

**RESOLUTION NOS. R2012-14, R2012-15, and R2012-16**  
**Amend and Restate Master Resolution No. R2009-15**  
**Issue Sales Tax and Motor Vehicle Excise Tax Refunding Bonds (Prior Bonds)**  
**Issue Sales Tax Refunding Bonds (Parity Bonds)**

<b>MEETING:</b>	<b>DATE:</b>	<b>TYPE OF ACTION:</b>	<b>STAFF CONTACT:</b>	<b>PHONE:</b>
Executive Committee Board	06/07/12 06/28/12	Committee Discussion Final Action	<b>Brian McCartan, Chief Financial Officer</b>	206-398-5100

**PROPOSED ACTIONS**

**Resolution No. R2012-14:** Amends and restates Resolution No. R2009-15, the Master Resolution in order to update certain provisions.

**Resolution No. R2012-15:** Authorizes issuance of Sales Tax and Motor Vehicle Excise Tax Refunding Bonds, Series 2012P-1 (Prior Bonds) up to a maximum of \$300,000,000 and authorizes the chief financial officer or the chief executive officer to serve as Sound Transit’s designated representative(s).

**Resolution No. R2012-16:** Authorizes issuance of Sales Tax Refunding Bonds, Series 2012S-1 (Parity Bonds) up to a maximum of \$200,000,000 and authorizes the chief financial officer or the chief executive officer to serve as Sound Transit’s designated representative(s).

**KEY FEATURES**

- In 2005, Sound Transit issued \$422,815,000 of Series 2005A Sales Tax Bonds to finance a portion of the Authority’s regional transit system plan. At this time, \$363,115,000, or around 86% of these bonds can be advance refunded (refinanced).
- Refunding, or refinancing, a portion of the Series 2005A Sales Tax Bonds would save Sound Transit no less than \$12,000,000 in net present value interest savings.
- Resolution No. R2012-14 amends and restates the Master Resolution (Resolution No. R2009-15) that governs all Prior Bonds in order to strengthen Sound Transit’s credit and security structure on the Prior Bonds:
  - Changes the Additional Bond Test (ABT) that requires that before additional Prior Bonds may be issued, the taxes pledged to those bonds received during a 12-month period during the previous 18 months must be at least **three** times (rather than **two**) maximum annual debt service on all Prior Bonds in the future.
  - Updates the Sufficiency Test to reflect the change in the ABT. The Sufficiency Test must be met before the Board can reduce the Agency’s sales tax rate to less than nine-tenths of one percent.
  - Amends and restates Resolution No. R2009-15.
- Resolution No. R2012-15:
  - Authorizes issuance of Sales Tax and Motor Vehicle Excise Tax Refunding Bonds, Series 2012P-1 (Prior Bonds) up to a maximum of \$300,000,000.
  - Board approval of this resolution authorizes the chief financial officer and/or the chief executive officer to serve as Sound Transit’s designated representative(s) and to carry

- out the issuance of Sales Tax and Motor Vehicle Excise Tax Refunding Bonds within parameters set forth by the Board in this resolution, per RCW 39.46.040.
  - Establishes those parameters as required by RCW 39.46.040.
- Resolution No. R2012-16:
  - Authorizes issuance of Sales Tax Refunding Bonds, Series 2012S-1 (Parity Bonds) up to a maximum of \$200,000,000.
  - Board approval of this resolution authorizes the chief financial officer and/or the chief executive officer to serve as Sound Transit's designated representative(s) and to carry out the issuance of Sales Tax Refunding Bonds within parameters set forth by the Board in this resolution, per RCW 39.46.040.
  - Establishes those parameters as required by RCW 39.46.040.
- The parameters established by the Board in Resolution No. R2012-15 and Resolution No. R2012-16 include:
  - The aggregate principal amount of refunding bonds backed by both sales taxes and Sound Transit's motor vehicle excise taxes (Prior Bonds) will not exceed \$300,000,000.
  - The aggregate principal amount of refunding bonds backed by sales taxes alone (Parity Bonds) will not exceed \$200,000,000.
  - The true interest cost to Sound Transit for each of the refunding bond issues will not exceed 4%.
  - The minimum net present value savings to Sound Transit must be at least 3%.
  - The final maturity of the new Prior Bonds cannot be later than February 1, 2028 and the final maturity of the new Parity Bonds cannot be later than November 1, 2030.
  - The refunding Prior Bonds and Parity Bonds are required to be issued prior to December 31, 2013.

## **FISCAL INFORMATION**

Refunding Prior Bonds, Series 2012P-1 and Parity Bonds, Series 2012S-1 will reduce the debt service payments related to the 2005A Bonds because of the favorable long term borrowing rates currently available. As a result, total debt service expenditures are expected to be lower than the budgeted level for 2012.

## **PRIOR BOARD/COMMITTEE ACTIONS**

Resolution No. R2009-15: Amended and restated Master Resolution No. R98-47 authorizing sales tax and motor vehicle excise tax bonds of the Authority to be issued in one or more series to finance a portion of the Authority's regional transit system plan.

Resolution No. R2005-02: 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.

Resolution No. R2005-07: Provided for 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 to the sale of the 2005A Bonds.

Resolution No. R99-4: Amended Resolution Nos. R98-47 and R98-48 which authorized the issuance of sales tax and motor vehicle excise tax bonds in order to clarify certain provisions of such resolutions and assure the highest available ratings on the bonds.

**TIME CONSTRAINTS**

The long term borrowing rates are at record lows, and the rates can move higher at any time. If the Board does not approve the resolutions at this time, the Agency could potentially lose the window of opportunity to save on debt service.

**PUBLIC INVOLVEMENT**

Not applicable to this action.

**LEGAL REVIEW**

The Sound Transit Legal Department, the Authority’s Bond Counsel (Foster Pepper), and counsel for the underwriters (Orrick) will have authored and/or reviewed all bond related documents.

DB 6/22/12

**SOUND TRANSIT**

**RESOLUTION NO. R2012-16**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AUTHORIZING THE ISSUANCE OF SALES TAX REFUNDING BONDS, SERIES 2012S-1 TO REFUND A PORTION OF THE AUTHORITY'S OUTSTANDING SALES TAX BONDS, SERIES 2005A; APPROVING PARAMETERS FOR THE TERMS OF THE BONDS; AND DELEGATING AUTHORITY TO THE DESIGNATED AUTHORITY REPRESENTATIVE TO APPROVE THE FINAL TERMS OF AND BOND PURCHASE CONTRACT FOR THE BONDS.

ADOPTED: June 28, 2012

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## SOUND TRANSIT

### RESOLUTION NO. R2012-16

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AUTHORIZING THE ISSUANCE OF SALES TAX REFUNDING BONDS, SERIES 2012S-1 TO REFUND A PORTION OF THE AUTHORITY'S OUTSTANDING SALES TAX BONDS, SERIES 2005A; APPROVING PARAMETERS FOR THE TERMS OF THE BONDS; AND DELEGATING AUTHORITY TO THE DESIGNATED AUTHORITY REPRESENTATIVE TO APPROVE THE FINAL TERMS OF AND BOND PURCHASE CONTRACT FOR THE BONDS.

WHEREAS, the Board of Directors (the "Board") 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 (as defined herein, the "Sound Move Plan"); and

WHEREAS, on November 5, 1996, at an election held within the boundaries of the Authority, the requisite number of voters approved the imposition, up to three-tenths of one percent, of the special motor vehicle excise tax authorized by RCW 81.104.160 and the imposition, up to four-tenths of one percent, of the sales and use tax authorized by RCW 81.104.170 to implement the Sound Move Plan; and

WHEREAS, by Resolution No. 82, the Board authorized the imposition of the foregoing taxes and the rental car sales and use tax authorized by RCW 81.104.160 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 and Resolution Nos. 98-47 and 98-48, the Authority on January 6, 1999, issued its Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999 (the "1999 Prior Bonds"), secured by a pledge of the Local Option Taxes (defined herein), 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 Parity Bonds"), secured by a pledge of the Pledged Taxes (defined herein) subordinate to the pledge of Local Option Taxes securing the 1999 Prior Bonds and the 2009 Prior Bonds, to finance improvements for the purpose of providing high capacity transportation service, and by that resolution reserved the right to redeem the Outstanding 2005A Bonds maturing on and after November 1, 2015 (the "Refunding Candidates") prior to their maturity at any time on or after May 1, 2015, at a price of par plus accrued interest to the date fixed for redemption; and

WHEREAS, the Refunding Candidates are currently outstanding in the aggregate principal amount of \$363,115,000; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution Nos. R2007-22 and R2007-27, the Authority on December 18, 2007, issued its Sales Tax Bonds, Series 2007A (the "2007A Parity Bonds"), secured by a pledge of the Pledged Taxes subordinate to the pledge of Local Option Taxes securing the 1999 Prior Bonds and on a parity with the pledge of Pledged Taxes securing the 2005A Parity Bonds, to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, the Board, by Resolution No. R2008-10, authorized and adopted Sound Transit 2, A Mass Transit Guide, The Regional Transit System Plan for Central Puget Sound (the "Sound Transit 2 Plan") as regional transit system plan to provide additional high capacity transportation services in the central Puget Sound region; and

WHEREAS, on November 4, 2008, at an election held within the boundaries of the Authority, the requisite number of voters approved additional sales and use taxes of up to five-tenths of one percent as authorized by RCW 81.104.170, to fund the Plan (defined herein); and

WHEREAS, by Resolution No. R2008-15, the Board levied, fixed and imposed an additional sales and use tax of five-tenths of one percent effective January 1, 2009, confirmed that all then-existing Local Option Taxes remain in full force and effect and authorized a contract

with the State of Washington Department of Revenue and Department of Licensing to collect and transfer all such taxes to the Authority; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution Nos. R2009-15 and R2009-17, the Authority on September 29, 2009, issued its Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2009P-1 and 2009P-2T (Taxable Build America Bonds – Direct Payment) (together, the “2009 Prior Bonds”), secured by a pledge of the Local Option Taxes (defined herein), on a parity with the 1999 Prior Bonds, 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. R2009-16 and R2009-18, the Authority on September 29, 2009, issued its Sales Tax Bonds, Series 2009S-2T (Taxable Build America Bonds – Direct Payment) (the “2009 Parity Bonds”), secured by a pledge of the Pledged Taxes subordinate to the pledge of Local Option Taxes securing the 1999 Prior Bonds and the 2009 Prior Bonds and on a parity with the pledge of Pledged Taxes securing the 2005A Parity Bonds and the 2007A Parity Bonds to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, after due consideration, it appears to the Board of Directors of the Authority that all or a portion of the Refunding Candidates (the “Refunded Bonds”) may be refunded by the issuance and sale of the 2012 Parity Bonds (as defined and authorized below) so that debt service savings will be achieved by the difference between the principal and interest cost over the life of the refunding 2012 Parity Bonds and the principal and interest cost over the life of the Refunded Bonds but for such refunding; and

WHEREAS, simultaneously with the adoption of this Resolution, the Board is adopting a resolution authorizing the issuance of a series of Sales Tax and Motor Vehicle Excise Tax Refunding Bonds (the “2012 Prior Bonds”) to refund all or a portion of the Refunding Candidates not refunded by the 2012 Parity Bonds; and

WHEREAS, the issuance of the 2012 Parity Bonds will be consistent with the resolutions authorizing the issuance of the 1999 Prior Bonds, the 2009 Prior Bonds, the 2005A Parity



Bonds, the 2007A Parity Bonds and the 2009 Parity Bonds, and the 2012 Parity Bonds may be secured by a pledge of the Pledged Taxes subordinate to the pledge of Local Option Taxes securing the 1999 Prior Bonds and the 2009 Prior Bonds and on a parity with the pledge of Pledged Taxes securing the 2005A Parity Bonds, the 2007A Parity Bonds and the 2009 Parity Bonds;

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

Section 1. Definitions. As used in this Resolution, 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 Parity 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 Parity 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 Parity Bonds.

“Acquired Obligations” means those Government Obligations purchased to accomplish the refunding of the Refunded Bonds as authorized by this Resolution.

“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 Parity 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.

“Annual Parity Bond 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 Parity Bond Debt Service:

(1) in the case of Variable Rate Parity Bonds, the interest rate thereon shall be calculated on the assumption that such Variable Rate Parity 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 Parity Bond Debt Service the assumed interest rate for such Variable Rate Parity 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 Parity Bond 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) if a Parity Payment Agreement is executed in connection with a Series of Parity Bonds, the Annual Parity Bond Debt Service shall be adjusted as provided in Section 25;

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

(5) in the case of Capital Appreciation Parity 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 Parity Bond Debt Service; and

(6) if the Parity Bonds are Paired Parity 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 Parity Obligations.

“Assumed Variable Rate” means a rate or rates applicable to a Series of Parity Bonds that is calculated in accordance with a formula or index as set forth in the applicable Series Resolution.

“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 Parity Bond Certificate” means a certificate executed by a Designated Authority Representative in connection with the issuance of Future Parity Bonds or Future Prior Bonds under Section 20.

“Authority Pledged Taxes Sufficiency Certificate” means a certificate executed by a Designated Authority Representative in connection with the reduction of the Sales Tax under Section 24(a).

“Average Annual Parity Bond Debt Service” means the aggregate Annual Parity Bond Debt Service with respect to all Parity Bonds Outstanding (including Parity Bonds being issued at the time of calculation of Average Annual Parity Bond Debt Service) through the scheduled maturities thereof (stated maturity dates, or mandatory sinking fund redemption dates with respect to Term Parity 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 Parity 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 Parity Bonds.

"Base Parity 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 20(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 24(a).

"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 Register" means the registration books on which are maintained the names and addresses of the Owners of the 2012 Parity Bonds.

"Bond Registrar" means the fiscal agent of the State of Washington, or any successor bond registrar selected by the Authority, whose duties include the registration and authentication of the 2012 Parity Bonds, maintenance of the Bond Register, effecting transfer of ownership of the 2012 Parity Bonds, and paying the principal of, premium, if any, and interest on the 2012 Parity Bonds.

"Build America Parity Bonds" means the Parity Bonds of any Series to which the Authority irrevocably elects to have Section 54AA of the Code apply.

"Capital Appreciation Parity 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 Parity Bonds for only a portion of their term. On the date on which Parity Bonds no longer are Capital Appreciation Parity 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 Parity Bonds shall refer to the Accreted Value of Capital Appreciation Parity Bonds, and references to the interest rate on Capital Appreciation

Parity Bonds shall refer to the rate at which those Capital Appreciation Parity Bonds accrete in value.

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

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

“Default” means any of the events specified in Section 29.

“Designated Authority Representative” means the Chief Financial Officer, or in his absence, the Chief Executive 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.

“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.

“Future Parity Bonds” means bonds, notes or other obligations of the Authority issued after the issuance of the 2012 Parity 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 Parity Bond Account to pay and secure the payment of the principal of and interest on the 2005A Parity Bonds, the 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds.

“Future Prior Bonds” means any bonds, notes or other obligations of the Authority secured by a pledge of Local Option Taxes on a parity with the pledge securing the 1999 Prior Bonds, the 2009 Prior Bonds and the 2012 Prior Bonds.

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

“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.

“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.

“Local Option Taxes” means the special motor vehicle excise tax and rental car sales and use tax authorized by RCW 81.104.160 and the sales and use tax authorized by RCW 81.104.170, initially approved at an election held on November 5, 1996, together with the additional sales and use tax approved at an election held on November 4, 2008, as such taxes may be levied from time to time by the Authority.

“Maximum Annual Parity Bond Debt Service” means the highest Annual Parity Bond 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 Annual Prior Bond Debt Service” has the meaning assigned that term in the Prior Bond Resolution.

“Motor Vehicle Tax” means the special motor vehicle excise tax authorized by RCW 81.104.160.

“MSRB” means the Municipal Securities Rulemaking Board.

“1999 Prior Bonds” means the Authority’s Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999, authorized by Resolution Nos. 98-47 and 98-48.

“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 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 Parity Obligations” means any two Series of Parity Bonds (or portions thereof) designated as Paired Parity 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 Parity Bonds for the term of such Parity Bonds.

“Parity Bond Account” means the Subordinate Bond Account created pursuant to Section 19(a) of Resolution No. R2005-02 and renamed the “Parity Bond Account” in Section 19(a) of Resolution No. R2009-16.

“Parity Bonds” means the 2005A Parity Bonds, the 2007A Parity Bonds, the 2009 Parity Bonds, the 2012 Parity 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 25, 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 Parity Bond Account to pay and secure the payment of the principal of and interest on Parity Bonds.

“Parity Reserve Account” means the Subordinate Reserve Account created pursuant to Section 19(b) of Resolution No. R2005-02 and renamed the “Parity Reserve Account” in Section 23(b) of this Resolution.

“Parity Reserve Account Requirement” means, for the 2007A Parity Bonds and the 2009 Parity Bonds, zero, for the 2012 Parity Bonds also shall mean zero, or such amount as determined by the Designated Authority Representative as provided in Section 11, and for Parity Bonds other than the 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds (and except as otherwise permitted under Section 19(b) of Resolution No. R2005-02), the lesser of: (1) Maximum Annual Parity Bond Debt Service or (2) 125% of Average Annual

Parity Bond Debt Service; provided, that upon the issuance of any Series of Parity Bonds, the Parity 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 Parity Reserve Account Requirement, the initial issue price of Capital Appreciation Parity Bonds shall be deemed to be the sale proceeds of such Capital Appreciation 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.

"Plan" means Sound Move-The Ten-Year Regional Transit System Plan adopted May 31, 1996 (the "Sound Move Plan"), together with Sound Transit 2, A Mass Transit Guide, The Regional Transit System Plan for Central Puget Sound (the "Sound Transit 2 Plan") adopted July 24, 2008, to provide high-capacity transportation services in the central Puget Sound region, as the Sound Move Plan and Sound Transit 2 Plan have been and may hereafter be updated, amended or supplemented.

"Pledged Taxes" means the rental car sales and use tax authorized by RCW 81.104.160 and the sales and use tax authorized by RCW 81.104.170, initially approved at an election held on November 5, 1996, together with the additional sales and use tax approved at an election



held on November 4, 2008, as such taxes may be levied from time to time by the Authority, together with Additional Taxes and/or the Motor Vehicle Tax if pledged to the Parity Bonds pursuant to Section 19.

"Prior Bond Account" has the meaning assigned that term in the Prior Bond Resolution.

"Prior Bond Resolution" means Resolution No. R98-47 adopted November 12, 1998, as amended, supplemented or restated from time to time, including as amended and restated by Resolution No. R2009-15 adopted on September 10, 2009 and by Resolution No. R2012-14 adopted on June 28, 2012.

"Prior Bonds" means the 1999 Prior Bonds, the 2009 Prior Bonds, the 2012 Prior Bonds and any Future Prior Bonds.

"Prior Bonds Coverage Requirement," with respect to an Authority Parity Bond Certificate, has the meaning assigned that term in Section 20, and with respect to an Authority Pledged Taxes Sufficiency Certificate, has the meaning assigned that term in Section 24(a).

"Prior Payment Agreement" has the meaning assigned that term in the Prior Bond Resolution.

"Prior Reserve Account" has the meaning assigned that term in the Prior Bond Resolution.

"Prior Reserve Account Requirement" has the meaning assigned that term in the Prior Bond Resolution.

"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.

"Qualified Prior Letter of Credit" has the meaning assigned that term in the Prior Bond Resolution.

“Qualified Prior Insurance” has the meaning assigned that term in the Prior Bond Resolution.

“Rating Agencies” means Moody’s Investors Service, or its successors and assigns, Standard & Poor’s Ratings Services, 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 the 15th day of the month preceding an interest payment date for the 2012 Parity Bonds.

“Refunded Bonds” means all or a portion of the Refunding Candidates designated by the Designated Authority Representative to be refunded with the 2012 Parity Bonds.

“Refunding Candidates” means the \$363,115,000 aggregate principal amount of the Authority’s Outstanding Sales Tax Bonds, Series 2005A maturing on or after November 1, 2015.

“Refunding Parity Bonds” means Future Parity Bonds the proceeds of which will be used to refund Authority obligations as provided in Section 21.

“Refunding Plan” means:

- (1) The issuance of the 2012 Parity Bonds and the deposit with the Refunding Trustee of proceeds of the 2012 Parity Bonds, together with other money of the Authority, allocated to the Refunding Plan, which may be used to acquire the Acquired Obligations; and

- (2) The application of such money, or Acquired Obligations, to the payment of the principal of and interest on the Refunded Bonds when due up to and including May 1, 2015, and the call, payment, and redemption on May 1, 2015, of all of the then-outstanding Refunded Bonds at a price of par plus unpaid interest accrued to that date.

"Refunding Trust Agreement" means a Refunding Trust Agreement between the Authority and the Refunding Trustee.

"Refunding Trustee" means the trustee or escrow agent or any successor trustee or escrow agent serving as refunding trustee to carry out the Refunding Plan.

"Resolution" means this Resolution.

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

"Sales Tax" means the sales and use tax authorized by RCW 81.104.170.

"SEC" means the United States Securities and Exchange Commission.

"Series" means any separate series of Parity Bonds, including the 2012 Parity Bonds, issued pursuant to a Series Resolution.

"Series Resolution" means this 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 in accordance with the provisions of such resolution and this Resolution.

"State" means the State of Washington.

"Subordinate Obligations" means the Parity Bonds, the Junior Obligations and any other bonds, notes or other obligations identified as "Subordinate Obligations" or "Subordinate Lien Obligations" in the resolution authorizing such obligations and secured by a pledge of Local Option Taxes subordinate to the pledge securing the Prior Bonds.

"Supplemental Resolution" means a resolution adopted by the Authority pursuant to Section 28.

“Tax-Exempt Parity Bonds” means Parity Bonds on which the interest is intended on the date of issuance to be excluded from gross income for federal income tax purposes.

“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, and Section 18 of this Resolution.

“Term Parity Bonds” means any Series of Parity Bonds identified as “Term Bonds” or “Term Parity 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.

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

“2007A Parity Bonds” means the Authority’s Sales Tax Bonds, Series 2007A, authorized by Resolution Nos. R2007-22 and R2007-27.

“2009 Parity Bonds” means the Authority’s Sales Tax Bonds, Series 2009S-2T (Taxable Build America Bonds – Direct Payment), authorized by Resolution Nos. R2009-16 and R2009-18.

“2009 Prior Bonds” means the Authority’s Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2009P-1 and 2009P-2T (Taxable Build America Bonds – Direct Payment), authorized by Resolution Nos. R2009-15 and R2009-17.

“2012 Prior Bonds” means the Authority’s Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2012P-1, authorized by Resolutions Nos. R2009-15, R2012-14 and R2012-15.

“2012 Parity Bonds” means the Authority’s Sales Tax Refunding Bonds, Series 2012S-1, authorized by this Resolution.

“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 Parity Bonds" means Parity 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 Parity Bonds.

Section 2. Compliance with Refunding Parity Bonds Conditions. As required by Sections 17 of Resolution No. R2005-02, Resolution No. R2007-22 and Resolution No. R2009-16, the Authority finds as follows:

(a) The 2012 Parity Bonds will be issued for the purpose of refunding outstanding Parity Bonds of the Authority resulting in debt service savings.

(b) At the time of issuance of the 2012 Parity Bonds there will be no deficiency in the Parity Bond Account, and the Authority will deposit an amount equal to the Parity Reserve Account Requirement in the Parity Reserve Account, if necessary.

(c) No Default has occurred or is continuing.

(d) The Designated Authority Representative will certify that the Annual Parity Bond Debt Service on the 2012 Parity Bonds in any Fiscal Year will not exceed the Annual Parity Bond Debt Service by more than \$5,000 on the 2005A Parity Bonds to be refunded, or if the Designated Authority Representative cannot certify to such information, an Authority Parity Bond Certificate will be delivered on or prior to the date of issuance of the 2012 Parity Bonds.

Section 3. Authorization and Description of 2012 Parity Bonds. For the purposes of refunding a portion of the 2005A Parity Bonds, the Authority is authorized to borrow money on the credit of the Authority and issue the 2012 Parity Bonds in the aggregate principal amount of not to exceed \$200,000,000. The 2012 Parity Bonds shall be Tax-Exempt Parity Bonds and shall be in the denomination of \$5,000 or any integral multiple thereof within a single Series and maturity, shall be dated the date of their initial delivery to the Underwriters and shall bear interest from their date until the 2012 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, or

such other dates as the Designated Authority Representative shall determine. The 2012 Parity Bonds shall mature on November 1 in the years and amounts and bear interest at the rates per annum as shall be determined pursuant to Section 11 hereof.

Any amount received as original issue premium on the 2012 Parity Bonds shall not reduce the principal amount of 2012 Parity Bonds authorized under this Resolution. The principal amount of the 2012 Parity Bonds, together with the outstanding 1999 Prior Bonds, the outstanding 2009 Prior Bonds, the Outstanding 2005A Parity Bonds, the Outstanding 2007A Parity Bonds, the Outstanding 2009 Parity Bonds and any other outstanding 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.

Section 4. Registration and Transfer or Exchange of the 2012 Parity Bonds. The 2012 Parity 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 2012 Parity Bond and the principal amount and number of each of the 2012 Parity Bonds held by each Owner.

The 2012 Parity Bonds surrendered to the Bond Registrar may be exchanged for 2012 Parity Bonds in any authorized denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. The 2012 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 2012 Parity Bond during the period beginning on the date the Bond Registrar receives direction to send notice of redemption of that 2012 Parity Bond and ending on the date the Bond Registrar sends such notice.

The 2012 Parity Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. The 2012 Parity Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of the Letter of Representations. Neither the Authority nor the Bond Registrar shall have any responsibility or obligation to DTC

participants or the persons for whom they act as nominees with respect to the 2012 Parity Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or premium, if any, or interest on the 2012 Parity 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 DTC or its nominee).

For as long as any 2012 Parity Bonds are held in fully immobilized form, DTC, its nominee or any successor depository shall be deemed to be the registered owner for all purposes hereunder and all references to registered owners, bondowners, bondholders or the like shall mean DTC, its nominee or successor depository and shall not mean the owners of any beneficial interests in the 2012 Parity Bonds. Registered ownership of such 2012 Parity Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of DTC 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 depository appointed by the Authority or such substitute depository's successor; or (iii) to any person if the 2012 Parity Bonds are no longer held in immobilized form.

Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the Authority that it no longer wishes to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Authority may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

If (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the Authority determines that the 2012 Parity Bonds are to be in certificated form, the ownership of 2012 Parity Bonds may be transferred to any person as provided herein and the 2012 Parity Bonds no longer shall be held in fully immobilized form.

Section 5. Payment of 2012 Parity Bonds. Principal of and premium, if any, and interest on the 2012 Parity Bonds shall be payable in lawful money of the United States of America. Interest on the 2012 Parity Bonds shall be paid by checks or drafts 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 2012 Parity Bonds, by wire, mailed or transferred on the interest payment date to Owners of the 2012 Parity 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 2012 Parity Bonds shall be payable at maturity or on such date as may be specified for prior redemption upon presentation and surrender of the 2012 Parity Bonds by the Owners at the principal corporate trust office or offices of the Bond Registrar. Notwithstanding the foregoing, payment of any 2012 Parity Bonds registered in the name of DTC or its nominee shall be made in accordance with the Letter of Representations.

Section 6. Redemption and Purchase of 2012 Parity Bonds.

(a) Optional Redemption. The Designated Authority Representative may designate certain maturities of the 2012 Parity Bonds as being subject to redemption by the Authority prior to their stated maturity dates, and may specify the date on and after and the price at which those designated 2012 Parity Bonds may be redeemed.

(b) Mandatory Redemption. The Designated Authority Representative may approve the designation of certain maturities of the 2012 Parity Bonds as 2012 Term Parity Bonds and approve the dates and the principal amounts.

If the Authority redeems pursuant to optional redemption provisions, purchases for cancellation or defeases 2012 Term Parity Bonds, the principal amount of the 2012 Term Parity Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) shall be credited against one or more scheduled mandatory sinking fund redemptions for 2012 Term Parity Bonds of the same Series and maturity.

(c) Partial Redemption. Portions of the principal amount of any 2012 Parity Bond, in any Authorized Denomination, may be redeemed. If less than all of the principal amount of any



2012 Parity Bond is redeemed, upon surrender of that 2012 Parity Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new 2012 Parity Bond (or 2012 Parity Bonds, at the option of the Registered Owner) of the same maturity and interest rate in any Authorized Denomination in the aggregate principal amount remaining unredeemed.

(d) Selection of 2012 Parity Bonds for Redemption. If fewer than all of the outstanding 2012 Parity Bonds within a maturity are to be redeemed prior to maturity, 2012 Parity Bonds shall be selected for redemption by lot within such maturity in such manner as the Bond Registrar shall determine. Notwithstanding the foregoing, so long as the 2012 Parity Bonds are registered in the name of DTC or its nominee, selection of 2012 Parity Bonds for redemption shall be in accordance with the Letter of Representations.

(e) Purchase. The Authority reserves the right and option to purchase any or all of the 2012 Parity Bonds in the open market at any time at any price acceptable to the Authority plus accrued interest to the date of purchase.

(f) 2012 Parity Bonds to be Canceled. All 2012 Parity Bonds purchased or redeemed under this Section shall be surrendered to the Bond Registrar and canceled.

Section 7. Notice and Effect of Redemption. The Authority shall cause notice of any intended redemption of 2012 Parity Bonds to be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Owner of any 2012 Parity Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not notice is actually received by that Owner. Notwithstanding the foregoing, notice of redemption of any 2012 Parity Bonds registered in the name of DTC or its nominee shall be made in accordance with the Letter of Representations.

In addition, the redemption notice shall be mailed by the Bond Registrar within the same period to each of the Rating Agencies, but these additional mailings shall not be a condition precedent to the redemption of 2012 Parity Bonds.

In the case of an optional redemption, the notice may state that the Authority retains the rights to rescind that notice on or prior to the scheduled redemption date, and that the 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 scheduled redemption date that the Authority is rescinding the redemption notice in whole or in part. Any 2012 Parity Bonds subject to a rescinded notice of redemption shall remain Outstanding, and the rescission shall not constitute a Default.

If notice of redemption has been duly given, and in the case of a conditional notice of optional redemption, not rescinded, then on the date fixed for redemption each 2012 Parity Bond or portion thereof so called for redemption shall become due and payable at the redemption price specified in such notice unless that 2012 Parity Bond or portion thereof is subject to a rescinded notice of optional redemption. From and after the date fixed for redemption, if money for the payment of the redemption price of any 2012 Parity 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 2012 Parity 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 2012 Parity Bond or portion thereof shall have no rights in respect thereof except to receive payment of the redemption price upon delivery of such 2012 Parity Bond to the Bond Registrar.

Section 8. Failure to Pay 2012 Parity Bonds. If any 2012 Parity Bond is not paid when properly presented at its maturity or date fixed for redemption, the Authority shall be obligated to pay interest on that 2012 Parity Bond at the same rate provided in that 2012 Parity Bond from and after its maturity or date fixed for redemption until that 2012 Parity 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 Parity Bond Account.

Section 9. Form and Execution of 2012 Parity Bonds. The Designated Authority Representative is authorized to approve the form of the 2012 Parity Bonds, which shall be

prepared in a form consistent with the provisions of this Resolution and State law and 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 2012 Parity Bonds bearing a Certificate of Authentication in 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 Refunding Bonds, Series 2012S-1, described in the 2012 Parity Bond Resolution." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the 2012 Parity 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 the 2012 Parity Bonds ceases to be an officer of the Authority authorized to sign bonds before the 2012 Parity Bonds bearing his or her manual or facsimile signature are authenticated or delivered by the Bond Registrar or issued by the Authority, those 2012 Parity Bonds nevertheless may be authenticated, issued and delivered 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 2012 Parity Bond also may be signed on behalf of the Authority by any person who, on the actual date of signing of the 2012 Parity 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 the 2012 Parity Bonds.

Section 10. 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 2012 Parity 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 2012 Parity Bonds transferred or exchanged in accordance with the provisions of the 2012 Parity Bonds and this

Resolution, to serve as the Authority's paying agent for the 2012 Parity 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 2012 Parity Bonds. 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 2012 Parity 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 2012 Parity Bonds, but, to the extent practicable, shall be mailed no later than the Record Date for any principal payment or redemption date of any 2012 Parity Bond.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the 2012 Parity Bonds. The Bond Registrar may become the Owner of 2012 Parity 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 2012 Parity 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 11. Sale of 2012 Parity Bonds. The Board has determined that it is in the best interest of the Authority to delegate to the Designated Authority Representative pursuant to RCW 39.46.040(2), the authority to approve the final principal amount, interest rates, prices, payment dates, maturity dates, maturity amounts, the Parity Reserve Account Requirement and redemption provisions of the 2012 Parity Bonds, and minimum savings to be achieved by the Refunding Plan, in the manner provided herein, provided that:

(a) The aggregate principal amount of the 2012 Parity Bonds does not exceed \$200,000,000;

(b) One or more rates of interest may be fixed for the 2012 Parity Bonds, and no rate of interest for any maturity of the 2012 Parity Bonds may exceed 6.0%;

(c) The combined true interest cost to the Authority for all 2012 Parity Bonds issued under this Resolution does not exceed 4.0%;

(d) The purchase price for the 2012 Parity Bonds may not be less than 99% of the aggregate principal amount;

(e) The 2012 Parity Bonds shall be issued subject to optional and mandatory redemption provisions, including designation of Term Bonds, if any, set forth in Section 6.

(f) There is a minimum net present value savings of 3.0% of the Refunded Bonds calculated by taking into account the overall savings achieved by refunding the Refunded Bonds together with the Refunding Candidates refunded by the 2012 Prior Bonds;

(g) The 2012 Parity Bonds shall be dated as of the date of their delivery, which date and time for the issuance and delivery of the 2012 Parity Bonds is not later than December 31, 2013; and

(h) Interest shall be payable at fixed rates semiannually on each May 1 and November 1, principal shall be payable annually on each November 1 and the final maturity shall not be later than November 1, 2030.

In determining the final principal amount of the 2012 Parity Bonds, interest rates, payment dates, maturity dates, the Parity Reserve Account Requirement and redemption provisions of the 2012 Parity Bonds, and minimum savings to be achieved by the Refunding Plan, the Designated Authority Representative, in consultation with other Authority officials and staff and advisors, shall take into account those factors that, in his or her judgment, will result in the lowest true interest cost on the 2012 Parity Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable to the 2012 Parity Bonds.

The 2012 Parity Bonds shall be sold by negotiated sale to any or all of: Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC and Siebert Brandford

Shank & Co., LLC (collectively, the "Underwriters"), as determined by the Designated Authority Representative. Subject to the terms and conditions set forth in this Section 11, the Designated Authority Representative is hereby authorized to approve and to execute and deliver a purchase contract to be presented by the Underwriters (the "Bond Purchase Contract") on behalf of the Authority upon the determination by the Designated Authority Representative that the conditions of this Section 11 have been met.

In approving Future Parity Bonds, the Board may elect to adopt a delegation Series Resolution or adopt a Series Resolution with all final terms of such Future Parity Bonds.

The 2012 Parity Bonds shall be printed at Authority expense and will be delivered to the Underwriters in accordance with this Resolution, with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington, regarding the 2012 Parity Bonds.

Section 12. Authorization of Official Statement. The Board authorizes and approves the preparation of a preliminary official statement in connection with the offering of the 2012 Parity Bonds pursuant to Section 11 and authorizes the Designated Authority Representative to "deem final" such preliminary official statement as of its date, except for the omission of information dependent upon the pricing of the 2012 Parity Bonds and the completion of the purchase. The Authority agrees to deliver or cause to be delivered, within seven business days after the date of the sale of the 2012 Parity Bonds and in sufficient time to accompany any confirmation that requests payment from any customer of the Underwriters, copies of a final official statement and by the time and in sufficient quantity to comply with Section (b)(4) of the Rule and the rules of the MSRB.

In addition, the Authority authorizes and approves the preparation, execution by the Designated Authority Representative and delivery to the purchaser of a final official statement for the 2012 Parity Bonds, in the form of the preliminary official statement, with such modifications and amendments thereto as shall be deemed necessary or desirable by the Designated Authority Representative.

Section 13. Preservation of Tax Exemption for Interest on 2012 Parity Bonds. The Authority covenants that it will take all actions necessary to prevent interest on the 2012 Parity Bonds from being included in gross income for federal income tax purposes, and that it will neither take any action nor make or permit any use of proceeds of the 2012 Parity Bonds or other funds of the Authority treated as proceeds of the 2012 Parity Bonds at any time during the term of the 2012 Parity Bonds which will cause interest on the 2012 Parity 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 2012 Parity Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the 2012 Parity 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 2012 Parity Bonds from being included in gross income for federal income tax purposes.

Section 14. Deposit, Use and Investment of Proceeds. The principal proceeds and premium, if any, received from the sale and delivery of the 2012 Parity Bonds shall be paid to the Refunding Trustee as outlined in Section 15 below, or into the "2012 Parity Bond Proceeds Account" of the Authority or such other accounts or subaccounts of the Authority as the Chief Financial Officer may designate and shall be used to (i) carry out the Refunding Plan, (ii) fund a portion of the Prior Reserve Account Requirement, if necessary; (iii) fund a portion of the Parity Reserve Account Requirement, if necessary, and (iv) pay costs of issuing the 2012 Parity Bonds.

The Chief Financial Officer may establish and may transfer, record, allocate or restrict proceeds of the 2012 Parity Bonds not deposited with the Refunding Trustee 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 the 2012 Parity Bond Resolution.

Until needed to pay the costs described herein, the Authority may invest principal proceeds of the 2012 Parity Bonds temporarily in any legal investment, and the investment earnings shall be deposited in such accounts as may be designated by the Designated Authority Representative. Earnings subject to a federal tax or rebate requirement may be withdrawn from any such account and used for those tax or rebate purposes.

All Pledged Taxes allocated to the payment of the principal of and interest on the 2012 Parity Bonds shall be deposited in the Parity Bond Account.

Section 15. Refunding of the Refunded Bonds.

(a) Appointment of Refunding Trustee. The Designated Authority Representative is authorized to appoint a Refunding Trustee in connection with the Refunded Bonds.

(b) Use of 2012 Parity Bond Proceeds. A sufficient amount of the proceeds of the sale of the 2012 Parity Bonds shall be deposited immediately upon the receipt thereof with the Refunding Trustee and used to discharge the obligations of the Authority relating to the Refunded Bonds under Resolution No. R2005-02 by providing for the payment of the amounts required to be paid by the Refunding Plan. Any 2012 Parity Bond proceeds or other money deposited with the Refunding Trustee not needed to carry out the Refunding Plan shall be returned to the Authority at the time of delivery of the 2012 Parity Bonds to the initial purchasers thereof and deposited in the Parity Bond Account to pay interest on the 2012 Parity Bonds on the first interest payment date.

(c) Administration of Refunding Plan. The Refunding Trustee is authorized and directed to make the payments required to be made by the Refunding Plan from the money deposited with the Refunding Trustee pursuant to this Resolution. All money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of Resolution Nos. R2005-02 and R2005-07, this Resolution, chapter 39.53 RCW and other applicable statutes of the State, and the Refunding Trust Agreement. All necessary and proper fees, compensation and expenses of the Refunding Trustee for the 2012 Parity Bonds and all other costs incidental to the setting up of the escrow



to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the 2012 Parity Bonds shall be paid out of the proceeds of the 2012 Parity Bonds.

(d) Authorization for Refunding Trust Agreement. To carry out the Refunding Plan provided for by this Resolution, the Chief Financial Officer of the Authority is authorized and directed to execute and deliver to the Refunding Trustee the Refunding Trust Agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment and redemption of the Refunded Bonds as provided herein.

(e) Authorization for Replacement Bonds. If necessary, the Authority may issue replacement bonds in principal amounts reflecting the defeased and nondefeased portions of the 2005A Parity Bonds. The replacement bonds shall be printed, executed and authenticated in the same manner as the 2005A Parity Bonds.

Section 16. Call for Redemption of the Refunded Bonds. The Authority calls for redemption on May 1, 2015, all of the Refunded Bonds at par plus accrued interest. Such call for redemption shall be irrevocable after the delivery of the 2012 Parity Bonds to the initial purchasers thereof. The date on which the Refunded Bonds are herein called for redemption is the first date on which the Refunded Bonds may be called.

The proper Authority officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required, pursuant to Resolution Nos. R2005-02 and R2005-07 in order to effect the redemption of the Refunded Bonds prior to their maturity.

Section 17. Authority Findings with Respect to Refunding. The Board authorizes the Designated Authority Representative to issue the 2012 Parity Bonds if it will achieve debt service savings to the Authority and is in the best interest of the Authority and its taxpayers and in the public interest. In making such finding and determination, the Designated Authority Representative will give consideration to the fixed maturities of the 2012 Parity Bonds and the Refunded Bonds, the costs of issuance of the 2012 Parity Bonds and the expected income from

the investment of the proceeds of the issuance and sale of the 2012 Parity Bonds pending payment and redemption of the Refunded Bonds.

The Designated Authority Representative may also purchase Acquired Obligations to be deposited with the Refunding Trustee, together with the income therefrom, and with any necessary beginning cash balance, which will be sufficient to redeem the Refunded Bonds and will discharge and satisfy the obligations of the Authority under Resolution No. R2005-02 with respect to the Refunded Bonds. Immediately upon the delivery of such Acquired Obligations to the Refunding Trustee and the deposit of any necessary beginning cash balance, the Refunded Bonds shall be deemed not to be Outstanding and shall cease to be entitled to any lien, benefit or security under Resolution No. R-2005-02 authorizing their issuance except the right to receive payment from the Acquired Obligations and beginning cash balance so set aside and pledged.

Section 18. 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 18(b), including for the purposes set forth in Section 24(a), and subject to the requirements set forth in the Prior Bond Resolution, in Resolution No. R2005-02, in Resolution No. R2007-22 and in Resolution No. R2009-16. 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 Prior Bond Account in the following order:

(1) to pay the interest when due on the Prior Bonds (including regularly scheduled Payments under Prior Payment Agreements); 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 Prior Reserve Account by Section 7(b) of the Prior Bond Resolution to meet the Prior Reserve Account Requirement and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Qualified Prior Letter of Credit or Qualified Prior Insurance with respect to the Prior 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;

Third, to make all payments required to be made into the Parity 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 Parity Reserve Account Requirement, and other than the provider of a letter of credit, standby bond purchase agreement or other liquidity facility), if any, 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 Parity Reserve Account required under any resolution authorizing the issuance of Parity Bonds to meet the Parity Reserve Account Requirement and to make all payments required to be made pursuant to a reimbursement obligation in connection with bond insurance, if any, with respect to the Parity 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; provided, that the Authority may determine that items in this "Seventh" category shall be paid in a 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 19. Pledge of Pledged Taxes. From and after the issuance and delivery of the 2012 Parity Bonds and so long as any of the 2012 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. 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 payment 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 Motor Vehicle Tax, and/or receipts resulting from an Adopted Parity Rate Adjustment, as "Pledged Taxes." The Board has determined that the future inclusion of such Adopted Parity Rate Adjustment, Additional Taxes and/or the Motor Vehicle Tax 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. The Authority has designated the additional sales and use tax approved at an election held on November 4, 2008, and imposed by Resolution No. R2008-15, as an Adopted Parity Rate Adjustment and a component of Pledged Taxes pledged to the payment of the Parity Bonds.

All 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 Parity Reserve Account (except as otherwise provided in Section 19(b) of Resolution No. R2005-02, Section 19(b) of Resolution No. R2007-22, Section 19(b) of Resolution No. R2009-16 and Section 23(b) of this Resolution), 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 2012 Parity Bonds are "Subordinate Obligations" as that term is defined by and under the Prior Bond Resolution.

There is hereby pledged for the payment of the 2012 Parity Bonds (a) amounts in the Parity Bond Account, the Additional Taxes Accounts and proceeds of the 2012 Parity Bonds

deposited in any account created for the deposit of 2012 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.

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 20. Issuance of Future Parity Bonds and Future Prior Bonds. Following the issuance of the 2012 Parity Bonds, except as provided in Section 21, 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 Parity Bond Account;
- (b) an amount equal to the Parity Reserve Account Requirement (including for the Future Parity Bonds to be issued) shall be on deposit or shall be otherwise provided for in the Parity Reserve Account on or prior to the date of issuance of such Future Parity Bonds, all in accordance with Section 23(b);

- (c) no Default (as defined in Section 29) has occurred and is continuing; and
- (d) an Authority Parity Bond 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 Parity Period were not less than 1.5 times Maximum Annual Prior Bond Debt Service 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 Motor Vehicle Tax Not Included as Pledged Taxes.* Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement (and after all the Motor Vehicle Tax has been applied for that purpose) were not less than 1.5 times Maximum Annual Parity Bond Debt Service during the period that the Motor Vehicle Tax will not be included as Pledged Taxes to secure the Future Parity Bonds; and

(iii) *Parity Bond Coverage Test for Period While Motor Vehicle Tax and/or Additional Taxes Are Included as Pledged Taxes.* Pledged Taxes received during the Base Parity 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 Parity Bond Debt Service during the period that the Motor Vehicle Tax 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 Parity 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 Parity Period any Adopted Parity Rate Adjustment, Additional Taxes and Motor Vehicle Tax included as Pledged Taxes pursuant to Section 19, and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Parity Period; (C) the Motor Vehicle Tax 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 Motor Vehicle Tax 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 Parity 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 Parity Bond Certificate; and (E) deposits into and withdrawals from the Tax Stabilization Subaccount during the Base Parity 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 Parity Bond 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 21. Refunding Parity Bonds. The Authority, by means of a Series Resolution and in compliance with the provisions of Section 20 (except as otherwise provided below), may issue Refunding Parity Bonds as follows:

(a) Refunding Parity Bonds may be issued at any time, consistent with applicable law, upon delivery of an Authority Parity Bond 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 Parity 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 Parity Bonds or the Authority obligations to be refunded, paying the expenses of issuing the Refunding Parity Bonds and of effecting such refunding.

(b) Refunding Parity Bonds also may be issued for the purpose of refunding Parity Bonds without regard to the requirements of Section 20(d), if a Designated Authority Representative certifies that the Annual Parity Bond Debt Service on such Refunding Parity



Bonds in any Fiscal Year will not exceed the Annual Parity Bond Debt Service by more than \$5,000 on the Parity Bonds to be refunded were such refunding not to occur.

(c) Refunding Parity Bonds also may be issued, consistent with applicable law, without regard to the requirements of Section 20, 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 22. 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 23. Parity Bond Account and Parity Reserve Account.

(a) Parity Bond Account. The Subordinate Bond Account was 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 25 and was renamed the "Parity Bond Account" by Resolution No. R2009-16. The Parity Bond Account is pledged to the payment of Parity Bonds and Parity Payment Agreements meeting the requirements of Section 25, 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 19(b), the Authority hereby 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:

(i) 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

(ii) 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

(iii) regularly scheduled Payments under a Parity Payment Agreement.

(b) Parity Reserve Account. The Subordinate Reserve Account has been 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 and is hereby renamed the Parity Bond Account. The 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds shall not be secured by amounts in the Parity Reserve Account or by bond insurance providing any portion of the Parity 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 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds shall not be included in the calculation of the Parity 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 Parity Bond Account shall be invested by the Authority in any legal investment for funds of regional transit authorities of the State.

Section 24. Covenants. The Authority makes the following covenants with the Owners of the 2012 Parity Bonds for as long as any of the same remain Outstanding:

(a) Pledged Taxes. The Authority shall impose the rental car sales and use tax authorized by RCW 81.104.160 at a rate of not less than eight-tenths of one percent and the Sales Tax at a rate of not less than nine-tenths of one percent; provided, that the Authority may impose the Sales Tax at a rate of less than nine-tenths of one percent but not less than eight-tenths of one percent so long as an Authority Pledged Taxes Sufficiency Certificate is delivered on or prior to the date of that reduction in rate and within 30 days after the end of each Fiscal Year during which the Sales Tax has been so reduced, which Authority Pledged Taxes Sufficiency 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 payment of the Parity Bonds the Sales Tax in excess of nine-tenths of one percent, the rental car sales and use tax authorized by RCW 81.104.160 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 Tax rate above nine-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 Tax at a rate less than nine-tenths of one percent, an Authority Pledged Taxes Sufficiency Certificate shall be delivered that states that:

- (i) *Prior Bonds Coverage Test.* Local Option Taxes received during the Base Parity Period were not less than 1.5 times Maximum Annual Prior Bond Debt Service on all Prior Bonds outstanding on the date the Authority Pledged Taxes Sufficiency Certificate is given (the "Prior Bonds Coverage Requirement"); and
- (ii) *Parity Bonds Coverage Test for Period While Motor Vehicle Tax Not Included as Pledged Taxes.* Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement (and after all the Motor Vehicle Tax has been applied for that purpose) were not less than 1.5 times Maximum Annual Parity Bond Debt Service during the period

that the Motor Vehicle Tax will not be included as Pledged Taxes to secure Parity Bonds Outstanding on the date the Authority Pledged Taxes Sufficiency Certificate is given; and

(iii) *Parity Bonds Coverage Test for Period While Motor Vehicle Tax and/or Additional Taxes Are Included as Pledged Taxes.* Pledged Taxes received during the Base Parity 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 Parity Bond Debt Service during the period that the Motor Vehicle Tax and/or Additional Taxes will be included as Pledged Taxes to secure Parity Bonds Outstanding on the date the Authority Pledged Taxes Sufficiency Certificate is given.

In preparing such certificate: (A) the Local Option Taxes and/or Pledged Taxes during the Base Parity 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 Parity Period any Adopted Parity Rate Adjustment, Additional Taxes and Motor Vehicle Tax included as Pledged Taxes pursuant to Section 19, and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Parity Period; (C) the Sales Tax received during the Base Parity Period shall be adjusted to reflect the reduced rate of less than nine-tenths of one percent; (D) the Motor Vehicle Tax 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 Motor Vehicle Tax 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 Parity 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 Pledged Taxes Sufficiency Certificate.

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

If the Authority is imposing the Sales Tax authorized by RCW 81.104.170 at a rate less than nine-tenths of one percent and if the Authority is unable to deliver an Authority Pledged Taxes Sufficiency Certificate as described above within 30 days after the end of any Fiscal Year, it shall, within 90 days after the end of that Fiscal Year, take all action required on its part to increase the rate of that Sales Tax imposed, but not to exceed the rate of nine-tenths of one percent for the purpose of being able to deliver such Authority Pledged Taxes Sufficiency 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 payment 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 payment 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 25. 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 2012 Parity Bonds if the Payment Agreement satisfies the requirements for issuing Future Parity Bonds described in Section 20, 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 2012 Parity 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 either the exemption from federal income taxation of the interest on any Outstanding Tax-Exempt Parity Bonds or the entitlement to receive from the United States Treasury the applicable federal credit payments in respect of any Outstanding Build America 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 Parity Bond Account and Annual Parity Bond Debt Service shall include any regularly scheduled Payments adjusted by any regularly scheduled Receipts during a Fiscal Year or Base Parity Period, as applicable. Receipts shall be paid directly into the Parity 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 26. Defeasance.

(a) Defeased Bonds. 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 particular 2012 Parity Bonds or portions thereof (the "Defeased Bonds") as the same shall become due, together with all interest accruing thereon to the maturity date or redemption date, and, in the case of Defeased Bonds to be redeemed prior to maturity, 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.

(b) Escrow Agent. The escrow agent shall hold the money, Government Obligations and earnings described in subsection (a) above in trust exclusively for the Owners of the Defeased Bonds, 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 verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to the Authority and that escrow agent.

(c) Opinions. In connection with any defeasance under this Section, the escrow agent shall receive, at the expense of the Authority, and may rely upon, an opinion of Bond Counsel to the effect that the defeasance is permitted under the laws of the State and this Resolution and an opinion of nationally recognized tax counsel (which may be Bond Counsel) that such defeasance will not, in and of itself, adversely affect the exclusion of interest on the Defeased Bonds from gross income for federal income tax purposes.

(d) Administrative Provisions. Notwithstanding the foregoing provisions of this Section to the contrary, the provisions of this Resolution relating to the execution, authentication, registration, exchange, transfer and cancellation of the 2012 Parity Bonds shall apply to the Defeased Bonds.

Section 27. Lost, Stolen, Mutilated or Destroyed 2012 Parity Bonds. In case any 2012 Parity Bond shall be lost, stolen, mutilated or destroyed, the Bond Registrar may execute and deliver a new 2012 Parity 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 2012 Parity



Bond was actually lost, stolen or destroyed (including the presentation of a mutilated 2012 Parity Bond) and of ownership thereof, and upon furnishing the Authority with indemnity satisfactory to the Authority.

Section 28. 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 25;
- (ii) To add covenants and agreements of the Authority for the purpose of further securing the payment of the 2012 Parity 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 that 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, Motor Vehicle Tax, income or revenues to the pledge of this Resolution or confirm as further assurance any pledge or provision for payment of the 2012 Parity 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 specify the order of priority in which payments are to be made for purposes in the "Fifth" or "Seventh" category of Section 18(b);

(vii) 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;

(viii) 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;

(ix) 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 28(b)); or

(x) 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) Special Amendments. The Owners from time to time of the Outstanding 2012 Parity Bonds and any Future Parity Bonds, by taking and holding the same, shall be deemed to have consented to the adoption by the Authority of any Supplemental Resolution or Resolutions amendatory or supplemental to this Resolution for any one or more of the following purposes:

(i) To delete Section 29(b) of this Resolution and the corresponding provision of any Parity Bond Authorizing Resolution;

(ii) To permit federal credit payments received in respect of Outstanding Build America Parity Bonds (other than federal credit payments received under a Payment Agreement) to be deposited into the Parity Bond Account and credited against the Pledged Taxes otherwise required to be deposited into the Parity Bond Account;

(iii) To permit federal credit payments scheduled to be received in any Fiscal Year in respect of Outstanding Build America Parity Bonds (other than federal credit payments

received under a Payment Agreement) to be credited against Parity Bond Debt Service in calculating Annual Parity Bond Debt Service for that Fiscal Year; or

(iv) In satisfying the conditions to the issuance of Future Parity Bonds that will not be secured by the Parity Reserve Account, to disregard the requirement that an amount equal to the Parity Reserve Account Requirement (including for the Future Parity Bonds to be issued) be on deposit or otherwise provided for in the Parity Reserve Account on or prior to the date of issuance of such Future Parity Bonds.

(c) 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. 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 for the 2012 Parity Bonds without its written consent.

(d) 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.

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

Section 29. 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 Parity Bond Account or Parity 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 Parity 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 30. 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) Parity Bondowners' Trustee. So long as a Default shall not have been remedied, a Parity Bondowners' Trustee may be appointed by the Owners of at least 50% in aggregate 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 Parity Bondowners' Trustee and the Authority. Any Parity 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 Parity Bondowners' Trustee may be removed at any time, and a successor Parity Bondowners' Trustee may be appointed, by the Owners of a majority in aggregate 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 Parity 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 Parity Bondowners' Trustee.

(b) Suits at Law or in Equity. The Parity 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 Parity 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 Parity 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 Parity 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 Parity 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 Parity 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 Parity 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 Parity Bondowners' Trustee. The Authority covenants that if a Default shall happen and shall not have been remedied, the Authority, upon demand of the Parity Bondowners' Trustee, shall pay over to the Parity Bondowners' Trustee (i) forthwith, all amounts in the Parity Bond Account, Parity 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 Parity Bondowners' Trustee. During the continuance of a Default, the Pledged Taxes and other funds received by the Parity Bondowners' Trustee pursuant to the provisions of the preceding paragraph shall be applied by the Parity Bondowners' Trustee first, to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Parity Bondowners' Trustee and second, in accordance with the provisions of Section 18(b).

In the event that at any time the funds held by the Parity 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 Parity 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 Parity 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 Parity 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 Parity Bondowners' Trustee or provision deemed by the Parity Bondowners' Trustee to be adequate shall be made therefor, the Parity Bondowners' Trustee shall pay over to the Authority all money and securities then remaining unexpended and held by the Parity 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 Parity 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 Parity Bondowners' Trustee has been appointed as herein provided, but any remedy herein authorized to be exercised by the Parity 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 Parity Bondowners' Trustee has been appointed, or with the consent of the Parity Bondowners' Trustee if such Parity 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 Parity 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 31. Undertaking to Provide Continuing Disclosure. To meet the requirements of paragraph (b)(5) of the United States Securities and Exchange Commission (“SEC”) Rule 15c2-12 (the “Rule 15c2-12”), as applicable to a participating underwriter for the 2012 Parity Bonds, the Authority makes the following written undertaking (the “Undertaking”) for the benefit of holders of the 2012 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 2012 Parity Bonds and as described in subsection (b) of this Section (“annual financial information”);

(2) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the 2012 Parity Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the 2012 Parity Bonds; (7) modifications to rights of holders of the 2012 Parity Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of 2012 Term Parity Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale

of property securing repayment of the 2012 Parity Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority, as such "Bankruptcy Events" are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(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) historical 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 this Resolution if the Authority is required to provide an Authority 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, 2012; 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 2012 Parity Bonds without the consent of any holder of any 2012 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 Rule 15c2-12.

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 2012 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 2012 Parity Bonds. In addition, the Authority's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require the Authority to comply with this Undertaking become legally inapplicable in respect of the 2012 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 2012 Parity Bonds. The sole remedy of any holder of a 2012 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 2012 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 and 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 2012 Parity Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of enumerated 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 32. Resolution a Contract. This Resolution shall constitute a contract with the Owners of the 2012 Parity Bonds.


Section 33. 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 2012 Parity Bonds issued pursuant to the terms hereof.

Section 34. 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 2012 Parity 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 28<sup>th</sup> day of June, 2012.

  
\_\_\_\_\_  
Julia Patterson  
Board Vice Chair

ATTEST:

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

**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 R2012-16 (the "Resolution") is a true and correct copy of a resolution of the Authority, as finally adopted at a regular meeting of the Board held on the 28<sup>th</sup> day of June, 2012, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a 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 28<sup>th</sup> day of June, 2012.

  
\_\_\_\_\_  
Board Administrator