVET tax, sales tax and rental car taxes while any of the authorized bonds are outstanding (MVET only through 2028).
- Requires pledged taxes to be used in the following order:
  - first, to make principal and interest payments on Series 1999 Bonds and 2009P bonds authorized under the Resolution (e.g., on the Prior Bonds);
  - second, to make all required payments for reserve accounts for the Prior Bonds;
  - third, to make principal and interest payments on Series 2005 Bonds, 2007A Bonds and 2009S bonds authorized under the Resolution (e.g., the Subordinate Bonds);
  - fourth, to make all required payments for Subordinate Bonds reserve accounts;

- fifth, to make all payments required to be made for junior bonds (e.g., bonds junior to both the Prior Bonds and the Subordinate Bonds);
- sixth, to pay the costs of operating and maintaining Sound Transit and its facilities; and
- seventh, for any lawful purpose of the Authority.
- Pledges Sound Transit's collection of voter-approved MVET (until 2028), sales, use, and rental car taxes toward repayment of Prior Bonds.
- Funds the Prior Bonds Reserve Account at the required level (i.e., the lesser of 50% of maximum annual debt service on all Prior Bonds or 125% of average annual debt service).
- Pledges Sound Transit's collection of voter-approved sales, use, and rental car taxes toward repayment of Subordinate Bonds and more junior obligations of Sound Transit.
- 2009S bonds (Subordinate Bonds) issued under the Resolution would be subordinate to the Sound Transit 1999 Bonds and 2009P bonds (Prior Bonds) authorized under the Resolution.
- Prevents Sound Transit from issuing additional Subordinate 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 Bonds;
  - It can generate enough sales tax and rental car taxes to pay 1.5x times maximum debt service coverage on Subordinate Bonds.
- Allows for the Authority to pledge additional taxes to Subordinate Bonds, such as MVET and additional voter-approved sales tax, if legally available and if the Board elects to do so.
- Authorizes the execution of interest rate and interest rate swap agreements to hedge risk, although such instruments are not contemplated at the present time.
- Provides for the appointment of a bondowners' trustee if the Authority defaults in payment.
- Authorizes the issuance of fixed rate and variable rate bonds and the execution of any liquidity or credit facilities necessary to market the variable rate bonds.
- Authorizes the refunding of outstanding bonds if favorable market conditions exist.
- Authorizes the issuance of bonds with a pledge of revenue junior to the Subordinate Bonds.
- The final terms of the tax exempt and/or taxable fixed rate bonds (amounts, maturity, interest rates, and redemption provisions) would be adopted by the Board by future resolutions at the time of a bond sale.
- Permits sales tax rollback from a total of 0.9 percent to 0.8 percent if certain coverage tests are met. The normal coverage test would be: (i) the MVET taxes, sales taxes and rental car taxes received during a 12-month test period must be at least twice the annual debt service on the Prior Bonds in each subsequent year, and (ii) the sales taxes plus the rental car taxes received during a 12-month test period, after deducting any of those taxes necessary to pay Prior Bond debt service, must be at least 1.5 times maximum annual debt service on the Subordinate Bonds). Further rollbacks would be permitted only upon the retirement of all outstanding bonds.
- Payments from the federal government under the Build America Bond program are treated as "Payment Agreement Payments" and reduce annual debt service requirements for calculation of coverage under the bond resolutions.

**BUDGET IMPACT SUMMARY**

<b>Action Outside of Adopted Budget:</b>	<b>Y/N</b>	<b>Y Requires Comment</b>
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
<b>Key Financial Indicators:</b>	<b>Y/N</b>	<b>Y Requires Comment</b>
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 2009 Budget did not assume the issuance of bonds in 2009. If the Authority were to proceed with a bond sale, debt service would be higher than what was included in the Adopted 2009 Budget. The 2009 Budget may need to be amended to reflect this change. The budget amendment may be part of the sale Resolution Nos. R2009-17 and R2009-18 to be adopted by the Board at the time of a bond sale.

**REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS**

The Authority’s long-term financial plan forecasts the sale of up to an additional \$7.5 billion in bonds to finance a portion of the Regional Transit System Plan. Board action to issue and sell the bonds will be subject to existing bond covenants and pledges for bonds to be issued as a part of the funding for capital projects and is consistent with the Authority’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 a co-manager of the bond sales.

**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 Asset Liability Management performance and objectives, and the funding needs of the capital projects.

Board action would authorize the issuance of Series 2009P and Series 2009S Bonds as fixed rate tax exempt bonds and/or fixed rate taxable Build America Bonds. The bonds are subject to a bond sale resolution to be presented to the Board after the bond pricing. Build America Bonds are not tax-exempt, but 35% of the interest cost would be reimbursed to Sound Transit by the federal government in semi-annual payments. The payments from the federal government must be used directly for debt service on the bonds that are Build America Bonds. Receipt of semi-annual payments from the federal government is subject to Congressional appropriation, but a federal failure to make those payments would be the equivalent of a breach of contract by the United States government.

**PRIOR BOARD/COMMITTEE ACTIONS**

<b>Motion/Resolution Number and Date</b>	<b>Summary of Action</b>
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.
R2007-22 11/8/07	Authorizing the issuance of sales tax bonds of the Authority in the principal amount of not to exceed \$450,000,000 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.
R2007-27 11/29/2007	Providing for the sale and issuance of the Central Puget Sound Regional Transit Authority sales tax bonds, Series 2007A, Series 2007B and Series 2007C; specifying the amount, maturities, interest rates or provision therefore and other terms of the bonds; providing for conditions and covenants relating to bond insurance; ratifying, confirming and approving the purchase contract for certain of the bonds and actions of the chief financial officer relating to the sale of the bonds; and amending the Adopted 2007 Budget and the Proposed 2008 Budget in connection therewith.
R2008-15 12/11/08	Fixing and imposing an additional five-tenths of one percent sales and use tax; applying existing approved taxes to implement the Sound Transit 2 Regional Transit System Plan "A Mass Transit Guide" and the Sound Move Regional Transit System Plan as authorized by a vote of the electorate; and authorizing the chief executive officer to contract with the State of Washington for tax collection and administration.

**FUNDING**

Any bonds issued under Resolution No. R2009-15 will be repaid from MVET (until 2028), sales and rental car tax revenues during the term of the bonds.

Any bonds issued under Resolution No. R2009-16 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, the Authority could not issue additional bonds at this time. The Authority has sufficient cash at this point to fund the projects through December 2009 according to the financial plan and the ALM model. But if the Authority does not issue additional bonds in 2009, it risks not incurring sufficient funds to cover capital and operating expenditures, and the legislation authorizing the use of Build America Bonds may expire.

## **LEGAL REVIEW**

The Executive Director, General Counsel, the Authority's Bond Counsel (Foster Pepper), and counsel for the underwriters (Orrick) will have authored and/or reviewed all bond related documents.

**SOUND TRANSIT**

**RESOLUTION NO. R2009-18**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY PROVIDING FOR THE SALE AND ISSUANCE OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY SALES TAX BONDS, SERIES 2009S-2T; SPECIFYING THE AMOUNTS, MATURITIES, INTEREST RATES OR PROVISION THEREFOR AND OTHER TERMS OF THE BONDS; AND AMENDING THE ADOPTED 2009 BUDGET IN CONNECTION THEREWITH.

ADOPTED: September 16, 2009

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## SOUND TRANSIT

### RESOLUTION NO. R2009-18

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY PROVIDING FOR THE SALE AND ISSUANCE OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY SALES TAX BONDS, SERIES 2009S-2T; SPECIFYING THE AMOUNTS, MATURITIES, INTEREST RATES OR PROVISION THEREFOR AND OTHER TERMS OF THE BONDS; AND AMENDING THE ADOPTED 2009 BUDGET IN CONNECTION THEREWITH.

WHEREAS, pursuant to Resolution No. R2009-16 (the "2009 Parity Authorizing Resolution"), The Central Puget Sound Regional Transit Authority (the "Authority") authorized the issuance of not to exceed \$300,000,000 in aggregate principal amount of its Sales Tax Bonds, Series 2009 (the "2009 Parity Bonds"), which were authorized to be issued in one or more Series either as Tax-Exempt Parity Bonds or as Build America Parity Bonds (each as defined in the 2009 Parity Authorizing Resolution), or both; and

WHEREAS, the Authority authorized the issuance of the 2009 Parity Bonds for the purposes of paying part of the costs of carrying out the Plan (as defined in the 2009 Parity Authorizing Resolution) and the costs of issuing and selling the 2009 Parity Bonds, refunding all or a portion of the 2005A Parity Bonds (as defined in the 2009 Parity Authorizing Resolution) and for other Authority purposes approved by resolution of the Board of Directors of the Authority (the "Board"); and

WHEREAS, the 2009 Parity Authorizing Resolution requires that certain terms of and conditions relating to the sale of the 2009 Parity Bonds be specified by a Bond Sale Resolution (as defined in the 2009 Parity Authorizing Resolution); and

WHEREAS, pursuant to the 2009 Parity Authorizing Resolution, a Preliminary Official Statement relating to the 2009 Parity Bonds (the "Preliminary Official Statement") has been prepared, a sale of the 2009 Parity Bonds has been negotiated pursuant to a proposed Bond Purchase Contract (the "Bond Purchase Contract") between the Authority and Citigroup Global Markets Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC



Capital Markets Corporation and Siebert Brandford Shank & Co., LLC (collectively, the "Underwriters"), and the proposed sale of the 2009 Parity Bonds to the Underwriters has been recommended to the Board for its approval with the interest rates and other terms of and matters relating to the 2009 Parity Bonds set forth in this Resolution;

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

Section 1. Definitions. The meanings of all capitalized terms used and not otherwise defined in this Resolution (including the recitals) shall be as set forth in the 2009 Parity Authorizing Resolution. The 2009 Parity Authorizing Resolution and this Resolution are collectively referred to as the "2009 Parity Bond Resolutions."

Section 2. 2009S-2T Parity Bonds. The Authority shall issue 2009 Parity Bonds that are not Tax-Exempt Parity Bonds and which shall be designated as "The Central Puget Sound Regional Transit Authority Sales Tax Bonds, Series 2009S-2T (Taxable Build America Bonds—Direct Payment)" (the "2009S-2T Parity Bonds"). The 2009S-2T Parity Bonds shall be issued in the aggregate principal amount of \$300,000,000, shall be dated the date of their initial delivery to the Underwriters and shall bear interest from their date until the 2009S-2T Parity Bonds bearing such interest have been paid or their payment has been duly provided for, payable semiannually on each May 1 and November 1, commencing May 1, 2010. The 2009S-2T Parity Bonds shall mature on November 1, 2039, and bear interest at the rate per annum as set forth in Exhibit A, attached hereto and incorporated herein by this reference.

Section 3. Redemption of 2009S-2T Parity Bonds.

(a) *Optional Redemption of 2009S-2T Parity Bonds With Make-Whole Payment.* The 2009S-2T Parity Bonds are subject to optional redemption by the Authority prior to their stated maturity dates, in whole or in part, on any business day, at the "Make-Whole Redemption Price," plus accrued and unpaid interest on the 2009S-2T Parity Bonds to be redeemed on the date fixed for redemption.

The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the 2009S-2T Parity Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2009S-2T Parity Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2009S-2T Parity Bonds are to be redeemed, discounted to the date on which the 2009S-2T Parity Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" (defined below) plus 20 basis points.

"Treasury Rate" means, with respect to any date fixed for redemption for a particular 2009S-2T Parity Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the date fixed for redemption for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any date fixed for redemption for a particular 2009S-2T Parity Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the 2009S-2T Parity Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2009S-2T Parity Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any date fixed for redemption for a particular 2009S-2T Parity Bond:

(1) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m. New York City time, on the Valuation Date; or

(2) if the yield described in (1) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that date fixed for redemption, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the Authority.

“Reference Treasury Dealer” means each of four firms, specified by the Authority from time to time, that are primary United States Government securities dealers in the City of New York (each, a “Primary Treasury Dealer”); provided, that if any of them ceases to be a Primary Treasury Dealer, the Authority will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any date fixed for redemption for a particular 2009S-2T Parity Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.

“Valuation Date” means the third business day preceding the date fixed for redemption.

(b) *Extraordinary Optional Redemption of 2009S-2T Parity Bonds.* The 2009S-2T Parity Bonds are subject to optional redemption by the Authority prior to their stated maturity dates, in whole or in part, upon the occurrence of an Extraordinary Event, at the “Extraordinary Optional Redemption Price.”

“Extraordinary Optional Redemption Price” means the greater of (i) 100% of the principal amount of the 2009S-2T Parity Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal of and interest on the 2009S-2T Parity Bonds to be redeemed, discounted to the date on which such 2009S-2T Parity Bonds are to be redeemed on

a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined above) plus 100 basis points, plus, in each case, accrued interest on the 2009S-2T Parity Bonds to be redeemed to the date fixed for redemption.

An "Extraordinary Event" will have occurred if the Authority determines that a material adverse change has occurred to Section 54AA or Section 6431 of the Code or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by the Authority to satisfy the requirements to qualify to receive the 35% cash subsidy payment from the United States Treasury, pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

(c) *Mandatory Redemption of 2009S-2T Parity Bonds.* The 2009S-2T Parity Bonds stated to mature on November 1, 2039 are hereby designated Term Parity Bonds and, if not optionally redeemed, purchased or defeased in accordance with the 2009 Parity Bond Resolutions, are subject to mandatory redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, and without premium, on November 1 in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2029	\$ 4,810,000
2030	4,985,000
2031	5,170,000
2032	5,360,000
2033	5,555,000
2034	5,760,000
2035	5,970,000
2036	6,185,000
2037	82,355,000
2038	85,365,000
2039*	88,485,000

\*final maturity

(d) *Partial Redemption of 2009S-2T Parity Bonds.* If fewer than all of the Outstanding 2009S-2T Parity Bonds are to be redeemed prior to maturity, then (i) if the 2009S-2T Parity Bonds are in book-entry form at the time of such redemption, the Bond Registrar is required to instruct DTC to instruct the DTC Participants to select the specific 2009S-2T Parity Bonds for redemption pro rata, and neither the Authority nor the Bond Registrar will have any responsibility to ensure that DTC or the DTC Participants properly select such 2009S-2T Parity Bonds for redemption, and (ii) if the 2009S-2T Parity Bonds are not then in book-entry form at the time of such redemption, on each date fixed for redemption, the Bond Registrar is required to select the specific 2009S-2T Parity Bonds for redemption pro rata. The portion of any registered 2009S-2T Parity Bonds of a denomination more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof. The Bond Registrar is required to select such portions of 2009S-2T Parity Bonds to be redeemed in such manner as the Bond Registrar in its discretion may deem to be fair and appropriate.

Section 4. Form of 2009 Parity Bonds. The 2009S-2T Parity Bonds shall be substantially in the form attached hereto as Exhibit B and incorporated herein by this reference.

Section 5. Designation of 2009S-2T Parity Bonds as "Build America Bonds". The Authority hereby irrevocably elects to have Section 54AA of the Code apply to the 2009S-2T Parity Bonds so that the 2009S-2T Parity Bonds are treated as "Build America Bonds," and further to have Subsection 54AA(g) of the Code apply to the 2009S-2T Parity Bonds so that the 2009S-2T Parity Bonds are treated as "qualified bonds" with respect to which the Authority will be allowed a credit payable by the United States Treasury to or to the order of the Authority pursuant to Section 6431 of the Code in an amount equal to 35% of the interest payable on the 2009S-2T Parity Bonds on each interest payment date. The Authority hereby authorizes and directs the Chief Financial Officer (or his or her designee) to take such actions as are necessary or appropriate for the Authority to receive or cause to be received from the United States Treasury the applicable federal credit payments in respect of the 2009S-2T Parity Bonds, including but not limited to the timely filing with the Internal Revenue Service of

Form 8038-CP—"Return for Credit Payments to Issuers of Qualified Bonds" in the manner prescribed by Internal Revenue Service Notice 2009-26.

Section 6. Sale and Delivery of 2009 Parity Bonds. The Authority finds that the sale and delivery of the 2009 Parity Bonds to the Underwriters at the interest rates set forth herein and under the conditions set forth in the 2009 Parity Authorizing Resolution, this Resolution and the Bond Purchase Contract is in the Authority's best interest and therefore approves the sale and delivery of the 2009 Parity Bonds to the Underwriters pursuant to the Bond Purchase Contract. The Chief Executive Officer or the Chief Financial Officer is authorized and directed to execute on behalf of the Authority the Bond Purchase Contract in substantially the form on file with the Board Administrator.

Section 7. Authorization of Official Statement. The Chief Financial Officer is authorized and directed to review and approve and to execute and deliver on behalf of the Authority a final official statement (the "Official Statement") with respect to the 2009 Parity Bonds, substantially in the form of the Preliminary Official Statement and supplemented or amended as he, with the approval of disclosure counsel, deems necessary, desirable, or appropriate. The Authority authorizes and approves the distribution by the Underwriters of the Official Statement and ratifies the distribution by the Underwriters of the Preliminary Official Statement to potential purchasers and purchasers of the 2009 Parity Bonds.

Section 8. General Authorization. The Designated Authority Representative and the Chief Financial Officer and each of the other appropriate 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 terms and provisions of, and complete the transactions contemplated by, the 2009 Parity Bond Resolutions, including transferring Authority funds among accounts to satisfy any reserve account requirement for the Prior Bonds or the Parity Bonds, designating federal credit payments to be received by the Authority in respect of the 2009S-2T Parity Bonds as Receipts under a Parity Payment Agreement, declaring the right of the Authority to receive such federal credit payments and executing a Parity Payment

Agreement incorporating such designation and declaration in accordance with the provisions of the 2009 Parity Authorizing Resolution.

Section 9. Undertaking to Provide Continuing Disclosure. To meet the requirements of United States Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule"), as applicable to a participating underwriter for the 2009 Parity Bonds, the Authority makes the following written undertaking (the "Undertaking") for the benefit of holders of the 2009 Parity Bonds:

(a) Undertaking to Provide Annual Financial Information and Notice of Material Events. The Authority undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(1) Annual financial information and operating data of the type included in the final official statement for the 2009 Parity Bonds and described in subsection (b) of this Section ("annual financial information");

(2) Timely notice of the occurrence of any of the following events with respect to the 2009 Parity Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the 2009 Parity Bonds; (7) modifications to rights of holders of the 2009 Parity Bonds; (8) 2009 Parity Bond calls (other than scheduled mandatory redemptions of Term Parity Bonds); (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 2009 Parity Bonds; and (11) rating changes; and

(3) Timely notice of a failure by the Authority to provide required annual financial information on or before the date specified in subsection (b) of this Section.

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the Authority undertakes to provide in subsection (a) of this Section:

(1) Shall consist of (1) 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; and (2) operating and financial information consisting of (A) aggregate principal amount of Prior Bonds, Parity Bonds and Junior Obligations 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 that the Authority is authorized to levy; and (D) a sufficiency calculation of the type set forth in Section 20 of the 2009 Parity Authorizing Resolution if the Authority is required to provide an Authority Pledged Taxes Certificate under that Section;

(2) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the Authority (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the Authority's fiscal year ending December 31, 2009; and

(3) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the 2009 Parity Bonds without the consent of any holder of any 2009 Parity



Bonds, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by the Rule.

The Authority will give notice to the MSRB of the substance (or provide a copy) of any amendment to the 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 financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this Section shall inure to the benefit of the Authority and any holder of 2009 Parity Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The Authority's obligations under this Undertaking shall terminate upon the legal defeasance of all of the 2009 Parity Bonds. In addition, the Authority's obligations under this Undertaking shall terminate if those provisions of the Rule which require the Authority to comply with this Undertaking become legally inapplicable in respect of the 2009 Parity Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the Authority, and the Authority provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the Authority learns of any failure to comply with the Undertaking, the Authority will proceed with due diligence to cause such noncompliance to be corrected. No failure by the Authority or other obligated person to comply with the Undertaking shall constitute a default in respect of the 2009 Parity Bonds. The sole remedy of any holder of a 2009 Parity Bond shall be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the Authority or other obligated person to comply with the Undertaking.

(g) Designation of Official Responsible to Administer Undertaking. The Chief Financial Officer of the Authority (or such other officer of the Authority who may in the future

perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the Authority in respect of the 2009 Parity Bonds set forth in this Section in accordance with the Rule, including, without limitation, the following actions:

(1) Preparing and filing the annual financial information undertaken to be provided;

(2) Determining whether any event specified in subsection (a) has occurred, assessing its materiality with respect to the 2009 Parity Bonds, and, if material, preparing and disseminating notice of its occurrence;

(3) Determining whether any person other than the Authority is an "obligated person" within the meaning of the Rule with respect to the 2009 Parity Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of material events for that person in accordance with the Rule;

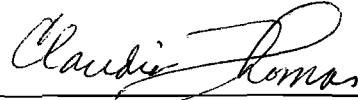
(4) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the Authority in carrying out the Undertaking; and

(5) Effecting any necessary amendment of the Undertaking.

Section 10. Ratification of Prior Acts. All acts taken pursuant to the authority of this Resolution but prior to its effective date are ratified, approved and confirmed.

Section 11. Budget Amendment. The Adopted 2009 Budget is hereby amended to increase debt service from \$57,051,404 to \$60,600,000.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a special meeting held this 16th day of September, 2009.



Claudia Thomas  
Board Vice Chair

ATTEST:



Marcia Walker  
Board Administrator

**EXHIBIT A**

**Interest Rate for 2009S-2T Parity Bonds**

5.491 % per annum  
UMW CAPT

**EXHIBIT B**

**Form of 2009S-2T Parity Bond**

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 2009S-2T**

Maturity Date: November 1, 2039 Interest Rate: \_\_\_\_\_

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 (computed on the basis of a 360-day year of twelve 30-day months) 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 identified above, payable on each May 1 and November 1, commencing May 1, 2010 to the Maturity Date or earlier date fixed for redemption of this bond. If this bond is duly presented for payment and not paid on its Maturity Date or earlier date fixed for redemption, then interest shall continue to accrue at that Interest Rate 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 Parity 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 shall be payable in lawful money of the United States of America. Interest on this bond shall be paid by checks or drafts 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 2009 Parity Bonds, by wire, mailed or transferred on the interest payment date to that Owner as that Owner and that Owner's address and account appear on the Bond Register on the Record Date. Principal of and premium, if any, on this bond shall be payable at maturity or on such date as may be specified for prior redemption 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 registered in the name of DTC or its nominee 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 2009S-2T (the "2009S-2T Parity Bonds"), aggregating \$300,000,000 in principal amount, of like date, tenor and effect, except as to numbers, denominations, interest rates, maturity dates and rights of redemption. The 2009S-2T Parity Bonds are issued by the Authority pursuant to Resolution No. R2009-16 and Resolution No. R2009-18 (together, the "2009 Parity Bond Resolutions") 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 2009 Parity Bonds, all as provided in the 2009 Parity Bond Resolutions. The 2009S-2T Parity Bonds are issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof within a single maturity.

Reference is made to the 2009 Parity Bond Resolutions 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, defeasance and amendment of the 2009 Parity Bond Resolutions, 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 2009 Parity Bond Resolutions. Reference also is made to the 2009 Parity Bond Resolutions for the definitions of the capitalized terms used and not otherwise defined herein.

From and after the issuance and delivery of the 2009S-2T Parity Bonds and so long as any of the 2009S-2T Parity 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.

Subject to the requirements of the 2009 Parity Bond Resolutions, the Authority irrevocably obligates and binds itself for so long as any Parity Bonds remain Outstanding to set aside or cause to be set aside and pay or cause to be paid into the Parity Bond Account from Pledged Taxes: (a) approximately equal monthly deposits such that the amounts projected to be on deposit on the next interest payment date will be sufficient to pay the interest scheduled to become due and redemption premium, if any, on Outstanding Parity Bonds; and (b) approximately equal monthly deposits such that the amounts projected to be on deposit on the next principal payment date will be sufficient to pay maturing principal (including sinking fund redemptions) for Parity Bonds; and (c) regularly scheduled Payments under a Parity Payment Agreement.

There is hereby pledged for the payment of the 2009 Parity Bonds (a) amounts in the Parity Bond Account, the Additional Taxes Accounts and proceeds of the 2009 Parity Bonds deposited in any account created for the deposit of 2009 Parity 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 2009S-2T Parity Bonds are special limited obligations of the Authority payable from and secured solely by Pledged Taxes and amounts, if any, in the Parity Bond Account, 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 2009S-2T Parity Bonds are "Subordinate Obligations" as that term is defined by and under the Prior Bond Resolution.

**The 2009S-2T Parity Bonds are not obligations of the State of Washington or any political subdivision thereof other than the Authority. The 2009S-2T 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.**

The 2009S-2T Parity Bonds are subject to redemption prior to maturity as set forth in the 2009 Parity Bond Resolutions.

The Authority has further reserved the right and option to purchase any or all of the 2009S-2T Parity Bonds in the open market 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 2009 Parity Bond Resolutions, 2009S-2T Parity Bonds surrendered to the Bond Registrar may be exchanged for 2009S-2T Parity Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. 2009S-2T Parity 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 2009S-2T Parity Bonds during the period between any Record Date and the corresponding principal payment date or date fixed for redemption.

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 2009S-2T Parity 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 \_\_\_\_\_, 2009.

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 2009S-2T, described in the 2009 Parity Bond Resolutions.

WASHINGTON STATE FISCAL AGENT  
Bond Registrar

By: \_\_\_\_\_  
Authorized Signer



## ASSIGNMENT

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

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

the within-mentioned 2009S-2T Parity 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.)

## CERTIFICATE

I, the undersigned, Administrator of the Board (the "Board") of The Central Puget Sound Regional Transit Authority (the "Authority"), DO HEREBY CERTIFY:

1. That the attached resolution numbered R2009-18 (the "Resolution") is a true and correct copy of a resolution of the Authority, as finally adopted at a special meeting of the Board held on the 16th day of September, 2009, and duly recorded in my office.

2. That written notice specifying the time and place of the special meeting and noting the business to be transacted was given to all members of the Board by mail or by personal delivery at least 24 hours prior to the special meeting, a true and complete copy of which notice is attached hereto as Appendix 1.

3. That written notice of the special meeting was given to each newspaper of general circulation that has on file with the Authority a written request to be notified of special meetings, or to which such notice customarily is given.

4. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Board was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Authority this 16<sup>th</sup> day of September, 2009.



\_\_\_\_\_  
Marcia Walker  
Board Administrator

**Appendix 1**  
**Notice of Special Meeting**



Sound Transit Special Board Meeting  
Wednesday, September 16, 2009  
9:00 a.m. to 9:30 a.m.

Ruth Fisher Boardroom  
Union Station  
401 South Jackson Street  
Seattle, WA

**Claudia Thomas, Board Vice Chair, Presiding**

1. Call to Order
2. Roll Call of Members
3. Report of the Chair
4. Action Items

Items not referred by Committee

- A. Resolution No. R2009-18 – Providing for the sale and issuance of the Central Puget Sound Regional Transit Authority Sales Tax Bonds, Series 2009S-2T; specifying the amounts, maturities, interest rates or provision therefore and other terms of the bonds; and amending the Adopted 2009 Budget in connection therewith
  - B. Resolution No. R2009-17 – Authorizing the issuance and sale of sales tax and motor vehicle excise tax bonds, Series 2009P-1 and Series 2009P-2T to pay a portion of the cost of the Authority's Regional Transit System Plan and other specified purposes; fixing the amounts, date, and terms of the bonds; and authorizing the sale of the bonds
5. Executive Session (Tentative)
  6. Other Business
  7. Next Meeting: Thursday, September 24, 2009  
1:30 to 4:00 p.m.  
Ruth Fisher Boardroom
  8. Adjourn

*Please note: There will be no public comment taken at this meeting*