

**NEW ISSUE
FULL BOOK-ENTRY**

**RATINGS: Moody's: Aaa
Standard & Poor's: AAA
See "RATINGS."**

In the opinion of Preston Gates & Ellis LLP, Seattle, Washington, Bond Counsel, interest on the Series 1999 Bonds is excluded from gross income that is subject to federal income taxation pursuant to the Internal Revenue Code of 1986, as amended, subject to certain conditions and assumptions described herein under "TAX EXEMPTION." The Series 1999 Bonds are not private activity bonds. Interest on the Series 1999 Bonds is included in the computation of certain federal taxes on corporations. See "TAX EXEMPTION."



\$350,000,000

**The Central Puget Sound Regional Transit Authority
Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999**

Dated: December 1, 1998

Due: February 1, as shown on inside cover

The above-captioned bonds (the "Series 1999 Bonds") are being issued by the Central Puget Sound Regional Transit Authority ("Sound Transit"), a Washington local agency, under a book-entry system, initially registered to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as initial securities depository for the Series 1999 Bonds. Individual purchases of Series 1999 Bonds will be made in the principal amount of \$5,000, or integral multiples thereof within a single maturity, in book-entry form only, and purchasers will not receive certificates representing their interest in the Series 1999 Bonds, except as described herein. Interest on the Series 1999 Bonds will be payable commencing on August 1, 1999, and semiannually thereafter on each February 1 and August 1. For so long as the Series 1999 Bonds are held in book-entry form, principal of and interest on the Series 1999 Bonds will be remitted to beneficial owners through DTC. See Appendix E — "Book-Entry Only System."

Certain of the Series 1999 Bonds will be subject to redemption prior to maturity upon the terms and at the prices set forth in "THE SERIES 1999 BONDS — Redemption and Purchase Provisions."

The Series 1999 Bonds and obligations issued in the future payable on a parity with the Series 1999 Bonds are referred to collectively as the "Bonds." The Bonds are special limited obligations of Sound Transit payable from and secured solely by a pledge of Sound Transit's sales and use tax, motor vehicle excise tax and rental car tax imposed at the rates specified herein (collectively, the "Local Option Taxes") and amounts, if any, in the Local Option Tax Accounts, the Bond Account, the Reserve Account, the Project Account, 1999, and any other project account created for the deposit of Bond proceeds (collectively, the "Pledged Accounts"). The pledge for the payment of the Bonds of the Local Option Taxes and amounts in the Pledged Accounts is a prior lien and charge upon the Local Option Taxes and the Pledged Accounts superior to all other charges of any kind or nature. **THE BONDS ARE NOT OBLIGATIONS OF THE STATE OF WASHINGTON OR ANY POLITICAL SUBDIVISION OTHER THAN SOUND TRANSIT.** See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "LOCAL OPTION TAXES."

Payment of the principal of and interest on the Series 1999 Bonds when due will be guaranteed by a municipal bond insurance policy issued simultaneously with the delivery of the Series 1999 Bonds by Financial Guaranty Insurance Company. See "THE SERIES 1999 BOND INSURANCE POLICY" and Appendix F — "Specimen Bond Insurance Policy."



Financial Guaranty Insurance Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

MATURITY SCHEDULE LOCATED ON INSIDE COVER

This cover contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 1999 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Preston Gates & Ellis LLP, Seattle, Washington, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for Sound Transit by its General Counsel and by Foster Pepper & Shefelman PLLC, Seattle, Washington, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Chapman and Cutler. It is expected that delivery of the Series 1999 Bonds will occur on or about January 6, 1999, at the facilities of DTC in New York, New York.

Goldman, Sachs & Co.

E. J. De La Rosa & Co., Inc.

Lehman Brothers

Salomon Smith Barney

Dated: December 9, 1998.



\$350,000,000
The Central Puget Sound Regional Transit Authority
Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

\$70,780,000 Serial Bonds*

<u>Due February 1,</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>
2006	\$4,270,000	4 %	4.05%	155048 AA 9
2007	4,445,000	4	4.10	155048 AB 7
2008	4,620,000	4 $\frac{1}{8}$	4.20	155048 AC 5
2009	170,000	4.30	4.30	155048 AD 3
2009	4,640,000	5 $\frac{1}{4}$	4.30	155048 AP 6
2010	3,950,000	5 $\frac{1}{4}$	4.35	155048 AQ 4
2011	5,000,000	5 $\frac{1}{4}$	4.42	155048 AR 2
2012	5,505,000	5 $\frac{1}{4}$	4.50	155048 AS 0
2013	5,745,000	5 $\frac{1}{4}$	4.58	155048 AT 8
2014	5,420,000	5 $\frac{1}{4}$	4.66	155048 AU 5
2015	6,365,000	5 $\frac{1}{4}$	4.73	155048 AV 3
2016	6,825,000	5 $\frac{1}{4}$	4.77	155048 AW 1
2017	7,055,000	5 $\frac{1}{4}$	4.81	155048 AX 9
2018	6,770,000	5 $\frac{1}{4}$	4.83	155048 AY 7

\$5,110,000 Serial Bonds†

<u>Due February 1,</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>
2010	\$1,115,000	4.40%	4.40%	155048 AE 1
2011	320,000	4 $\frac{1}{2}$	4.50	155048 AF 8
2012	90,000	4.60	4.60	155048 AG 6
2013	145,000	4.70	4.70	155048 AH 4
2014	775,000	4 $\frac{3}{4}$	4.78	155048 AJ 0
2015	155,000	4.85	4.85	155048 AK 7
2016	35,000	4.90	4.90	155048 AL 5
2017	165,000	4.90	4.93	155048 AM 3
2018	830,000	4.95	4.96	155048 AN 1
..
2023	510,000	5	5.00	155048 BA 8
..
2028	970,000	5.05	5.05	155048 BC 4

\$69,225,000 5 $\frac{1}{4}$ % Term Bonds (CUSIP No. 155048 AZ 4) due February 1, 2021 to yield 4.85%*
 \$204,885,000 4 $\frac{3}{4}$ % Term Bonds (CUSIP No. 155048 BB 6) due February 1, 2028 to yield 5.06%†
 (plus accrued interest from December 1, 1998)

The Term Bonds are subject to mandatory redemption, as described herein.

* Not subject to optional redemption.

† Subject to optional redemption, as described herein.

Sound Transit

(The Central Puget Sound Regional Transit Authority)

**1100 Second Avenue
Suite 500
Seattle, Washington 98101
(206) 684-6776**

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Preston Gates & Ellis LLP	Bond Counsel
Foster Pepper & Shefelman PLLC	Disclosure Counsel
Piper Jaffray Inc. and Boyea Capital Markets	Financial Advisors
Deloitte & Touche LLP	Independent Auditors

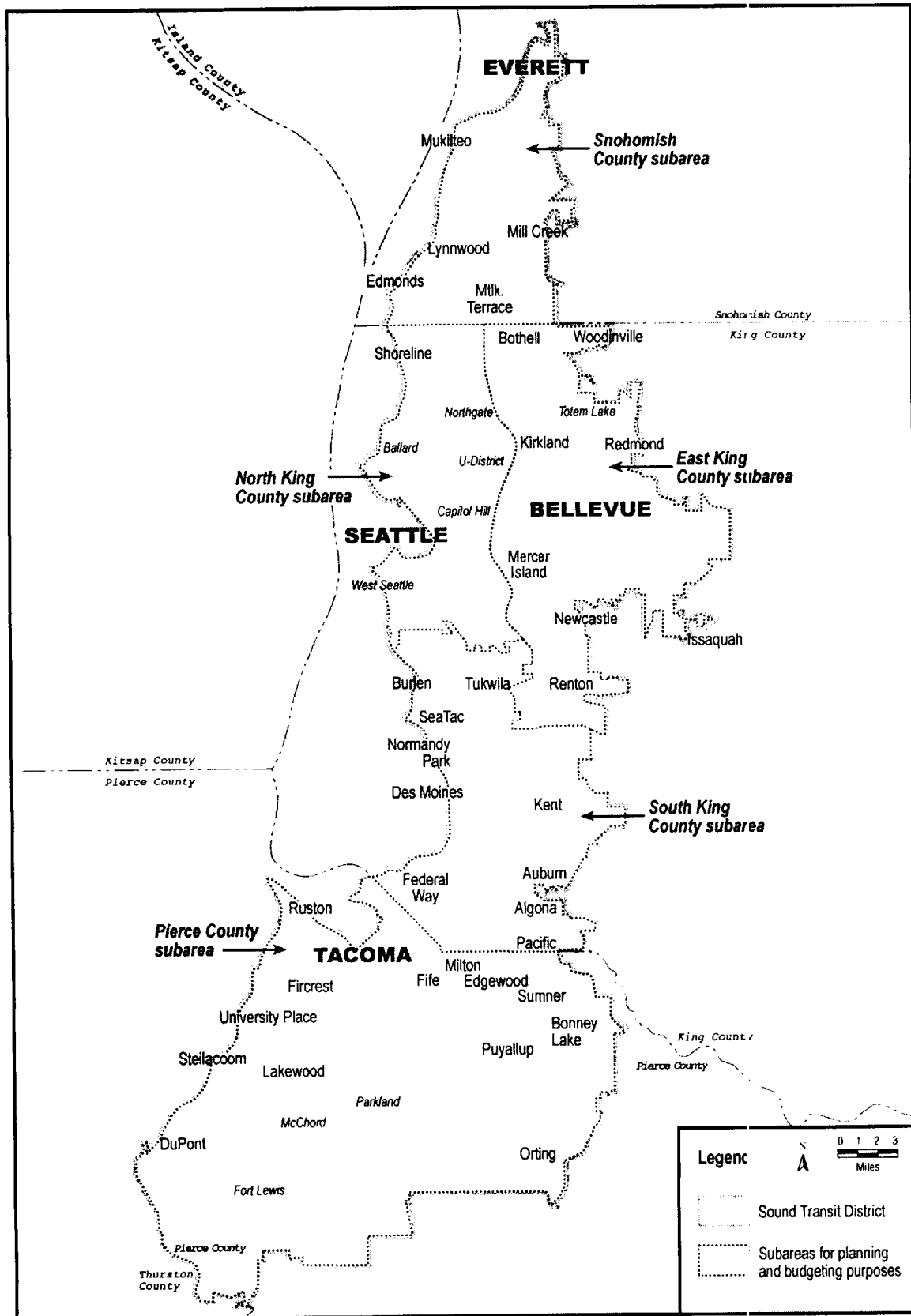
TABLE OF CONTENTS

<p>INTRODUCTION 1</p> <p style="padding-left: 20px;">Sound Transit 1</p> <p style="padding-left: 20px;">Purpose of the Series 1999 Bonds 2</p> <p style="padding-left: 20px;">Security and Sources of Payment for the Bonds 2</p> <p style="padding-left: 20px;">Other Information 3</p> <p>THE SERIES 1999 BONDS 4</p> <p style="padding-left: 20px;">General 4</p> <p style="padding-left: 20px;">Redemption and Purchase Provisions 5</p> <p style="padding-left: 20px;">Book-Entry Only System 7</p> <p>SOURCES AND USES OF SERIES 1999 BOND PROCEEDS 8</p> <p>SECURITY AND SOURCES OF PAYMENT FOR THE BONDS 8</p> <p style="padding-left: 20px;">Pledge Securing Bonds 8</p> <p style="padding-left: 20px;">Flow of Funds and Pledged Accounts 9</p> <p style="padding-left: 20px;">Future Bonds 11</p> <p style="padding-left: 20px;">Defeasance 12</p> <p style="padding-left: 20px;">Subordinate Lien and Other Obligations 12</p> <p style="padding-left: 20px;">Parity Payment Agreements 12</p> <p style="padding-left: 20px;">Other Covenants 13</p> <p style="padding-left: 20px;">Defaults and Remedies 13</p> <p style="padding-left: 20px;">No Acceleration Upon Default 13</p> <p>THE SERIES 1999 BOND INSURANCE POLICY 14</p> <p style="padding-left: 20px;">The Series 1999 Bond Insurance Policy 14</p> <p style="padding-left: 20px;">Financial Guaranty 15</p> <p>THE RESERVE ACCOUNT POLICY 15</p> <p style="padding-left: 20px;">The Reserve Account Policy 15</p> <p style="padding-left: 20px;">Financial Guaranty 16</p> <p>BORROWING AUTHORITY AND DEBT SERVICE 16</p> <p style="padding-left: 20px;">Borrowing Authority 16</p> <p style="padding-left: 20px;">Debt Capacity 16</p> <p style="padding-left: 20px;">Outstanding Indebtedness 17</p> <p style="padding-left: 20px;">Forecasted Debt Service Coverage 17</p> <p style="padding-left: 20px;">Debt Service Requirements 18</p> <p>LOCAL OPTION TAXES 19</p> <p style="padding-left: 20px;">Taxing Authority 19</p> <p style="padding-left: 20px;">Method of Collection 20</p> <p style="padding-left: 20px;">Pro Forma Historical and Forecasted Local Option Tax Revenues 21</p> <p>SOUND TRANSIT — HISTORY AND GOVERNANCE 24</p> <p style="padding-left: 20px;">Introduction 24</p> <p style="padding-left: 20px;">Organizational Structure 24</p> <p>APPENDIX A: Financial Statements</p> <p>APPENDIX B: The Master Resolution</p> <p>APPENDIX C: Demographic and Economic Information</p>	<p style="padding-left: 20px;">Key Staff Biographies 25</p> <p style="padding-left: 20px;">Conflicts of Interest 26</p> <p>SOUND TRANSIT — SYSTEM PLAN 26</p> <p style="padding-left: 20px;">General 26</p> <p style="padding-left: 20px;">System Plan Implementation Risks 27</p> <p style="padding-left: 20px;">The District 27</p> <p style="padding-left: 20px;">Subarea Equity 27</p> <p style="padding-left: 20px;">Regional Express 29</p> <p style="padding-left: 20px;">Sounder Commuter Rail 30</p> <p style="padding-left: 20px;">Link Light Rail 30</p> <p>SOUND TRANSIT — FINANCIAL INFORMATION 32</p> <p style="padding-left: 20px;">Forecasted Expenditures 32</p> <p style="padding-left: 20px;">Forecasted Funding Sources 32</p> <p style="padding-left: 20px;">Budgeting and Capital Planning Process 33</p> <p style="padding-left: 20px;">Future Phase Capital Developments 34</p> <p style="padding-left: 20px;">Financial Policies 34</p> <p style="padding-left: 20px;">Authorized Investments; Investment Policy 34</p> <p style="padding-left: 20px;">Accounting and Auditing 35</p> <p style="padding-left: 20px;">Financial Statements 35</p> <p>SOUND TRANSIT — OTHER MATTERS 35</p> <p style="padding-left: 20px;">Labor Relations 35</p> <p style="padding-left: 20px;">Pension Plans 35</p> <p style="padding-left: 20px;">Risk Management 36</p> <p style="padding-left: 20px;">Year 2000 Issues 36</p> <p>LITIGATION 37</p> <p style="padding-left: 20px;">No Litigation Concerning the Series 1999 Bonds 37</p> <p style="padding-left: 20px;">Other Litigation 37</p> <p>TAX EXEMPTION 37</p> <p style="padding-left: 20px;">General 37</p> <p style="padding-left: 20px;">Continuing Requirements 37</p> <p style="padding-left: 20px;">Certain Federal Income Tax Consequences 38</p> <p>ORIGINAL ISSUE DISCOUNT 39</p> <p>TAX TREATMENT OF PREMIUM ON BONDS 40</p> <p>ONGOING DISCLOSURE 41</p> <p>LEGAL MATTERS 41</p> <p>RATINGS 41</p> <p>UNDERWRITING 42</p> <p>AGENTS, ADVISORS AND CONSULTANTS 42</p> <p>MISCELLANEOUS 43</p> <p>APPENDIX D: Form of Approving Opinion of Bond Counsel</p> <p>APPENDIX E: Book-Entry Only System</p> <p>APPENDIX F: Specimen Bond Insurance Policy</p>
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The information set forth herein has been furnished by Sound Transit, Financial Guaranty Insurance Company, DTC and certain other sources that are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact or representations that the estimates will be realized.

In connection with the offering of the Series 1999 Bonds, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the market prices of the Series 1999 Bonds. Such transactions may include over allotments in connection with the underwriting, the purchase of Series 1999 Bonds to stabilize their market prices and the imposition of penalty bids. Such transactions, if commenced, may be discontinued at any time.

SOUND TRANSIT DISTRICT



OFFICIAL STATEMENT
OF
SOUND TRANSIT
(THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY)

\$350,000,000

SALES TAX AND MOTOR VEHICLE EXCISE TAX BONDS, SERIES 1999

INTRODUCTION

This Official Statement, including the cover, inside cover and appendices hereto and the documents incorporated herein by reference, is being provided by the Central Puget Sound Regional Transit Authority (“Sound Transit”) to furnish information in connection with the issuance by Sound Transit of the above-captioned bonds (the “Series 1999 Bonds”). The Series 1999 Bonds and obligations issued in the future payable on a parity with the Series 1999 Bonds are referred to as the “Bonds.” Unless otherwise defined in this Official Statement, capitalized terms used herein will have the meaning or meanings set forth in Resolution Nos. R98–47 (the “Master Resolution”) and R98–48 (the “Series Resolution”) of Sound Transit’s Board of Directors (the “Board”), adopted on November 12, 1998. The Master Resolution and the Series Resolution are referred to collectively as the “Resolution.” The Master Resolution is attached as Appendix B.

Sound Transit

Sound Transit was created on September 17, 1993, pursuant to Chapters 81.104 and 81.112 RCW, as amended (the “Act”). Sound Transit is a local agency charged with the responsibility of planning and implementing a high capacity transportation system within the central Puget Sound region of the State of Washington (the “State”). Sound Transit’s boundaries generally conform to the “urban growth boundaries” designated by King, Pierce and Snohomish Counties (the “Counties”) pursuant to the State Growth Management Act, with certain minor adjustments. The area within Sound Transit’s boundaries (the “District”) comprises the most populous region in the State and includes the cities of Seattle, Tacoma, Bellevue and Everett. A map of the District is set forth on the facing page.

On November 5, 1996, voters within the District approved the imposition of a sales and use tax of up to 0.4% (the “Sales Tax”) and a motor vehicle excise tax of 0.3% (the “Motor Vehicle Tax”) to fund the implementation of a regional rail and express bus system described in “Sound Move,” Sound Transit’s Ten-Year Regional Transit System Plan (the “System Plan”). These taxes constitute incremental increases in the sales and use tax and motor vehicle excise tax collected by the State since 1935 and 1937, respectively. Sound Transit currently collects the Sales Tax at the rate of 0.4% and the Motor Vehicle Tax at the rate of 0.3%. Sound Transit also collects a sales and use tax of 0.8% upon retail car rentals in the District (the “Rental Car Tax”). The Sales Tax, Motor Vehicle Tax and Rental Car Tax are referred to collectively as “Local Option Taxes.” See “LOCAL OPTION TAXES.”

Purpose of the Series 1999 Bonds

Sound Transit expects to make \$5,108,209,000 in expenditures (year-of-expenditure dollars) for the ten-year period from 1997 through 2006. Of this amount, Sound Transit expects to fund \$1,390,205,000 from bond proceeds. The Series 1999 Bonds constitute the first issue of those bonds. See "SOUND TRANSIT — FINANCIAL INFORMATION — Forecasted Expenditures" and "— Forecasted Funding Sources."

The Series 1999 Bonds are being issued to provide part of the funds necessary to (1) pay the costs of construction, additions, betterments, extensions, and improvements provided for in the System Plan or other capital or capitalizable costs incurred for any purpose relating to the System Plan; (2) fund the Reserve Account Requirement upon the issuance of the Series 1999 Bonds; and (3) pay all costs of issuing the Series 1999 Bonds, including the premium for the Series 1999 Bond Insurance Policy (defined herein) and the Reserve Account Policy (defined herein). See "SOURCES AND USES OF SERIES 1999 BOND PROCEEDS" and "SOUND TRANSIT — SYSTEM PLAN."

Security and Sources of Payment for the Bonds

The Bonds are special limited obligations of Sound Transit payable from and secured solely by a pledge of the Local Option Taxes, which are required to be deposited into the Local Option Tax Accounts, and amounts, if any, in the following accounts: the Local Option Tax Accounts, the Sales Tax and Motor Vehicle Excise Tax Bond Account, the Sales Tax and Motor Vehicle Excise Tax Bond Reserve Account, the Project Account, 1999, and any other project account created for the deposit of Bond proceeds (collectively, the "Pledged Accounts"). The pledge for the payment of the Bonds of the Local Option Taxes and amounts in the Pledged Accounts is a prior lien and charge upon the Local Option Taxes and the Pledged Accounts superior to all other charges of any kind or nature. ***The Bonds are not obligations of the State or any political subdivision other than Sound Transit.***

So long as any Bonds remain Outstanding, Sound Transit has covenanted in the Resolution to levy the Motor Vehicle Tax at a rate of not less than 0.3%. So long as any Bonds remain Outstanding, Sound Transit has covenanted in the Resolution to levy the Sales Tax at a rate of not less than 0.4%, provided that Sound Transit may levy the Sales Tax at a rate of not less than 0.3% so long as the Sufficiency Test is met. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Pledge Securing Bonds — Sufficiency Test." To the extent permitted by law and approved by the District's voters (if a vote is required), Sound Transit may, but is not required to, pledge to the repayment of the Bonds Motor Vehicle Tax in excess of 0.3% and Sales Tax in excess of 0.4%.

The System Plan specifies that certain transportation improvements will be operational within the ten-year period. Sound Transit is authorized to fund future operations, maintenance and debt service from the Local Option Taxes. Sound Transit expects that any significant future phase capital developments beyond those specified in the System Plan will require approval of the voters within the District. If voters decide not to proceed with future phases, Sound Transit may elect to repurchase, redeem or defease Bonds in accordance with their terms. Subject to meeting the Sufficiency Test for debt service coverage on the Bonds, Sound Transit may also elect to reduce the rate of Sales Tax imposed to not less than 0.3%. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Pledge Securing Bonds."

Other Information

All summaries of documents, provisions and agreements contained in this Official Statement are qualified in their entirety by reference to the actual instruments, copies of each of which are available for inspection at the office of Sound Transit. The descriptions of the Resolution and the Series 1999 Bonds contained in this Official Statement are qualified by reference to bankruptcy laws affecting the remedies for enforcement of the rights and security provided therein and the effect of the exercise of the police power by any governmental entity having jurisdiction.

No dealer, broker, salesman or other person has been authorized by Sound Transit or by the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by Sound Transit or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Series 1999 Bonds, nor shall there be any sale of the Series 1999 Bonds by any person, in any jurisdiction in which it is unlawful for such persons to make such offer, solicitation or sale.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except for the historical information contained in this Official Statement and in the appendices hereto, the matters described in this Official Statement may be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Sound Transit cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Various risks and uncertainties could affect Sound Transit’s financial performance and could cause actual results for future periods to differ materially from those anticipated or forecasted.

Neither the delivery of this Official Statement nor any sale of the Series 1999 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of Sound Transit since the date hereof. Sound Transit specifically disclaims any obligations to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except as otherwise expressly provided in “ONGOING DISCLOSURE.”

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover, inside cover and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement prior to making an investment decision. The offering of the Series 1999 Bonds to prospective purchasers is made only by means of the entire Official Statement.

THE SERIES 1999 BONDS

General

The Series 1999 Bonds will be issued in the aggregate principal amount of \$350,000,000, will be dated December 1, 1998, and will mature on February 1 in the years and in the amounts set forth on the inside cover of this Official Statement, subject to prior redemption as described below in "Redemption and Purchase Provisions."

The Series 1999 Bonds will bear interest from December 1, 1998, at the rates set forth on the inside cover of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and will be payable commencing August 1, 1999, and semiannually thereafter on each February 1 and August 1 to the dates of maturity or prior redemption of the Series 1999 Bonds, whichever occurs earlier.

The Series 1999 Bonds will be issued as fully registered bonds under a book-entry system initially registered to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as initial securities depository for the Series 1999 Bonds. Individual purchases of Series 1999 Bonds will be made in the principal amount of \$5,000, or integral multiples thereof within a single maturity, and will be in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 1999 Bonds, except as described in Appendix E — "Book-Entry Only System."

The fiscal agencies of the State (currently The Bank of New York, New York, New York, and Wells Fargo Bank, National Association ("Wells Fargo"), Seattle, Washington) will serve as initial paying agent, transfer agent and registrar for the Series 1999 Bonds (the "Registrar").

Sound Transit and the Registrar may deem and treat the Owner of each Series 1999 Bond as the absolute owner of such bond for the purpose of receiving payments of principal and interest due on such bond and for all other purposes, and neither Sound Transit nor the Registrar will be affected by any notice to the contrary. So long as the Series 1999 Bonds are held by DTC or its nominee, "Owner" will mean DTC or its nominee.

Redemption and Purchase Provisions

Optional Redemption. Series 1999 Bonds maturing on the same date may have different optional redemption provisions. Purchasers should familiarize themselves with the CUSIP numbers of their Series 1999 Bonds. The following Series 1999 Bonds are not subject to optional redemption:

<u>Due February 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP No.</u>
2006	\$ 4,270,000	4 %	155048 AA 9
2007	4,445,000	4	155048 AB 7
2008	4,620,000	4 ¼	155048 AC 5
2009	170,000	4.30	155048 AD 3
2009	4,640,000	5 ¼	155048 AP 6
2010	3,950,000	5 ¼	155048 AQ 4
2011	5,000,000	5 ¼	155048 AR 2
2012	5,505,000	5 ¼	155048 AS 0
2013	5,745,000	5 ¼	155048 AT 8
2014	5,420,000	5 ¼	155048 AU 5
2015	6,365,000	5 ¼	155048 AV 3
2016	6,825,000	5 ¼	155048 AW 1
2017	7,055,000	5 ¼	155048 AX 9
2018	6,770,000	5 ¼	155048 AY 7
2021	69,225,000	5 ¼	155048 AZ 4

The following Series 1999 Bonds are subject to optional redemption in whole or in part, in such order of maturities to be selected by Sound Transit, (1) at any time on and after February 1, 2009, through January 31, 2010, at 101% of the principal amount to be redeemed plus accrued interest to the redemption date, and (2) at any time on and after February 1, 2010, at par plus accrued interest to the redemption date:

<u>Due February 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP No.</u>
2010	\$ 1,115,000	4.40 %	155048 AE 1
2011	320,000	4 ½	155048 AF 8
2012	90,000	4.60	155048 AG 6
2013	145,000	4.70	155048 AH 4
2014	775,000	4 ¾	155048 AJ 0
2015	155,000	4.85	155048 AK 7
2016	35,000	4.90	155048 AL 5
2017	165,000	4.90	155048 AM 3
2018	830,000	4.95	155048 AN 1
2023	510,000	5	155048 BA 8
2028	970,000	5.05	155048 BC 4
2028	204,885,000	4 ¾	155048 BB 6

Mandatory Redemption. Series 1999 Term Bonds maturing on February 1, 2021, are subject to mandatory redemption on February 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date of redemption:

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2019	\$ 21,905,000
2020	23,055,000
2021 (maturity)	24,265,000

Unless earlier redeemed pursuant to an optional redemption, Series 1999 Term Bonds maturing on February 1, 2028, are subject to mandatory redemption on February 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date of redemption:

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2022	\$ 25,535,000
2023	26,240,000
2024	28,025,000
2025	29,355,000
2026	30,750,000
2027	32,210,000
2028 (maturity)	32,770,000

Partial Redemption. If less than a whole of a maturity is called for redemption, the Series 1999 Bonds to be redeemed will be chosen randomly in integral multiples of \$5,000 by the Registrar or, so long as the Series 1999 Bonds are registered in the name of Cede & Co. or its registered assign, by DTC. If less than all of the principal amount of any Series 1999 Bond is redeemed, upon surrender of such bond at the principal corporate trust office of the Registrar, there will be issued to the Owner, without charge, for the then unredeemed balance of the principal amount, a new Series 1999 Bond or Series 1999 Bonds, at the option of the Owner, of like maturity and interest rate in any authorized denomination.

Notice of Redemption. Written notice of any redemption of Series 1999 Bonds will be given by the Registrar by first class mail, postage prepaid, not less than 30 days nor more than 60 days before the redemption date to the Owners of Series 1999 Bonds that are to be redeemed at their last address shown on the Bond Register. So long as the Series 1999 Bonds are in book-entry form, notice of redemption will be given as provided in the Letter of Representations. Sound Transit makes no representation that any beneficial owner will receive such notices from DTC or its participants. Notice will be deemed effective when mailed, whether or not it is actually received by the Owner.

Purchase. Sound Transit has reserved the right to purchase for retirement any of the Series 1999 Bonds offered to Sound Transit at any price deemed reasonable by the Director of Finance and Administration.

Effect of Redemption or Purchase. Unless Sound Transit has revoked a notice of redemption, Sound Transit will transfer to the Registrar amounts that, in addition to other money, if any, held by the Registrar, will be sufficient to redeem, on the redemption date, all the Series 1999 Bonds to be redeemed. If sufficient money has been so transferred to and is held by the Registrar, from and after the redemption

date interest on each Series 1999 Bond to be redeemed will cease to accrue. To the extent that Sound Transit optionally redeems or purchases any Series 1999 Term Bonds, Sound Transit will reduce the principal amount of the Series 1999 Term Bonds of the same maturity in like aggregate principal amount. Any such reduction may be applied to reduce the amount of any one or more mandatory redemptions applicable to such Series 1999 Term Bonds as specified by the Designated Authority Representative.

Book-Entry Only System

DTC will act as initial securities depository for the Series 1999 Bonds. The Series 1999 Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC. One fully-registered Series 1999 Bond will be issued for each maturity of the Series 1999 Bonds in the principal amount of such maturity and will be deposited with DTC. See Appendix E — “Book-Entry Only System.”

If DTC or any other successor depository resigns from its functions as depository, and no substitute depository can be obtained, or Sound Transit determines that it is in the best interest of the beneficial owners of the Series 1999 Bonds that such bonds be provided in certificated form, the ownership of such Series 1999 Bonds may then be transferred to any person or entity as provided in the Series Resolution, and will no longer be held in fully immobilized form. In such case, Sound Transit will request the Registrar to issue Series 1999 Bonds in appropriate denominations and registered in the names of the appropriate persons.

Neither Sound Transit nor the Registrar has any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Series 1999 Bonds for: (1) the accuracy of any records maintained by DTC or any DTC participant; (2) the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on Series 1999 Bonds; (3) any notice which is permitted or required to be given to Owners under the Series Resolution (except such notices as required to be given by Sound Transit to the Registrar or to DTC); or (4) any consent given or other action taken by DTC as the Owner. For so long as any Series 1999 Bonds are held in fully immobilized form, DTC or its successor depository will be deemed to be the Owner for all purposes, and all references to the Owners means DTC (or any successor depository) or its nominee and does not mean the beneficial owners.

SOURCES AND USES OF SERIES 1999 BOND PROCEEDS

The following table sets forth the sources and uses of the Series 1999 Bond proceeds (excluding accrued interest).

<u>Sources of Funds</u>	
Principal of the Series 1999 Bonds	\$ 350,000,000
Less: Net Original Issue Discount	(2,307,017)
Total	\$ <u>347,692,983</u>
<u>Uses of Funds</u>	
Deposit to Project Account, 1999	\$ 344,362,000
Underwriters' Discount	1,985,262
Issuance Costs ⁽¹⁾	1,345,721
Total	\$ <u>347,692,983</u>

(1) Includes the Series 1999 Bond Insurance Policy premium, the Reserve Account Policy premium, rating agency fees, financial advisor and legal fees and other costs of issuance of the Series 1999 Bonds payable from the Project Account, 1999. The premium required for the expected increase in the Reserve Account Requirement will be paid out of the Project Account, 1999. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Flow of Funds and Pledged Accounts — Reserve Account."

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge Securing Bonds

Pledge of Local Option Taxes. The Bonds are special limited obligations of Sound Transit payable from and secured solely by a pledge of the Local Option Taxes, which are required to be deposited in the Local Option Tax Accounts, and amounts, if any, in the Pledged Accounts. The pledge for the payment of the Bonds of the Local Option Taxes and amounts in the Pledged Accounts is a prior lien and charge upon the Local Option Taxes and the Pledged Accounts superior to all other charges of any kind or nature.

Covenant to Levy Local Option Taxes. So long as any Bonds remain Outstanding, Sound Transit has covenanted in the Resolution to levy the Motor Vehicle Tax at a rate of not less than 0.3%. So long as any Bonds remain Outstanding, Sound Transit has covenanted in the Resolution to levy the Sales Tax at a rate of not less than 0.4%, provided that Sound Transit may levy the Sales Tax at a rate of not less than 0.3% so long as the Sufficiency Test described below is met. To the extent permitted by law and approved by the District's voters (if a vote is required), Sound Transit may, but is not required to, pledge to the repayment of the Bonds Motor Vehicle Tax in excess of 0.3% and Sales Tax in excess of 0.4%.

If Sound Transit is levying the Sales Tax at a rate less than 0.4% and the Sufficiency Test is not met for a Fiscal Year, within 90 days of the end of that Fiscal Year Sound Transit has covenanted in the Resolution to take all action required on its part to increase the rate of the Sales Tax levied, up to but not exceeding the rate of 0.4%, for the purpose of meeting the Sufficiency Test.

Sound Transit has covenanted in the Resolution to take all reasonable actions necessary to levy and provide for the continued collection of the Local Option Taxes and the application of those taxes for repayment of the Bonds in accordance with the Master Resolution.

Sufficiency Test. The Sufficiency Test is met when the ratio of Local Option Taxes collected to Annual Debt Service in each Fiscal Year is not less than two to one. For purposes of calculating the Sufficiency Test, Sound Transit will add to Local Option Taxes collected in any Fiscal Year any amount withdrawn from the Tax Stabilization Subaccount in that Fiscal Year and deposited into the Local Option Tax Accounts, and will subtract from Local Option Taxes collected in any Fiscal Year any amount withdrawn from the Local Option Tax Accounts and deposited into the Tax Stabilization Subaccount. For purposes of the Sufficiency Test, the amount withdrawn from the Tax Stabilization Subaccount in any Fiscal Year may not exceed 50% of the Annual Debt Service in that Fiscal Year.

Flow of Funds and Pledged Accounts

Local Option Tax Accounts and Flow of Funds. Sound Transit has created Local Option Tax Accounts and has covenanted in the Resolution to deposit therein all Local Option Taxes collected. Local Option Taxes deposited in the Local Option Tax Accounts may be used by Sound Transit only for the following purposes and in the following order of priority:

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

- (1) to pay the interest when due on the Bonds;
- (2) to pay the maturing principal of the Bonds;

Second, to make all payments required to be made into the Reserve Account to meet the Reserve Account Requirement and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Qualified Letter of Credit or Qualified Insurance with respect to the Reserve Account Requirement;

Third, 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 Subordinate Lien Obligations (to the extent such obligations are issued with a lien on Local Option Taxes superior to the payment of operation and maintenance expenses);

Fourth, to pay costs of operating and maintaining Sound Transit and its facilities; and

Fifth, for any lawful purpose of Sound Transit, including the purchase of Bonds or Subordinate Lien Obligations; and to pay Subordinate Lien Obligations with a lien on Local Option Taxes and Pledged Accounts junior to the payment of operation and maintenance expenses; provided, that Sound Transit may determine that items in this "*Fifth*" category will be paid in a specified order of priority.

Sound Transit will invest amounts in the Local Option Tax Accounts in any legal investment for funds of regional transit authorities of the State.

Tax Stabilization Subaccount. Sound Transit is authorized to create a Tax Stabilization Subaccount within the Local Option Tax Accounts. Sound Transit may deposit Local Option Taxes into and withdraw Local Option Taxes from the Tax Stabilization Subaccount for any lawful purposes in accordance with the Flow of Funds described above, including for the purpose of meeting the Sufficiency Test described above.

Bond Account. Sound Transit has created the Bond Account to pay and secure the payment of the Bonds. The Bond Account is pledged to the payment of Bonds and is a trust account for the Owners of the Bonds. For so long as any Bonds remain Outstanding, Sound Transit has pledged to pay into the Bond Account from Local Option Taxes:

- (1) 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 Bonds; and
- (2) 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 for Bonds.

Reserve Account. Sound Transit has created the Reserve Account to secure the payment of the principal of, premium, if any, and interest on the Bonds. The Reserve Account is pledged to the payment of Bonds and is a trust account for the Owners of the Bonds.

Sound Transit has covenanted in the Resolution that, on the date of issuance of each Series of Bonds, Sound Transit will assure that the amount on hand in the Reserve Account will be sufficient to meet the "Reserve Account Requirement," which is currently defined to be the lesser of: (1) 50% of Maximum Annual Debt Service with respect to Outstanding Bonds; or (2) 125% of Average Annual Debt Service with respect to Outstanding Bonds. At the time of issuance of any Series of Bonds, the Reserve Account Requirement allocable to a Series of Bonds may not exceed 10% of the initial principal amount of that Series of Bonds.

Sound Transit has covenanted in the Resolution to maintain the Reserve Account Requirement by deposits of cash, investments, a Qualified Letter of Credit, Qualified Insurance or a combination of the foregoing.

Sound Transit has acquired Qualified Insurance to fund the Reserve Account Requirement for the Series 1999 Bonds. See "THE RESERVE ACCOUNT POLICY." Sound Transit has agreed with Financial Guaranty Insurance Company ("Financial Guaranty") that Sound Transit will not issue Future Bonds until it has adopted a Supplemental Resolution revising the definition of "Reserve Account Requirement" to mean the lesser of: (1) 100% of Maximum Annual Debt Service with respect to Outstanding Bonds; or (2) 125% of Average Annual Debt Service with respect to Outstanding Bonds. At the time of issuance of any Series of Bonds, the Reserve Account Requirement allocable to a Series of Bonds may not exceed 10% of the initial principal amount of that Series of Bonds.

Sound Transit expects to adopt that Supplemental Resolution within 90 days after the issuance of the Series 1999 Bonds. In that Supplemental Resolution, Sound Transit also expects to amend the definition of Average Annual Debt Service to mean the aggregate Annual Debt Service with respect to all Bonds Outstanding through the scheduled maturities thereof (stated maturity dates or mandatory redemption dates with respect to Term Bonds), divided by the number of years remaining during which interest is

scheduled to be paid on the Bonds or during which Bonds are scheduled to mature or be subject to mandatory redemption (commencing with the year following the year of calculation). The table set forth in "SOURCES AND USES OF SERIES 1999 BOND PROCEEDS" reflects only the premium required for the current Reserve Account Requirement. The premium required for the expected increase in the Reserve Account Requirement, upon adoption of the Supplemental Resolution referred to above, will be paid out of amounts on deposit in the Project Account, 1999.

If a deficiency in the Bond Account occurs prior to a payment date on the Bonds, the deficiency will be made up from the Reserve Account. Any deficiency created in the Reserve Account by reason of a withdrawal will be made up from the next available Local Option Taxes, but in no event later than within one year, from Qualified Insurance or a Qualified Letter of Credit or out of Local Option Taxes after making necessary provision for the payments required to be made into the Bond Account within that year.

Amounts in the Reserve Account in excess of the Reserve Account Requirement may be withdrawn to pay debt service on the Bonds or for any other lawful purpose. For additional provisions regarding the Reserve Account, see Appendix B — "The Master Resolution — Bond Account and Reserve Account."

Project Account, 1999. Sound Transit has created the Project Account, 1999, to pay costs of Projects and costs incidental thereto, and costs incurred in connection with the issuance and sale of the Series 1999 Bonds. The proceeds of the Series 1999 Bonds, after payment of accrued interest into the Bond Account and the amount equal to the Reserve Account Requirement into the Reserve Account, will be paid into the Project Account, 1999.

Future Bonds

Future Bonds. Sound Transit has reserved the right to issue Future Bonds, including Refunding Bonds, having a lien on Local Option Taxes and Pledged Accounts equal to that of the Series 1999 Bonds upon compliance with the following conditions:

- (1) There is no deficiency in the Bond Account, and an amount equal to the Reserve Account Requirement (including for the Future Bonds to be issued) will be on deposit in the Reserve Account upon the issuance of the Future Bonds.
- (2) No Default has occurred and is continuing. (For provisions relating to Defaults and remedies upon Default, see "Defaults and Remedies" below and Appendix B — "The Master Resolution — Defaults" and "— Remedies Upon Default.")
- (3) Sound Transit certifies (by an "Authority Certificate") that Local Option Taxes received during any consecutive 12-month period out of the 18-month period next preceding the date of issuance of the Future Bonds were not less than two times Maximum Annual Debt Service on all Bonds that will be Outstanding upon the issuance of the Future Bonds, taking into account any adopted adjustment in the rate of Local Option Taxes imposed, as if the new rate had been in effect during that 12-month period.

Refunding Bonds. Upon compliance with the conditions for issuing Future Bonds described above, Sound Transit may issue Refunding Bonds at any time for the purpose of refunding (including by purchase) Bonds, making future Reserve Account deposits, paying for a Credit Facility, making any settlement payment in connection with the termination of a Payment Agreement relating to the

Refunding Bonds, and paying the expenses of issuing the Refunding Bonds and of effecting such refunding.

Sound Transit may issue Refunding Bonds without the Authority Certificate described above if in every Fiscal Year the Annual Debt Service on the Refunding Bonds does not exceed the Annual Debt Service by more than \$5,000 on the Bonds to be refunded were the refunding not to occur. In addition, Refunding Bonds may be issued without regard to any of the conditions for issuing Future Bonds for the purpose of refunding (including by purchase) any Bonds for the payment of which sufficient Local Option Taxes are not available.

Defeasance

Sound Transit has reserved the right to defease Bonds by setting aside with a trustee or escrow agent and pledging for that purpose cash and/or noncallable Government Obligations sufficient to redeem and retire such Bonds. Upon defeasance, Sound Transit need make no further payments into the Bond Account for the payment of those Bonds, and those Bonds will be deemed not to be Outstanding. The term "Government Obligations" has the meaning given from time to time in Chapter 39.53 RCW, which currently includes: (1) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States and bank certificates of deposit secured by such obligations; (2) bonds, debentures, notes, participation certificates or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank system, the Export-Import Bank of the United States, federal land banks or Federal National Mortgage Association; (3) public housing bonds and project notes fully secured by contracts with the United States; and (4) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, to the extent insured or to the extent guaranteed as permitted under any other provision of state law.

Subordinate Lien and Other Obligations

Sound Transit has reserved the right to issue obligations having a lien on Local Option Taxes and Pledged Accounts subordinate to that of the Bonds ("Subordinate Lien Obligations") for any purpose of Sound Transit. The maturity date of Subordinate Lien Obligations may not be accelerated. Sound Transit has also reserved the right to issue obligations payable from revenues of the Authority other than Local Option Taxes. See Appendix B — "The Master Resolution — Subordinate Lien Obligations; Obligations With Lien on Revenues."

Parity Payment Agreements

Sound Transit has reserved the right to make Payments under Payment Agreements on a parity with the lien on Local Option Taxes and Pledged Accounts as the Bonds if the Payment Agreement satisfies the requirements for Future Bonds described above. A "Payment Agreement" means a written agreement, for the purpose of managing or reducing Sound Transit's exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, asset or liability management purposes, entered into on either a current or forward basis by Sound Transit and a Qualified Counterparty. See Appendix B — "The Master Resolution — Parity Payment Agreements."

Other Covenants

Maintenance of Facilities. Sound Transit has covenanted in the Resolution at all times to keep and maintain or cause to be maintained its transit facilities and equipment, and to operate the same and the business or businesses in connection therewith as determined by the Board.

Property and Liability Insurance. Sound Transit has covenanted in the Resolution to 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 deems prudent for the protection of Sound Transit.

Books and Records. Sound Transit has covenanted in the Resolution to 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.

Defaults and Remedies

The following events constitute a Default under the Resolution: (1) failure to make required payments into the Bond Account or Reserve Account; (2) failure to pay principal or interest when due, or to redeem Term Bonds in the required amounts; or (3) failure to observe any other covenants in the Resolution, and such failure has continued for 90 days after discovery by or notice to Sound Transit, without Sound Transit either remedying the failure within 90 days or taking all action reasonably possible to remedy the failure.

Upon the event of a Default, an Owners' trustee may be appointed to exercise the rights of the Owners, all as described in the Master Resolution. See Appendix B — "The Master Resolution — Defaults" and "— Remedies Upon Default." If a trustee has been appointed, the Owners' remedies may not be exercised individually by the Owners without the trustee's consent.

See "THE SERIES 1999 BOND INSURANCE POLICY" and "THE RESERVE ACCOUNT POLICY" for information regarding payments by Financial Guaranty in the event of a Default under the Series 1999 Bonds.

No Acceleration Upon Default

Upon the occurrence and continuance of a Default under the Resolution, payment of the principal amount of the Bonds is not subject to acceleration. Sound Transit thus would be liable only for principal and interest payments as they became due, and the Owners (or their trustee) would be required to seek a separate judgment for each payment, if any, not made. Any such action for money damages would be subject to any limitations on legal claims and remedies against public bodies under State law. Amounts recovered would be applied to unpaid installments of interest prior to being applied to unpaid principal and premium, if any, which had become due. See "THE SERIES 1999 BOND INSURANCE POLICY" and "THE RESERVE ACCOUNT POLICY" for information regarding payments by Financial Guaranty in the event of a Default under the Series 1999 Bonds.

THE SERIES 1999 BOND INSURANCE POLICY

The following information has been furnished by Financial Guaranty for use in this Official Statement. Sound Transit makes no representations as to the accuracy or completeness thereof. See Appendix F — “Specimen Bond Insurance Policy” for a specimen of the municipal bond insurance policy.

The Series 1999 Bond Insurance Policy

Concurrently with the issuance of the Series 1999 Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy for the Series 1999 Bonds (the “Series 1999 Bond Insurance Policy”). The Series 1999 Bond Insurance Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 1999 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by Sound Transit. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the “Fiscal Agent”), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Series 1999 Bond or the Bond Registrar of the nonpayment of such amount by Sound Transit. The Fiscal Agent will disburse such amount due on any Series 1999 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner’s right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner’s rights to payment of such principal and interest shall be vested in Financial Guaranty. The term “nonpayment” in respect of a Series 1999 Bond includes any payment of principal or interest made to an owner of a Series 1999 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Series 1999 Bond Insurance Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 1999 Bonds. The Series 1999 Bond Insurance Policy covers failure to pay principal of the Series 1999 Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Series 1999 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (1) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty’s consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (2) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty’s consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 1999 Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which Sound Transit is required to provide additional or substitute credit enhancement, and related matters.

For information regarding the ratings assigned to the Series 1999 Bonds and the basis for their assignment, see “RATINGS.”

The Series 1999 Bond Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of September 30, 1998, the total capital and surplus of Financial Guaranty was \$1,288,640,899. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

THE RESERVE ACCOUNT POLICY

The following information has been furnished by Financial Guaranty for use in this Official Statement. Sound Transit makes no representations as to the accuracy or completeness thereof.

The Reserve Account Policy

Concurrently with the issuance of the Series 1999 Bonds, Financial Guaranty will issue its Municipal Bond Debt Service Reserve Fund Policy (the "Reserve Account Policy"). The Reserve Account Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 1999 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by Sound Transit, provided that the aggregate amount paid under the Reserve Account Policy may not exceed the maximum amount set forth in the Reserve Account Policy (which, upon issuance of the Series 1999 Bonds, will be \$17,385,414.38, and which amount is expected to increase to \$31,661,179.63 as a result of the expected increase in the Reserve Account Requirement; see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Flow of Funds and Pledged Accounts — Reserve Account"). Financial Guaranty will make such payments to the Bond Registrar on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Bond Registrar of the nonpayment of such amount by Sound Transit. The term "nonpayment" in respect of a Series 1999 Bond includes any payment of principal or interest made to an owner of a Series 1999 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction.

The Reserve Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 1999 Bonds. The Reserve Policy covers failure to pay principal of the Series 1999 Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Series 1999 Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Policy shall terminate on the scheduled final maturity date of the Series 1999 Bonds.

Generally, in connection with its insurance of a Reserve Policy, Financial Guaranty requires, among other things, (1) that, so long as it has not failed to comply with its payment obligations under the Reserve Policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (a) acceleration of the Series 1999 Bonds or (b) remedies which would adversely affect holders in the event that Sound Transit fails to reimburse Financial Guaranty for any draws on the Reserve Policy; and (2) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which Sound Transit is required to provide additional or substitute credit enhancement, and related matters.

For information regarding the ratings assigned to the Series 1999 Bonds and the basis for their assignment, see "RATINGS."

The Reserve Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty

For information regarding Financial Guaranty, see "THE SERIES 1999 BOND INSURANCE POLICY — Financial Guaranty."

BORROWING AUTHORITY AND DEBT SERVICE

Borrowing Authority

Sound Transit is authorized to borrow money by various means, including: (1) issuing general obligation bonds with a maximum term of 40 years; (2) issuing revenue bonds with a maximum term of 40 years, payable from sources including gross revenues or fees, tolls, charges, tariffs, fares, rentals or special taxes; (3) entering into financing leases; (4) issuing special assessment bonds with a maximum term of 30 years, payable from special assessments levied in a local improvement district created to provide transportation improvements; (5) borrowing from the State or any local transit agency within the District pursuant to a loan agreement; (6) establishing lines of credit with banking institutions; and (7) issuing short-term obligations.

Debt Capacity

Although Sound Transit has no authority to levy property taxes, its debt capacity is determined by reference to the value of taxable property within the District. Under State law, issuance of bonds payable from any type of taxes, such as the Bonds, is subject to statutory debt limitations. Sound Transit currently is authorized to incur debt in an amount equal to 1½% of the value of taxable property within the District without securing voter approval for bonds. With the approval of 60% of the District's electors voting on the proposition, Sound Transit may incur aggregate indebtedness in an amount up to 5% of the value of taxable property within the District. For purposes of computing Sound Transit's debt capacity, the value of taxable property is defined to be the actual value of taxable property within the District, with certain adjustments for timber property. The Act requires that each County assessor certify annually to Sound Transit the assessed value of property in that County that is within the District. The current debt capacity for Sound Transit, giving effect to the issuance of the Series 1999 Bonds, is set forth in Table 1.

TABLE 1:
DEBT CAPACITY

Assessed valuation in 1997 for collection of taxes in 1998	\$171,073,470,000
Maximum nonvoted debt (1½% of assessed valuation)	\$2,566,102,050
Less: outstanding nonvoted debt	0
Less: the Series 1999 Bonds	<u>350,000,000</u>
Nonvoted debt capacity remaining	<u>\$2,216,102,050</u>
Maximum voted debt (5% of assessed valuation)	\$8,553,673,500
Less: outstanding voted and nonvoted debt	0
Less: the Series 1999 Bonds.....	<u>350,000,000</u>
Voted debt capacity remaining	<u>\$8,203,673,500</u>

Outstanding Indebtedness

Sound Transit has no outstanding indebtedness.

Forecasted Debt Service Coverage

Pursuant to the System Plan and its 1999 Budget, Sound Transit expects to issue \$1,390,205,000 (year-of-expenditure dollars) of bonds through 2006. The Series 1999 Bonds constitute the first issue of those bonds. Sound Transit has calculated maximum annual debt service on all such bonds to be \$100.5 million under the following assumptions: the bonds are all issued simultaneously with the Series 1999 Bonds, have 30-year level debt service and bear interest semiannually at 6% per annum. The actual (unaudited) Local Option Taxes collected from April 1, 1997 through March 31, 1998, were \$208.6 million, or 2.1 times maximum annual debt service under the above assumptions.

This calculation is intended solely to demonstrate to prospective purchasers of the Bonds debt service coverage under the above assumptions. The amount of bonds issued, the timing of issuance, changes in the System Plan, changes in interest rates and amortization schedules, fluctuation in Local Option Tax collections, permitted reductions in the rate of Sales Tax imposed to 0.3% and other factors within or outside the control of Sound Transit may result in actual debt service coverage that differs materially from that forecasted above.

Debt Service Requirements

The annual principal and interest requirements of the Series 1999 Bonds are set forth in Table 2.

TABLE 2:
SERIES 1999 BONDS ANNUAL DEBT SERVICE REQUIREMENTS

Year Ending 12/31	Principal ⁽¹⁾	Interest	Total
1999		\$ 11,442,592	\$ 11,442,592
2000		17,163,888	17,163,888
2001		17,163,888	17,163,888
2002		17,163,888	17,163,888
2003		17,163,888	17,163,888
2004		17,163,888	17,163,888
2005		17,163,888	17,163,888
2006	4,270,000	17,078,488	21,348,488
2007	4,445,000	16,904,188	21,349,188
2008	4,620,000	16,720,000	21,340,000
2009	4,810,000	16,499,258	21,309,258
2010	5,065,000	16,245,585	21,310,585
2011	5,320,000	15,978,918	21,298,918
2012	5,595,000	15,693,891	21,288,891
2013	5,890,000	15,393,101	21,283,101
2014	6,195,000	15,078,206	21,273,206
2015	6,520,000	14,746,685	21,266,685
2016	6,860,000	14,395,831	21,255,831
2017	7,220,000	14,026,581	21,246,581
2018	7,600,000	13,639,090	21,239,090
2019	21,905,000	12,865,829	34,770,829
2020	23,055,000	11,685,629	34,740,629
2021	24,265,000	10,443,479	34,708,479
2022	25,535,000	9,200,066	34,735,066
2023	26,750,000	7,957,660	34,707,660
2024	28,025,000	6,656,116	34,681,116
2025	29,355,000	5,293,341	34,648,341
2026	30,750,000	3,865,848	34,615,848
2027	32,210,000	2,370,548	34,580,548
2028	<u>33,740,000</u>	<u>802,780</u>	<u>34,542,780</u>
Total	\$350,000,000	\$387,967,033	\$737,967,033

(1) Includes mandatory redemptions of Term Bonds.

LOCAL OPTION TAXES

Taxing Authority

The Act expressly authorizes Sound Transit to collect the Local Option Taxes and pledge those taxes to the retirement of indebtedness incurred for high capacity transportation service, such as the Bonds.

Sales Tax. The State first levied a retail sales tax and a corresponding use tax on taxable retail sales and uses of personal property in 1935. Cities, counties and other municipal corporations are authorized to levy a sales and use tax to generate revenues to carry out essential governmental purposes. In 1992, the State legislature authorized regional transit authorities, including Sound Transit, to impose an incremental sales and use tax upon voter approval. Voters within the District approved imposition of the Sales Tax at a rate of up to 0.4% at an election held on November 5, 1996. Sound Transit imposed the Sales Tax at the rate of 0.4%, effective April 1, 1997, pursuant to Resolution No. 82, adopted by the Board on February 13, 1997.

Sound Transit is authorized by statute to submit a proposition to voters within the District to increase the rate of the Sales Tax to up to 0.9%, and up to 1.0% if none of the Counties then is imposing a sales and use tax for criminal justice purposes. King County currently imposes a sales and use tax for criminal justice purposes at the authorized maximum rate of 0.1%. A rate increase may be approved by a simple majority vote within the District. Sound Transit does not expect to seek voter approval of any such increase in the rate of the Sales Tax in order to implement the System Plan. Any such increase in the Sales Tax may be pledged to the repayment of Bonds only by separate resolution.

Motor Vehicle Tax. The State first levied a motor vehicle excise tax on vehicles owned by residents in 1937. In 1992, the State legislature authorized regional transit authorities, including Sound Transit, to impose an incremental motor vehicle excise tax upon voter approval. Voters within the District approved imposition of the Motor Vehicle Tax at the rate of 0.3% at an election held on November 5, 1996. Sound Transit imposed the Motor Vehicle Tax at the rate of 0.3%, effective April 1, 1997, pursuant to Resolution No. 82, adopted by the Board on February 13, 1997.

Sound Transit is authorized to submit a proposition to voters within the District to increase the rate of the Motor Vehicle Tax to up to 0.8% less the highest rate of voter-approved motor vehicle excise tax surcharge then imposed by any County. None of the Counties currently imposes the surcharge, which is currently authorized up to a maximum of 0.3%. The Motor Vehicle Tax rate increase must be approved by a simple majority vote within the District. Sound Transit does not expect to seek voter approval of any such increase in order to implement the System Plan. Any such increase in the Motor Vehicle Tax may be pledged to the repayment of Bonds only by separate resolution.

Rental Car Tax. In 1992, the State legislature authorized regional transit authorities, including Sound Transit, that impose a motor vehicle excise tax to impose in addition an incremental sales and use tax upon taxable retail car rentals in the District. Both the Rental Car Tax and the Sales Tax are collected upon taxable retail car rentals in the District. Sound Transit imposed the Rental Car Tax at the rate of 0.8%, effective April 1, 1997, pursuant to Resolution No. 82, adopted by the Board on February 13, 1997.

Method of Collection

Sales Tax. In 1997, the State collected \$4.8 billion in sales and use taxes, representing 35.8% of State general fund revenues. (The State has never collected an income tax.) The State legislature has changed the base of the sales and use tax on occasion. The sales and use tax currently is applied to a broad base of tangible personal property and selected services purchased by consumers, including construction (labor and materials), machinery and supplies used by businesses, services and repair of real and personal property and many other transactions not taxed in other states. The use tax supplements the sales tax by taxing the use in the State of certain services and by taxing personal property on which a sales tax has not been paid (such as items purchased in a state that imposes no sales tax). Among the various items not subject to sales and use tax are personal services, motor vehicle fuel, food for off-premises consumption, trade-ins and purchases for resale. The State currently imposes a sales and use tax of 6.5%. Local taxing entities, including cities and the Counties, are authorized to impose incremental sales and use taxes. The sales and use tax currently is imposed in the Counties at the following aggregate rates: King, 8.2 to 8.6%; Pierce, 7.7 to 8.4%; and Snohomish, 7.6 to 8.6%.

Sales taxes upon applicable retail sales are collected by the seller from the consumer. Use taxes are payable by the consumer upon applicable rendering of services or uses of personal property. County auditors collect any use taxes imposed on the use of motor vehicles. Each seller (and County auditor) is required to hold taxes collected in trust until remitted to the State Department of Revenue, which usually occurs on a monthly basis.

Sound Transit has entered into a ten-year contract with the State Department of Revenue for the collection and disbursement of the Sales Tax and the Rental Car Tax. Under this contract, the Department of Revenue calculates money received from retailers and the County auditors on account of the Sales Tax and the Rental Car Tax and disburses the proceeds to Sound Transit on a monthly basis. The Department of Revenue charges no ongoing administrative fee for this service.

The actual (unaudited) Sales Tax collected by Sound Transit from April 1, 1997 through March 31, 1998, was \$167,117,169.

Motor Vehicle Tax. The values of motor vehicles are determined by the State Department of Licensing. Generally, passenger vehicles are valued at a percentage of the manufacturer's suggested retail price. The percentages are prescribed by statute and decline based on the number of years the vehicle is in service. Vehicle owners may appeal the valuation of their vehicles and seek refunds for overpayments. The Motor Vehicle Tax does not apply to certain exempted classes of vehicles, including commercial trucks and rental cars. The State currently imposes a motor vehicle excise tax of 2.2% of the value of the vehicle plus \$2 per vehicle. After giving effect to the Motor Vehicle Tax imposed by Sound Transit, the aggregate motor vehicle excise taxes imposed in the District are 2.5% of the value of the vehicle plus \$2 per vehicle.

The Motor Vehicle Tax is due and payable annually at the time a motor vehicle is registered. Vehicle registrations are valid for a 12-month period, generally commencing the month the vehicle license initially is issued, and must be renewed annually. Each County auditor is required to collect the Motor Vehicle Tax, together with other motor vehicle excise taxes and license fees imposed by law.

Sound Transit has entered into a ten-year contract with the State Department of Licensing for the collection and disbursement of the Motor Vehicle Tax. Under this contract, the Department of Licensing segregates money received from the County auditors on account of the Motor Vehicle Tax into a separate account of the State Treasury. This money is disbursed to Sound Transit on a monthly basis. Sound Transit reimburses the Department of Licensing monthly for its actual and administrative costs in collecting the Motor Vehicle Tax.

The actual (unaudited) Motor Vehicle Tax (including Rental Car Tax) collected by Sound Transit from April 1, 1997 through March 31, 1998, was \$41,475,469.

Referendum 49. Referendum 49, enacted by the State's voters on November 3, 1998, authorizes a credit of up to \$30 against the State's motor vehicle excise tax on each personal-use motor vehicle. This credit does not affect Sound Transit's collection of the Motor Vehicle Tax. Effective July 1, 1999, Referendum 49 also reduces the percentage applied in the second and third years of service to the manufacturer's suggested retail price for determining the value of vehicles, thereby reducing the tax base upon which such taxes, including the Motor Vehicle Tax, may be collected. The percentage applied in the second year of service is reduced to 95% from 100%. The percentage applied in the third year of service is reduced to 89% from 91%. The Department of Licensing estimates that Referendum 49 will reduce the motor vehicle excise tax base by approximately 1.0 to 1.5%, and the 1999 Sound Transit Budget reflects an expected \$700,000 reduction in Motor Vehicle Tax. *Sound Transit has not otherwise included the impact of Referendum 49 in its revenue forecasts.* The remaining provisions of Referendum 49 reallocate the use of the State's motor vehicle excise taxes and are not expected to affect Sound Transit's finances or operations.

Rental Car Tax. The Rental Car Tax is collected at the rate of 0.8%. The base of the Rental Car Tax is the selling price in the case of a sales tax or the rental value of the vehicle in the case of a use tax. The sales and use tax on retail car rentals for all political jurisdictions, including Sound Transit, is imposed in the Counties at the following rates: King, 8.9 to 9.7%; Pierce, 6.9 to 7.7%; and Snohomish, 5.9 to 6.7%.

Pro Forma Historical and Forecasted Local Option Tax Revenues

Table 3 sets forth pro forma historical Local Option Tax revenues—Sound Transit's estimate of the Local Option Tax revenues that would have been collected in the District in 1991–1997. Table 4 sets forth Sound Transit's forecasted Local Option Tax revenues, or Local Option Tax revenues expected to be collected in the District in 1998–2006.

Limitations of Forecasting. The management of Sound Transit has prepared the forecasted financial information set forth below. The prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of Sound Transit's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of Sound Transit. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information. Neither Sound Transit's independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The assumptions and estimates underlying the prospective financial information are inherently uncertain and, though considered reasonable by the management of Sound Transit as of the date hereof, are subject to a wide variety of significant business and economic risks and uncertainties that could cause actual results to differ materially from those forecasted. Accordingly, there can be no assurance that forecasted results are indicative of the future performance of Sound Transit or that actual results will not be materially higher or lower than those forecasted. Inclusion of the prospective financial information in this Official Statement should not be regarded as a representation by any person that the forecasted results will be achieved.

Neither the delivery of this Official Statement nor any sale of the Series 1999 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of Sound Transit since the date hereof. Sound Transit specifically disclaims any obligations to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except as otherwise expressly provided in "ONGOING DISCLOSURE."

Pro Forma Historical Local Option Tax Revenue Estimation Methodology. Sound Transit did not impose the Local Option Taxes until April 1, 1997. Estimating pro forma historical revenues for the District presents unique challenges, as District boundaries do not correspond to any economic reporting entity. The District includes incorporated and unincorporated areas in the Counties. Sound Transit estimated its percentage of the Counties' sales and use tax base using taxable retail sales reported by the State Department of Revenue for cities in the District and estimated taxable retail sales in each unincorporated area based on that area's share of retail employment in the County. Sound Transit estimated its percentage of the Counties' motor vehicle excise tax base by determining the District's share of actual collections in 1997 in the Counties and using that percentage in 1991-1996.

Local Option Tax Revenue Forecast Methodology. Sound Transit forecasts Local Option Tax revenues through 2006 for planning purposes. Sound Transit computed 1998 tax bases for the Local Option Taxes using actual collections in the District reported by the Department of Revenue and Department of Licensing, and adjusting for seasonality. To forecast growth rates, Sound Transit uses a three-County forecast produced by Dick Conway & Associates for Sound Transit. This long-term forecast uses as a base a national economic forecast from Standard & Poor's Data Resources Inc. and the Blue Chip Economic Indicators. Dick Conway & Associates inputs the national economic forecast into its three-County model, which, combined with a separate model of the aerospace sector, accounts for local labor markets and industries. The three-County model generates ten-year estimates of taxable retail sales and motor vehicle values for the three-County region and indicates, via the growth rates associated with the tax bases, the business cycle expected within the next ten years. Finally, the growth rates from this long-range forecast are used to extend the computed 1998 tax bases into the future, replicating their cyclical pattern. The Local Option Tax rates are applied to the estimated tax bases to forecast Local Option Tax revenues.

Sound Transit's current economic forecast includes an assumption for inflation, which is derived from the same Dick Conway & Associates three-County model that is used to forecast revenue growth. The three-County model assumes the average annual rate of inflation to be 2.8% in 1997-2006.

TABLE 3:
PRO FORMA HISTORICAL LOCAL OPTION TAX REVENUES (1)

Year Ending 12/31	Sales Tax Base		Motor Vehicle Tax Base		District %	Sales Tax Revenue	Growth Rate	Motor Vehicle Revenue (2)	Motor Vehicle Tax Revenue (2)	Growth Rate	Total	
	(Counties) (\$000s)	(Counties) (\$000s)	(Counties) (\$000s)	(Counties) (\$000s)							Local Option Taxes	Local Option Taxes
1991	\$31,123,354	\$120,522,000	\$12,674,111	\$28,785,000	96.8%		--	\$28,785,000		--	\$149,307,000	
1992	32,594,558	126,046,000	13,284,506	30,171,000	96.7		4.6%	30,171,000		4.8%	156,217,000	
1993	33,539,754	129,438,000	13,808,682	31,361,000	96.5		2.7	31,361,000		4.0	160,799,000	
1994	35,062,307	135,182,000	14,671,368	33,321,000	96.4		4.4	33,321,000		6.3	168,503,000	
1995	36,408,658	140,299,000	15,353,575	34,870,000	96.3		3.8	34,870,000		4.7	175,169,000	
1996	38,102,528	146,562,000	16,372,347	37,184,000	96.2		4.5	37,184,000		6.6	183,746,000	
1997 (3)	42,142,747	161,511,000	17,749,734	40,312,000	95.8		10.2	40,312,000		8.4	201,823,000	

TABLE 4:
FORECASTED LOCAL OPTION TAX REVENUES (1)

Year Ending 12/31	Sales Tax		Motor Vehicle Tax		Growth Rate	Motor Vehicle Tax Revenue (2) (4)	Growth Rate	Total	
	Revenue	Rate	Revenue	Rate				Local Option Taxes	Local Option Taxes
1998 (5)	\$175,090,000	8.4%	\$44,521,000	10.4%		\$219,611,000			
1999	184,816,000	5.6	47,702,000	7.1		232,518,000			
2000	191,821,000	3.8	50,664,000	6.2		242,485,000			
2001	198,257,000	3.4	53,442,000	5.5		251,699,000			
2002	205,631,000	3.7	56,201,000	5.2		261,832,000			
2003	216,071,000	5.1	59,122,000	5.2		275,193,000			
2004	228,302,000	5.7	62,488,000	5.7		290,790,000			
2005	241,086,000	5.6	66,123,000	5.8		307,209,000			
2006	254,666,000	5.6	69,914,000	5.7		324,580,000			

(1) For the methodology used and the assumptions underlying the figures set forth in this table, see "Pro Forma Historical and Forecasted Local Option Tax Revenues" above.

(2) Includes Rental Car Tax.

(3) Actual (audited) collections from 4/1/97 through 12/31/97 of Sales Tax were \$126,033,166 and of Motor Vehicle Tax (plus Rental Car Tax) were \$32,096,169.

(4) Forecasted Motor Vehicle Tax Revenues do not reflect the impact of Referendum 49 discussed above.

(5) Actual (unaudited) collections from 1/1/98 through 9/30/98 of Sales Tax were \$130,749,628 and of Motor Vehicle Tax (plus Rental Car Tax) were \$34,896,478.

SOUND TRANSIT — HISTORY AND GOVERNANCE

Introduction

Sound Transit was created on September 17, 1993, the date of the Board's initial meeting, pursuant to the authority contained in the Act. Sound Transit's administrative and principal business office is located in Seattle, Washington.

Sound Transit is a local agency charged with the responsibility of planning and implementing a high capacity transportation system within the central Puget Sound region. That region is the most populous of the State and includes, among others, the cities of Seattle, Tacoma, Bellevue and Everett. The current estimated population within the District is 2,416,700.

State law defines a "high capacity transportation system" to be "a system of public transportation services within an urbanized region operating principally on exclusive rights of way, and the supporting services and facilities necessary to implement such a system, including interim express services and high occupancy vehicle lanes, which taken as a whole, provides a substantially higher level of passenger capacity, speed, and service frequency than traditional public transportation systems operating principally in general purpose roadways." State law permits such a system to include, in addition to trains, buses, tracks and roads, other infrastructure such as feeder systems, park-and-ride facilities, intermodal centers and related roadway and operational facilities. Sound Transit's facilities may include any lands, interest in land, air rights over lands, and improvements thereto including vessel terminals, and any equipment, vehicles, vessels, and other components necessary to support the system.

The Act authorized a joint regional policy committee, comprised of elected officials serving on the boards of directors for Pierce Transit, King County Metro, Community Transit and Everett Transit, together with a representative from the State Department of Transportation, to adopt a final system plan by June 30, 1993. An independent review panel was appointed to advise the joint regional policy committee, and later Sound Transit, and to review the draft components of the system plan. The system plan was timely completed, and the three Counties by resolution determined to participate in Sound Transit. The proposed taxes to fund the original \$6.7 billion system plan were placed before the District's voters on March 14, 1995, and were rejected. In accordance with the Act, the Board redefined the original proposal as the current System Plan and submitted the Sales Tax and Motor Vehicle Tax to the District's voters on November 5, 1996, where they passed by a 57% affirmative vote.

Organizational Structure

Sound Transit is governed by an 18-member board of directors that establishes and controls policy for Sound Transit. Seventeen of the Board members are local elected officials, appointed by the County executive and confirmed by the legislative authority of each County. The State Secretary of Transportation also serves on the Board. The local elected officials include county executives, county council members, mayors and city council members from within the District. Currently, each County is represented by one Board member per 145,000 people living within that County. Board members serve staggered four-year terms.

Sound Transit has a broad range of corporate powers, including but not limited to the ability to hire and remove employees, retain consultants and contractors, receive gifts and grants, contract with governmental and private entities, acquire and dispose of property, equipment and facilities, exercise the power of eminent domain, impose specified taxes and fix rates and charges.

Sound Transit is organized into eight departments: three modal departments (Sounder Commuter Rail, Link Light Rail and Regional Express) and five administrative departments (Board, Executive, Legal, Public and Government Affairs, and Finance and Administration).

Key Staff Biographies

Bob White, Executive Director. Mr. White, a 20-year veteran of transportation planning and public policy, was selected by the Board to head Sound Transit in August 1995. He served as deputy project manager for the Regional Transit Project, the initial planning effort that resulted in formation of Sound Transit. In 1995, he successfully implemented and operated "Try Rail," a six-week demonstration of passenger rail services on the existing railroad tracks between Everett and Tacoma. Mr. White completed the management program of the University of Washington Graduate School of Business, and holds a bachelor of science degree in environmental sciences from Western Washington University.

Paul Matsuoka, Deputy Executive Director, Public and Government Affairs. Mr. Matsuoka has over 20 years experience in planning, public policy and public management. He served as the Executive Director for the Seattle City Council staff and worked for King County Metro's Regional Transit Project, Parsons Brinckerhoff and Kaiser-Permanente. He holds a master's degree in urban planning and a bachelor's degree in political science from the University of California at Los Angeles.

Desmond Brown, General Counsel. Mr. Brown joined Sound Transit in May 1997 after 11 years as a real estate attorney with the Seattle law firm of Preston Gates & Ellis and the King County Prosecutor's Office. He acted as the principal attorney for numerous property and right-of-way acquisitions, including the acquisition of land for the Seattle Mariners Baseball Stadium and for the West Point Sewage Effluent Transfer System. Mr. Brown received his law degree from Harvard Law School and is a graduate of Arkansas State University with a bachelor of science degree in operations research management.

Jan Hendrickson, Director of Finance and Administration. Ms. Hendrickson's background in public finance and policy includes management positions with the Port of Seattle and policy positions with Battelle Human Affairs Research Center and the University of Washington's Institute for Public Policy and Management. She began her career in human services management. Ms. Hendrickson has a master of public administration degree from the University of Washington, where she also received her undergraduate degree.

Paul N. Bay, P.E., Director, Link Light Rail. Mr. Bay is a registered civil engineer with nearly 40 years experience in transportation engineering. As Executive Director of Transit Development for Portland's Tri-Met, Mr. Bay directed the planning, design and construction of that region's initial 15-mile light rail line as well as numerous transit centers, park-and-ride lots and a bus maintenance facility. He also served as Assistant General Manager for Transit System Development for Houston Metro and Deputy Director of the San Francisco Bay Area's Metropolitan Transportation Commission. As a principal in two different consulting engineering firms, Mr. Bay participated in or directly managed the planning or design of transit capital projects in 20 U.S. and Canadian cities. He has been active in professional engineering and transportation organizations, including the Transportation Research Board of the National Academy of Science. Mr. Bay has a civil engineering degree from Stanford University.

Paul W. Price, Director, Sounder Commuter Rail. Mr. Price previously served as Director of Service Development for the North County Transit District in San Diego. He led several bus, commuter rail and light rail product development processes, including the development and implementation of San Diego's commuter rail system, the Coaster, which began service in 1995. He worked with multiple jurisdictions on regional transit efforts, negotiated with railroads and rail service operators, oversaw consultants and labor negotiations, conducted right-of-way procurement, secured federal and state grant funds and was responsible for implementing commuter rail service, including design, station siting, financial planning and forecasting, schedule development and marketing. Mr. Price has been involved in transit planning and development since 1974, having worked in Anchorage, Alaska, and Portland, Oregon, as well as in San Diego. He is a graduate of San Diego State University and a U.S. Navy veteran.

Agnes Govern, Director, Regional Express. Before joining Sound Transit, Ms. Govern was the Assistant General Manager of the Snohomish County Public Utility District. She also held various management positions with King County Metro, including serving as acting finance director and information systems division manager. At King County Metro, she managed the adoption of two multimillion dollar, multiyear information system business plans. Ms. Govern holds a master's degree in public administration from the University of Washington.

Conflicts of Interest

None of the Board members or other officers of Sound Transit has any interest in the issuance of the Series 1999 Bonds that is prohibited by law.

SOUND TRANSIT — SYSTEM PLAN

General

The System Plan includes provisions for expanding existing travel corridors and creating new high-capacity transportation corridors that link economic centers and residential communities within the District. The ten-year time frame for putting the System Plan in place began with voter approval of the Sales Tax and Motor Vehicle Tax in November 1996. As described in greater detail below, the System Plan consists of three major components: Regional Express, which is intended to increase the level and improve the quality of bus service and transit ridership throughout the District; Sounder Commuter Rail, which will add two-way rush-hour passenger train service on existing railroad tracks in the District; and Link Light Rail, which will add a new system of high-capacity transit to the District.

System Plan Implementation Risks

Sound Transit management believes that the System Plan is based on conservative cost and ridership assumptions and methodologies. The assumptions and methodologies have been reviewed by an independent expert review panel appointed by the Governor, the State legislature and the State Department of Transportation (“WSDOT”). The Board believes that the System Plan will be implemented on time and on budget. However, as new facts and circumstances arise, the Board may make policy decisions as to services, equipment, route alignment, fares and other matters that may affect the cost and timing of System Plan implementation. Implementation of the System Plan on time and on budget also depends on circumstances beyond the control of Sound Transit, including weather, soil conditions, environmental conditions, economic conditions, local jurisdiction permitting, the presence of archaeologically significant artifacts, natural disasters, legal challenges, changes in law and others. Any of these circumstances could delay the implementation or increase costs of the System Plan, or result in the need to incur additional debt.

The District

The District’s boundaries generally conform to the “urban growth boundaries” designated by each County pursuant to the State Growth Management Act, with certain minor adjustments to account for voter precinct boundaries and city limit lines. Sound Transit may annex adjacent areas, subject to certain conditions contained in the Act, including approval by voters within the area to be annexed.

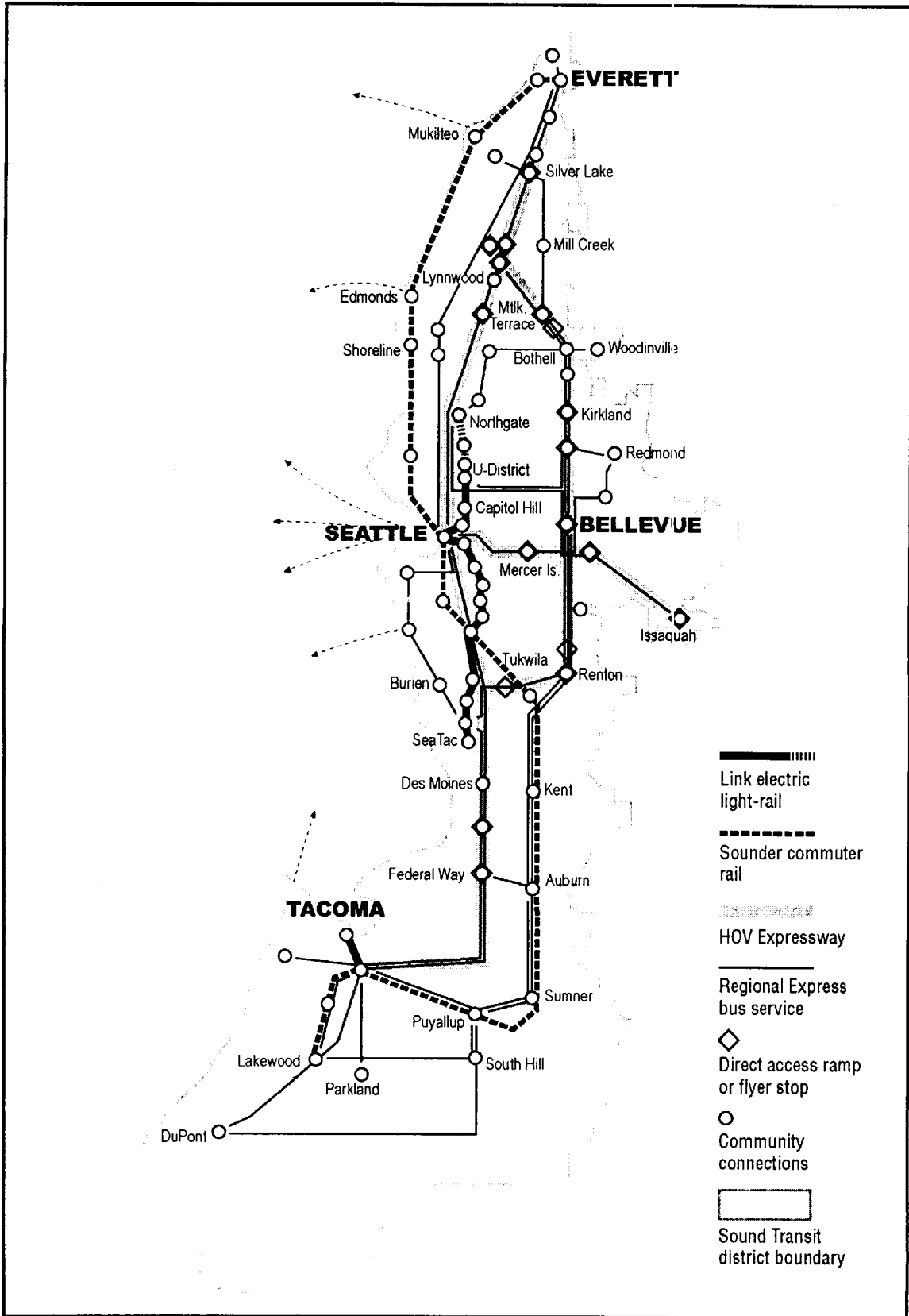
In 1998, the State legislature enacted a short-term statute to allow the withdrawal of the City of Covington, population 12,500, from the District. The incorporation of Covington was approved by voters at the same election in which the Sales Tax and Motor Vehicle Tax were approved. A portion of the new city had not been included in the District, and therefore voters in that portion had no opportunity to vote on the tax measure. Sound Transit did not expect to provide any significant service to the area within Covington. Accordingly, the State legislature enacted a short-term statute that, with the approval of the Board, allowed Covington to withdraw from the District. That statute will expire on December 31, 1998, and there exists no other authority for withdrawal from the District.

Sound Transit’s service area generally encompasses the District. A map showing services expected to be provided pursuant to the System Plan is set forth on the following page.

Subarea Equity

In accordance with the System Plan, Sound Transit has adopted policies to utilize local tax revenues and related debt for projects and services that benefit the five subareas in the District generally in proportion to the level of revenues each subarea generates. The five subareas are: Snohomish County, North King County, East King County, South King County and Pierce County. All Local Option Taxes, regardless of the subarea from which they are collected, are pledged to the payment of the Bonds.

SOUND MOVE — The Ten-Year Regional Transit System Plan



Regional Express

Regional Express consists of four programs designed to improve the quality and level of bus service and transit ridership throughout the region.

HOV Direct Access. WSDOT currently maintains approximately 156 lane-miles of high-occupancy vehicle ("HOV") expressway lanes within the District. The System Plan provides for the addition of 13 direct access HOV on/off ramps to improve transit speed and reliability. Before building individual HOV access ramps, Sound Transit will work with WSDOT, local transit operators, local jurisdictions and citizen committees to assess each facility's location and function. This assessment will determine whether there are ways to achieve equivalent transit speed, reliability and ridership at a lower cost or by making transportation system management improvements instead.

The improvements will expand and improve the existing HOV lanes by creating a continuous inside-lane HOV network. Traffic flow will also improve in general purpose lanes as buses and carpools will no longer weave through several lanes of traffic to reach the HOV lanes. Pursuant to a memorandum of understanding between Sound Transit and WSDOT, WSDOT will manage the design and construction of the projects. Each HOV segment and direct-access ramp will open as soon as WSDOT completes it, with all of Sound Transit-funded improvements expected to be operational by the end of 2006.

Regional Express Bus. New Regional Express bus routes will take advantage of the improved speed and reliability of Sound Transit's HOV access improvements. The new high-speed Regional Express bus routes will offer frequent, two-way service throughout the day. The Regional Express routes will serve major regional centers and destinations and provide connections to other transportation components of the System Plan and local bus service. In September 1997, Pierce Transit began cooperating with Sound Transit to enhance Tacoma/Lakewood-to-Seattle express service.

Community Connections. To maximize public access to the regional transportation system, Sound Transit expects to fund 34 community connection facilities, including transit centers and park-and-ride lots. These facilities are intended to improve access to the Regional Express system as well as to local transit services.

Sound Transit will develop park-and-ride lots and transit centers that support the HOV access improvements and Regional Express and local bus routes through a joint development program designed to establish and promote public/private partnerships and partnerships with local jurisdictions. Construction on the 1,000-stall Ash Way park-and-ride lot north of Lynnwood is expected to be completed in 1999. Sound Transit is developing a new transit center for King County Metro, Community Transit and Sound Transit buses and an accompanying park-and-ride lot in Redmond.

Systems Integration. The District overlaps the service areas of four separate transit agencies authorized to operate high capacity transportation system facilities: Pierce Transit, King County Metro, Community Transit and Everett Transit. Sound Transit has authority under the Act but does not expect to assume control over such facilities within the District. The System Plan contemplates that those agencies will continue to provide local transit service within their existing service areas. Sound Transit will ensure that rail and bus services work together with other transit services in the region. The System Plan provides for an integrated fare policy for the region's entire public transit service network. The System Plan also provides for development of new technologies that will improve the effectiveness and efficiency of public transit.

The Act prohibits private companies from providing competing transportation services within the District absent Sound Transit's consent. If a private company is required to terminate such service, Sound Transit must acquire the company's assets that were used in providing the terminated service. Sound Transit does not expect to require the termination of any private service.

Souder Commuter Rail

Souder Commuter Rail is expected to add 82 miles of two-way rush-hour passenger train service using existing railroad tracks between Everett, Seattle, Tacoma and Lakewood. The Souder Commuter Rail system is expected to include 14 stations as part of the System Plan. Current plans are for major intermodal terminals in Everett, Seattle and Tacoma. Major intermodal terminals (including Washington State Ferries) developed through a partnership with Sound Transit and other public agencies are also planned for the Mukilteo and Edmonds waterfronts. Additional stations may be built in future phase capital developments. Souder will build on a railroad network already in place, increasing the transportation system's people-moving capacity and, by making necessary track, signal and communications equipment improvements, improving the capacity of those tracks for other passenger and freight trains as well.

The track, signal and communications equipment improvements required to operate Souder Commuter Rail will provide the speed and reliability necessary to offer attractive passenger service and build ridership in the District. Through a joint development program promoting public/private partnerships, Sound Transit will develop park-and-ride lots, transit centers and stations to serve and support Souder Commuter Rail. The goal of the program will be to encourage transit and pedestrian access to stations by establishing and promoting partnerships with parties interested in locating in areas served by Souder Commuter Rail. Sound Transit has begun property acquisition for a Souder Commuter Rail station in Auburn.

The environmental impact statement ("EIS") for the Souder Commuter Rail line between Tacoma and Seattle has been completed, and Sound Transit expects this line will begin operating by the end of 1999.

Sound Transit is analyzing options for expanding track capacity to handle increasing freight and passenger demands along the Burlington Northern Santa Fe right-of-way from Everett to Seattle. In past years, mudslides have periodically covered several portions of the tracks, reducing certain areas to a single track. The United States Environmental Protection Agency ("EPA") has expressed concerns regarding potentially significant environmental impacts of the right-of-way expansion. Sound Transit is working to minimize the environmental impact of expanding the right-of-way, which borders the shoreline of Puget Sound in an area that provides habitat for salmon, waterfowl and other wildlife. If the required environmental approvals are obtained as scheduled, Sound Transit expects to complete the EIS for the lines between Everett and Seattle and between Tacoma and Lakewood by 2000, with operations to begin in 2001.

Link Light Rail

The Link Light Rail component will add a new type of high-capacity transit to the transportation system of the Puget Sound region. The System Plan provides for two systems: Central Link and Tacoma Link. Central Link is expected to run 23 miles in two segments: from downtown Seattle north to the University District, potentially continuing to Northgate, and from downtown Seattle south through southeast Seattle and Tukwila to SeaTac.

Central Link is expected to include 21 stations within walking distance of major destinations as well as connections to local bus service. Some stations will include connections to Regional Express buses, Sounder Commuter Rail, the monorail and the waterfront streetcar. The most significant investment required for Central Link, the downtown Seattle transit tunnel and its stations, has already been made. The Board has adopted policies regarding property acquisition in conformance with federal policies.

Tacoma Link will connect downtown Tacoma with the Tacoma Dome Station—a regional intermodal terminal near the Tacoma Dome where riders can connect with Regional Express and local buses and Sounder Commuter Rail. Five stations are expected to serve downtown Tacoma. Tacoma Link is scheduled to commence operations in 2001.

Sound Transit published the draft EIS for Tacoma Link in October 1998 and held a public hearing in November 1998. Sound Transit, together with the Federal Transit Administration (“FTA”), published the draft EIS for Central Link in November 1998, and Sound Transit will hold five public hearings in January 1999. The Board expects to identify the locally preferred alternative alignment within each segment of Central Link in February 1999. However, the Board may delay its identification or may request that multiple alignment alternatives be studied in the final EIS. Sound Transit expects to complete preliminary engineering and the final EIS for Central Link in 1999.

The alignment alternatives in southeast Seattle’s Rainier Valley are largely at grade or elevated. A group of Rainier Valley citizens has questioned the decision not to offer a tunnel alignment. The EPA has expressed concerns with respect to environmental justice and disproportionate impacts and has requested that a discussion of the project’s benefits to the Rainier Valley be included in the EIS. In addition, two of the four alignments under consideration in the Tukwila area run along Highway 99 and are opposed by the City of Tukwila. Sound Transit held several community forums in November 1998 to discuss these issues among citizen groups, local jurisdictions and transit providers.

The Central Link draft EIS includes updated cost information for all alignments. The estimates for implementation of Central Link range from \$1.8 billion to \$2.3 billion in 1995 dollars. The proposed alignment alternatives include alignments that can be built within the original System Plan budget of \$1.8 billion in 1995 dollars. However, some alignments included in the draft EIS are more expensive than the original System Plan budget. These alignments include additional stations, revised routes, additional aerial or underground tracks, and elements to accommodate future additions to Central Link. The staff-recommended locally preferred alternative in the draft EIS includes some of these additional elements. The locally preferred alternative identified by the Board may exceed the cost estimated in the System Plan.

In particular, the staff-recommended locally preferred alternative includes extension of Central Link to Northgate. The System Plan includes \$26 million in 1995 dollars for preliminary engineering for this extension, while the draft EIS includes \$364 million for this extension. The System Plan specifies that the extension would be built only if additional federal funding or revenues other than Local Option Taxes were available.

SOUND TRANSIT — FINANCIAL INFORMATION

The management of Sound Transit has prepared the forecasted financial information set forth below. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information. See “LOCAL OPTION TAXES — Pro Forma Historical and Forecasted Local Option Tax Revenues — Limitations of Forecasting.”

Forecasted Expenditures

The System Plan forecasts expenditures on capital and operations and maintenance (“O&M”) in 1997–2006 to be \$3,914 million in 1995 dollars. Sound Transit currently forecasts expenditures in year-of-expenditure dollars for 1997–2006 to total \$5,108 million: \$3,918 million for capital and \$1,190 million for O&M (including debt service, reserves and contingencies), as set forth in Table 5. By December 31, 1998, Sound Transit expects to have spent \$119.9 million on capital outlays and \$11.9 million on net operating expenses.

TABLE 5:
FORECASTED EXPENDITURES, 1997–2006
(\$000s, year-of-expenditure)

Area	Capital	O&M	Total	Percent
Regional Express	\$ 903,698	\$ 342,709	\$1,246,407	24%
Souder Commuter Rail	625,981	162,869	788,850	15
Link Light Rail	2,278,150	73,303	2,351,453	46
Administration and Other	109,941	267,762	377,703	7
Debt Service	-	343,797	343,797	7
Total	\$3,917,770	\$1,190,439	\$5,108,209	100%

Note: Totals may not add due to rounding.

Forecasted Funding Sources

The System Plan forecasts funding sources in 1997–2006 to be \$3,914 million in 1995 dollars. Sound Transit currently forecasts funding sources in year-of-expenditure dollars for 1997–2006 to total \$5,108 million, as set forth in Table 6.

Revenues derived from Local Option Taxes comprise approximately one-half of Sound Transit’s forecasted funding sources in 1997–2006. A downturn in economic growth would adversely affect Sound Transit’s forecasted receipt of Local Option Taxes. In a year in which economic activity is stagnant or declines, Local Option Tax revenues could fall as compared to an earlier year. See Appendix C — “Demographic and Economic Information.”

Sound Transit expects to receive federal grants and to receive operating revenues from Regional Express, Souder Commuter Rail and Link Light Rail services. Sound Transit also expects to derive certain rental revenue from leasing space at transit centers, rail stations and other facilities. Sound Transit has authority, with voter approval, to impose an employer tax of \$2 per employee per year. Sound Transit currently does not expect to impose such a tax. Sound Transit may create local improvement districts and

levy special assessments on property therein to fund transportation improvements within the boundaries of such local improvement districts. *Funding sources other than Local Option Taxes are not pledged for the payment of the Bonds.*

TABLE 6:
FORECASTED FUNDING SOURCES, 1997-2006
(\$000s, year-of-expenditure)

Source	Amount	Percent
Local Option Taxes (1)	\$ 2,564,832	50%
Federal Grants	905,443	18
Operating Revenue	161,440	3
Other Revenues	86,289	2
Bond Proceeds	<u>1,390,205</u>	<u>27</u>
Total (2)	\$ 5,108,209	100%

(1) The Local Option Taxes were imposed effective April 1, 1997. See "LOCAL OPTION TAXES — Pro Forma Historical and Forecasted Local Option Tax Revenues."

(2) Totals may not add due to rounding.

Operating Revenue. Sound Transit expects to adopt a schedule of rates, tolls, fares and other miscellaneous charges for the use of its Regional Express bus, Sounder Commuter Rail and Link Light Rail services. While Sound Transit has authority to establish a system of tolls for use of its HOV expressway access improvements, it currently has no plans to do so. The Board has exclusive jurisdiction with respect to establishing and revising Sound Transit's rates, tolls, fares and charges, and may adjust (or eliminate) fares and charges for any distinguishable class of users. Sound Transit expects to enter into agreements with other providers of public transit to create an integrated fare policy. *Operating revenues are not pledged for the payment of the Bonds.*

Federal Funds. The System Plan provides that most of the federal funds for Sound Transit come from Section 5309 "New Starts" funds. New Starts funds are discretionary funds, earmarked by Congress and administered by the FTA, for major capital investments in fixed guideway systems in urban areas.

Sound Transit secured small amounts of federal funding for Sounder Commuter Rail planning prior to voter approval of the Sales Tax and Motor Vehicle Tax. Following voter approval, in Fiscal Year 1998 Sound Transit secured \$18 million in New Starts appropriations from Congress for Link Light Rail and Sounder Commuter Rail. In October 1998, Sound Transit received an additional \$54 million in 1999 federal appropriations. These appropriations included \$41 million from New Starts for Sounder Commuter Rail and \$5 million for Link Light Rail, and an additional \$8 million for Regional Express. *Federal funds are not pledged for the payment of the Bonds.*

Budgeting and Capital Planning Process

Sound Transit prepares an annual proposed budget for presentation to the Board no later than 60 days prior to the end of each Fiscal Year. The budget includes operating expenses and revenues for the upcoming Fiscal Year as well as a six-year capital plan. The six-year capital plan contains project-by-project summaries of total costs and capital outlays by phase, such as construction and property acquisition, and by subarea. The budget presents summary information on expenses and outlays in each

subarea, and contains project-by-project comparisons to the original System Plan budget. The Board-adopted budget policies require Board adoption before the start of each Fiscal Year and requires a two-thirds vote. The 1999 Budget was adopted by the Board on November 12, 1998.

Future Phase Capital Developments

Sound Transit is authorized to fund future operations, maintenance and debt service from the Local Option Taxes. The Board expects that any significant future phase capital developments beyond those specified in the System Plan will require approval of the voters within the District. If voters decide not to proceed with future phases, Sound Transit may elect to repurchase, redeem or defease Bonds in accordance with their terms. Subject to meeting the Sufficiency Test for debt service coverage on the Bonds, Sound Transit may also elect to reduce the rate of Sales Tax imposed to not less than 0.3%. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Pledge Securing Bonds."

Financial Policies

The System Plan contains Board-adopted financial policies that provide the framework for more detailed agency financial and administrative policies. The financial policies require that Sound Transit's financial plan provide a budget for each subarea containing updated expenditure and revenue forecasts. The financial policies outline debt financing capacity, guidelines for setting priorities for expenditures, and public accountability standards. In addition, the financial policies establish the guidelines for monitoring and maintaining subarea equity. The policies also establish principles for maintaining a regional fund for fare integration, research and development of new technology, future phase capital development planning and agency administration.

Authorized Investments; Investment Policy

The Board has designated the Director of Finance and Administration as treasurer of Sound Transit. The treasurer has authority under State law to invest surplus funds in (1) bonds of the State and any local government in the State; (2) general obligation bonds of any other state or a local government of any other state, which bonds have, at the time of investment, one of the three highest ratings of a nationally recognized rating agency; (3) registered warrants of a local government in the Counties; (4) obligations of the United States Government, its agencies and wholly owned corporations; (5) State, county, municipal or school district general obligation bonds within the statutory limitation of indebtedness; (6) motor vehicle fund warrants; (7) obligations of the Federal Home Loan Bank, Federal National Mortgage Association and other government-sponsored enterprises; (8) bankers' acceptances; (9) negotiable certificates of deposit of any national or state commercial or mutual savings bank or savings and loan association; and (10) commercial paper.

Sound Transit has adopted an investment policy with the primary objectives, in order of priority, of safety, liquidity and return on investment. Investments must be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Sound Transit has chosen to limit its investments to the following types, and to limit the maximum percentage of investment in each type as follows:

Treasury Securities	100%
Federal Agency Securities	50
Banker Acceptances (1)	10
Certificates of Deposit (1)	10
Repurchase Agreements	10
Reverse Repurchase Agreements	10
State Treasurer's Local Government Investment Pool	100
Financial Institution Sponsored Investment Accounts	50

(1) Rated A1/P1.

Investment in derivatives is prohibited except for zero coupon treasury instruments, agency security obligations that have call features or step-up features at predetermined intervals, and agency obligations that float with interest rates or external indices such as treasury bills, LIBOR, COFI or the Fed Funds rate.

Accounting and Auditing

Sound Transit's accounting and reporting policies conform to regulations prescribed for municipal governments by the State Auditor's Office, Division of Municipal Corporations.

Sound Transit's financial statements are audited by the State Auditor's Office, which also performs an audit of Sound Transit's compliance with State law. In addition, Sound Transit has retained the certified public accounting firm of Deloitte & Touche LLP to serve as Sound Transit's independent auditors and to perform an annual audit of Sound Transit's financial statements. Absent extraordinary circumstances, Deloitte & Touche LLP has agreed to make Sound Transit's audited financial statements available within 100 days after the end of each Fiscal Year. Sound Transit's Fiscal Year currently ends on December 31.

Financial Statements

Sound Transit's audited financial statements for 1997 and unaudited financial statements for the first nine months of 1998 are set forth in Appendix A — "Financial Statements."

SOUND TRANSIT — OTHER MATTERS

Labor Relations

As of November 1, 1998, Sound Transit employed 142 permanent employees. No employees are represented by collective bargaining units. Sound Transit management believes that employee relations are satisfactory.

Pension Plans

Sound Transit has adopted a Money Purchase Plan and Trust currently administered by ICMA Retirement Corporation. The plan is a fixed employer system with all full-time employees and elected officials as members. Employees are responsible for directing the investment of their contributions and Sound Transit contributions. Sound Transit's contribution rate in 1997 was 12% of covered payroll, or \$233,300 on a covered payroll of \$1,944,000. The employee contribution rate in 1997 was 6% of covered payroll, or \$116,650.

Certain Sound Transit employees participate in the statewide local government retirement system administered by the State Department of Retirement Systems, under a cost-sharing multiple-employer defined benefit public employee retirement system (PERS I). Employer and employee contribution rates are established periodically by the State legislature. Sound Transit's contribution rate in 1997 was 7.5% of covered payroll, or \$44,733 on a covered payroll of \$596,441. The employee contribution rate in 1997 was 6% of covered payroll, or \$35,786. The Department of Retirement Services does not calculate pension benefit obligations for individual employers.

Risk Management

Sound Transit is insured (with small deductibles) for all common risks of loss. Policies currently carried include general liability (\$2 million limit), automobile liability (\$1 million limit), public officials liability (\$10 million limit), property damage (\$5 million limit), with umbrella excess coverage of \$2 million, and commercial crime (\$50,000 limit). Sound Transit requires contractors to carry all-risk builder's coverage for structures during construction and to name Sound Transit as loss payee. As exposures to loss increase, due to construction projects and operating lines of business, Sound Transit expects to use a combination of insurance and self-insurance to protect against catastrophic loss.

Year 2000 Issues

Many existing computer programs use only the last two digits to refer to a year. Therefore, these programs do not properly recognize that certain years begin with "20" instead of the familiar "19." If not corrected, many computer applications could fail or create erroneous results when attempting to recognize dates after December 31, 1999.

Sound Transit has a Year 2000 compliance program in place and does not expect any significant degradation in Sound Transit information systems at the turn of the century. Sound Transit's core computer hardware (Compaq, Bay, Cisco) is certified Year 2000 compliant and its operating software program (Microsoft Windows NT Workstation v4.0) is not believed to have any significant Year 2000 problems. Sound Transit receives a variety of data from other governmental entities and is working with these entities to reduce Sound Transit's exposure to any potential Year 2000 risk. However, Sound Transit cannot address or warrant the extent of Year 2000 issues facing those entities.

Sound Transit has contracted with the State for the collection and disbursement of the Local Option Taxes. The State, through the Department of Information Services and individual agencies, has undertaken programs to identify systems that are not Year 2000 compliant and to take appropriate actions to ensure system compliance. The State Legislature has allocated approximately \$83 million to address agency Year 2000 compliance needs through 1999. The State does not expect material impairment of its operations with the advent of the year 2000. It is impossible, however, to anticipate all potential problems, and disruptive situations could develop.

The fiscal agencies of the State (currently The Bank of New York and Wells Fargo) will serve as Registrar for the Series 1999 Bonds. The Bank of New York has stated that it is aware of the problems that may be presented for certain computer systems on and after January 1, 2000, and has developed a strategic plan to complete Year 2000 compliance modifications to Bank-owned mission critical systems by the end of 1998, which should allow for a full year of using these systems prior to the Year 2000. Nationally chartered banks such as Wells Fargo are required by the Office of the Comptroller of Currency to be substantially Year 2000 compliant by the end of 1998. Wells Fargo has reported that it

has an entire department devoted to Year 2000 compliance and is currently undergoing audits for compliance progress on a regular basis.

For provisions relating to Year 2000 compliance by DTC, see Appendix E — “Book-Entry Only System.”

LITIGATION

No Litigation Concerning the Series 1999 Bonds

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance, sale, execution, or delivery of the Series 1999 Bonds or in any way contesting or affecting the validity of the Series 1999 Bonds or any proceedings of Sound Transit taken with respect to the issuance or sale thereof, or the power of Sound Transit to collect any of the Local Option Taxes.

Other Litigation

There are no legal or governmental actions, proceedings, inquiries, or investigations pending or threatened to which Sound Transit is a party or of which any property of Sound Transit is subject which, if determined adversely to Sound Transit, would individually or in the aggregate materially and adversely affect Sound Transit’s finances or operations.

TAX EXEMPTION

General

In the opinion of Preston Gates & Ellis LLP, Seattle, Washington, Bond Counsel, interest on the Series 1999 Bonds is excluded from gross income that is subject to federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), provided the continuing arbitrage requirements of Section 148 of the Code described in this section under “Continuing Requirements” are complied with.

The Series 1999 Bonds are not private activity bonds and interest on the Series 1999 Bonds is not an item of tax preference for purposes of determining alternative minimum taxable income for individuals or corporations under the Code. However, interest on the Series 1999 Bonds is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code as more fully described in this section under the heading “Certain Federal Income Tax Consequences.”

Except as described herein, Bond Counsel expresses no opinion on any federal, state or local tax consequence arising with respect to ownership of the Series 1999 Bonds.

Continuing Requirements

Section 148 of the Code has continuing arbitrage requirements that must be met subsequent to the issuance of the Series 1999 Bonds for the interest on the Series 1999 Bonds to be, and remain, exempt from regular federal income taxation. These requirements include provisions that prescribe investment yield limitations for the proceeds of the Series 1999 Bonds and that certain investment earnings be paid on a periodic basis to the federal government. The Resolution contains covenants of Sound Transit to comply with these continuing arbitrage requirements. Bond Counsel has not undertaken to determine (or

to inform any person) whenever any action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 1999 Bonds may affect the tax status of the interest on the Series 1999 Bonds.

Certain Federal Income Tax Consequences

The following is a discussion of certain federal tax matters under the Code. This discussion does not purport to deal with all aspects of federal taxation that may be relevant to particular bondowners. Prospective bondowners, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 1999 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Alternative Minimum Tax on Corporations. Section 55 of the Code imposes an alternative minimum tax on corporations equal to the excess of the tentative minimum tax for the taxable year over the regular tax for such year. The tentative minimum tax is based upon alternative minimum taxable income, which is regular taxable income with certain adjustments and increased by the amount of certain items of tax preference. One of the adjustments is a portion (75% for any taxable year beginning after 1989) of the amount by which a corporation's current earnings exceeds the corporation's alternative minimum taxable income (determined without regard to such adjustment and the alternative tax net operating loss deduction). Interest on tax-exempt obligations, such as the Series 1999 Bonds, is included in a corporation's adjusted current earnings.

For taxable years beginning after December 31, 1997, the corporate alternative minimum tax is repealed for small business corporations that had average gross receipts of less than \$5 million for the 3-year period beginning after December 31, 1994, and such small business corporations will continue to be exempt from the corporate alternative minimum tax so long as their average gross receipts do not exceed \$7.5 million.

Financial Institutions. The Code denies banks, thrift institutions and other financial institutions a deduction for 100% of their interest expense allocable to tax-exempt obligations, such as the Series 1999 Bonds, acquired after August 7, 1986.

Borrowed Funds. The Code provides that interest paid on funds borrowed to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or when carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The deduction for loss reserves for property and casualty insurance companies is reduced by 15% of the sum of certain items, including the interest received on tax-exempt bonds, such as the Series 1999 Bonds.

Social Security and Railroad Retirement Benefits. The Code also requires recipients of certain Social Security or Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest that is exempt from federal income tax.

Branch Profits Tax. Certain foreign corporations doing business in the United States may be subject to a branch profits tax on their effectively connected earnings and profits, including tax-exempt interest on obligations such as the Series 1999 Bonds.

S Corporations. Certain S corporations that have subchapter C earnings and profits at the close of a taxable year and gross receipts more than 25% of which are passive investment income, which includes interest on tax-exempt obligations such as the Series 1999 Bonds, may be subject to a tax on excess net passive income.

ORIGINAL ISSUE DISCOUNT

Purchasers should familiarize themselves with the CUSIP numbers of their Series 1999 Bonds. The following Series 1999 Bonds are “Discount Bonds”:

<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP No.</u>
2006	\$ 4,270,000	4 %	155048 AA 9
2007	4,445,000	4	155048 AB 7
2008	4,620,000	4 ⅛	155048 AC 5
2014	775,000	4 ¾	155048 AJ 0
2017	165,000	4.90	155048 AM 3
2018	830,000	4.95	155048 AN 1
2028	204,885,000	4 ¾	155048 BB 6

The initial public offering price of the Discount Bonds is less than the principal amount thereof payable at maturity. As a result, the Discount Bonds will be considered to be issued with Original Issue Discount. The difference between the initial public offering price of the Discount Bonds (assuming it is the first price at which a substantial amount of each series of the Discount Bonds is sold) and the principal amount payable at maturity of the Discount Bonds will be treated as “Original Issue Discount.” With respect to a taxpayer who purchases a Discount Bond at the initial public offering price (assuming it is the first price at which a substantial amount of the Discount Bonds is sold) and who holds such Discount Bond to maturity, the full amount of Original Issue Discount will constitute interest which is not includable in the gross income of the owner of such Discount Bond for federal income tax purposes and such owner will not, under present federal income tax law, realize taxable capital gain upon payment of such Discount Bond upon maturity.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of Original Issue Discount accruing each period will be added to the owner’s tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sales, redemption or payment at maturity). An owner of a Discount Bond who disposes of such Discount Bond prior to maturity should consult his tax advisor as to the amount of Original Issue Discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bond prior to maturity.

The Original Issue Discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending February 1 and August 1 (with straight line interpolation between compounding dates).

A portion of the Original Issue Discount that accrues in each year to an owner of a Bond may result in certain collateral federal income tax consequences. In the case of a corporation, such portion of the Original Issue Discount will be included in the calculation of the corporation's alternative minimum tax liability. Corporate owners of any Discount Bonds should be aware that the accrual of Original Issue Discount in each year may result in an alternative minimum tax liability although the owners of such Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the first offering price at which a substantial amount of that series of the Discount Bonds was sold to the public should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of Original Issue Discount in the case of subsequent purchasers of obligations such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial public offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners of the Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

TAX TREATMENT OF PREMIUM ON BONDS

Purchasers should familiarize themselves with the CUSIP numbers of their Series 1999 Bonds. The following Series 1999 Bonds are "Premium Bonds":

<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP No.</u>
2009	\$ 4,640,000	5 ¼ %	155048 AP 6
2010	3,950,000	5 ¼	155048 AQ 4
2011	5,000,000	5 ¼	155048 AR 2
2012	5,505,000	5 ¼	155048 AS 0
2013	5,745,000	5 ¼	155048 AT 3
2014	5,420,000	5 ¼	155048 AU 5
2015	6,365,000	5 ¼	155048 AV 3
2016	6,825,000	5 ¼	155048 AW 1
2017	7,055,000	5 ¼	155048 AX 9
2018	6,770,000	5 ¼	155048 AY 7
2021	69,225,000	5 ¼	155048 AZ 4

The initial offering price of the Premium Bonds exceeds the stated redemption price payable at the maturity of such Premium Bonds. The Premium Bonds will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Premium Bond in the initial offering must be reduced each accrual period and upon the sale or other taxable disposition of the Premium Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial purchaser. No corresponding

deduction is allowed for federal income tax purposes, however, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond which is amortizable each accrual period (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Premium Bond. The amount of tax exempt interest received by the owner of a Premium Bond in each accrual period is also reduced by the amount of amortizable bond premium allocable to such accrual period.

The bond premium and federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of a Premium Bond which is not purchased in the initial offering or which is purchased at a price other than the initial offering price for the Premium Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Premium Bond should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

ONGOING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission, Sound Transit has undertaken for the benefit of holders of the Series 1999 Bonds to provide certain financial information and operating data relating to Sound Transit by no later than six months after the end of each Fiscal Year, commencing on or before June 30, 1999 (the "Annual Financial Information"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Financial Information will be filed by or on behalf of Sound Transit with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and with the State Information Depository for the State, if any (the "SID"). Notices of material events will be filed by or on behalf of Sound Transit with the NRMSIRs or with the Municipal Securities Rulemaking Board, and with the SID, if any. Sound Transit's undertaking to provide ongoing disclosure is set forth in Appendix B — "The Master Resolution — Undertaking to Provide Ongoing Disclosure."

Sound Transit has not committed in the past to provide ongoing disclosure of information to bondholders.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 1999 Bonds by Sound Transit are subject to the approving legal opinion of Preston Gates & Ellis LLP, Seattle, Washington, Bond Counsel. The form of approving opinion of Bond Counsel is set forth in Appendix D. Certain legal matters will be passed upon for Sound Transit by its General Counsel, Desmond Brown, and by Foster Pepper & Shefelman PLLC, Seattle, Washington, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Chapman and Cutler.

RATINGS

As noted on the cover page of this Official Statement, Moody's Investors Service, New York, New York, and Standard & Poor's Ratings Services, New York, New York, have assigned their municipal bond ratings of Aaa and AAA, respectively, to the Series 1999 Bonds, with the understanding that, upon delivery of the Series 1999 Bonds, a policy insuring the payment when due of the principal of and interest on the Series 1999 Bonds will be issued by Financial Guaranty. The Series 1999 Bonds have

been assigned underlying municipal bond ratings of A1 and AA, respectively. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Series 1999 Bonds. Each rating reflects only the view of the applicable rating organization and an interpretation of such rating may be obtained only from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of such agencies, circumstances so warrant. Any such revision or withdrawal of either such rating may have an adverse effect on the market price of the Series 1999 Bonds.

UNDERWRITING

The Series 1999 Bonds are to be purchased by Goldman, Sachs & Co., E. J. De La Rosa & Co., Inc., Lehman Brothers Inc. and Salomon Smith Barney Inc. (collectively, the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the Series 1999 Bonds at a price of \$345,707,720.96, which reflects the principal amount of the Series 1999 Bonds, less a net original issue discount of \$2,307,016.95, less an aggregate underwriting discount of \$1,985,262.09 (with accrued interest from December 1, 1998 to be added). The Bond Purchase Contract provides that the Underwriters will purchase all Series 1999 Bonds if any are purchased. The Underwriters may offer and sell the Series 1999 Bonds to certain dealers (including dealers depositing Series 1999 Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on the cover page hereof, and such initial offering prices may be changed, from time to time, by the Underwriters.

AGENTS, ADVISORS AND CONSULTANTS

Registrar. Sound Transit has appointed the fiscal agencies of the State as the Registrar for the Series 1999 Bonds. The State fiscal agency contract is bid out by the State Treasurer on competitive basis for a four-year term. The current contract expires January 31, 2001. The Bank of New York and Wells Fargo currently serve in this capacity. For so long as the Series 1999 Bonds are held by DTC in book-entry only form, the beneficial owners of the Series 1999 Bonds must transfer their ownership interests, and will receive payments on the Series 1999 Bonds, in the manner set forth in Appendix E — "Book-Entry Only System."

Bond Counsel and Disclosure Counsel. The Seattle law firms of Preston Gates & Ellis LLP and Foster Pepper & Shefelman PLLC were selected to serve as Sound Transit's co-bond counsel pursuant to a request for proposal process. The term of such appointments is for five years. Preston Gates & Ellis LLP is serving as Bond Counsel in connection with the issuance of the Series 1999 Bonds. Foster Pepper & Shefelman PLLC is serving as special disclosure counsel to Sound Transit in connection with the issuance of the Series 1999 Bonds. Sound Transit expects that the roles of such firms will be reversed on subsequent bond issues. Aoki & Sakamoto and the Law Office of Stanley D. Tate LLC have assisted Bond Counsel and the Law Office of Kenneth Burton has assisted Disclosure Counsel in connection with the issuance of the Series 1999 Bonds.

Individual lawyers from each of Sound Transit's bond counsel firms assisted Sound Transit in the preparation of the System Plan, and Preston Gates & Ellis LLP has been retained to provide additional legal services to Sound Transit. Sound Transit does not believe such additional representation of Sound

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APPENDIX A
FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

Members of the Board
Central Puget Sound Regional Transit Authority
Seattle, Washington

We have audited the accompanying balance sheet of Central Puget Sound Regional Transit Authority (the Authority), a public corporation acting under the service name of Sound Transit, as of December 31, 1997, and the related statement of revenues, expenses, and changes in retained earnings, and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of and for the year ended December 31, 1996, were audited by other auditors whose report, dated September 12, 1997, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 1997 financial statements present fairly, in all material respects, the financial position of the Central Puget Sound Regional Transit Authority as of December 31, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

March 13, 1998

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY
King County, Washington
January 1, 1996 Through December 31, 1996

Independent Auditor's Report On Financial Statements And Additional Information

Council Members
Central Puget Sound Regional Transit Authority
Seattle, Washington

We have audited the accompanying financial statements of the Central Puget Sound Regional Transit Authority, King County, Washington, as of and for the fiscal years ended December 31, 1996 and 1995, as listed in the table of contents. These financial statements are the responsibility of the authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Puget Sound Regional Transit Authority at December 31, 1996 and 1995, and the results of its operations and cash flows for the fiscal years then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 1997, on our consideration of the authority's internal control structure and a report dated September 12, 1997, on its compliance with laws and regulations.


BRIAN SONNTAG, CGFM
STATE AUDITOR

September 12, 1997

**CENTRAL PUGET SOUND REGIONAL
TRANSIT AUTHORITY**

BALANCE SHEETS

<u>ASSETS</u>	<u>December 31,</u>		<u>September 30,</u> <u>1998</u> (unaudited)
	<u>1996</u>	<u>1997</u>	
CURRENT ASSETS:			
Cash and cash equivalents	\$ 88,610	\$ 50,602,084	\$ 66,834,060
Investments, at fair value	2,190,000	58,003,751	168,516,724
Taxes receivable		33,890,946	34,018,367
Interest receivable	11,079	773,465	2,662,094
Grants receivable	955,962		406,807
Other receivables			49,716
Prepaid expenses	36,993	276,269	187,565
Total current assets	3,282,644	143,546,515	272,675,333
OPERATING AND CONTINGENCY FUND:			
Cash and cash equivalents		4,871,226	9,790,223
PROPERTIES:			
Furniture, fixtures, and office equipment	5,436	1,720,838	2,694,928
Less accumulated depreciation	(2,175)	(180,639)	(741,222)
Capital projects in progress	3,261	1,540,199	1,953,706
Total properties	3,261	6,009,361	57,894,755
TOTAL	<u>\$3,285,905</u>	<u>\$154,427,102</u>	<u>\$340,360,311</u>

See notes to financial statements.

<u>LIABILITIES AND EQUITY</u>	<u>December 31,</u>		September 30, <u>1998</u> (unaudited)
	<u>1996</u>	<u>1997</u>	
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	\$ 2,864,773	\$ 1,730,163	\$ 15,905,661
Retainage payable			501,744
Salaries and wages payable	13,070	167,736	265,183
Accrued vacation and other employee benefits	144,862	311,989	690,373
Interest payable	40,567		
Due to other governmental units	4,282,347		
Capital lease obligations, current portion		10,437	43,972
	<u>7,345,619</u>	<u>2,220,325</u>	<u>17,406,933</u>
Total current liabilities			
Capital lease obligations, long-term portion		42,974	169,016
COMMITMENTS AND CONTINGENCIES (Note 6)			
EQUITY:			
Contributed capital			939,723
Retained earnings (accumulated deficit)	<u>(4,059,714)</u>	<u>152,163,803</u>	<u>321,844,639</u>
Total equity	<u>(4,059,714)</u>	<u>152,163,803</u>	<u>322,784,362</u>
TOTAL	<u><u>\$ 3,285,905</u></u>	<u><u>\$ 154,427,102</u></u>	<u><u>\$ 340,360,311</u></u>

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	<u>Years ended December 31,</u>		<u>Nine months</u> <u>ended</u> <u>September 30,</u> <u>1998</u> <u>(unaudited)</u>
	<u>1996</u>	<u>1997</u>	
OPERATING REVENUES	\$ —	\$ —	\$ 197,111
OPERATING EXPENSES:			
Operations and maintenance		426,785	1,372,570
General and administrative	4,010,333	3,129,828	3,095,132
Loss from operations before depreciation expense	4,010,333	3,556,613	4,270,591
Depreciation expense	1,089	96,038	446,267
LOSS FROM OPERATIONS	4,011,422	3,652,651	4,716,858
SUBSIDIES:			
Sales tax		126,033,166	130,749,628
Motor vehicle excise tax		30,490,779	33,354,435
Rental car tax		1,605,390	1,542,043
Federal and other subsidies	2,489,369		
Total subsidies	2,489,369	158,129,335	165,646,106
OTHER INCOME (EXPENSE):			
Investment income	82,056	1,927,437	8,744,997
Miscellaneous income			9,700
Interest expense	(40,567)	(180,604)	(3,109)
Total other income, net	41,489	1,746,833	8,751,588
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	(1,480,564)	156,223,517	169,680,836
RETAINED EARNINGS (ACCUMULATED DEFICIT):			
Beginning of period	(2,579,150)	(4,059,714)	152,163,803
End of period	<u>\$ (4,059,714)</u>	<u>\$ 152,163,803</u>	<u>\$ 321,844,639</u>

See notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

	<u>Years ended December 31,</u>		Nine months ended September 30, <u>1998</u> (unaudited)
	<u>1996</u>	<u>1997</u>	
OPERATING ACTIVITIES:			
Loss from operations	\$ (4,011,422)	\$ (3,652,651)	\$ (4,716,858)
Adjustments to reconcile loss from operations to net cash used by operating activities:			
Depreciation	1,089	96,038	446,267
Cash provided (used) by changes in operating assets and liabilities:			
Other receivables			(49,716)
Prepaid expenses	(36,993)	(239,276)	88,704
Accounts payable and accrued expenses	1,552,154	(1,134,610)	(712,839)
Salaries and wages payable		154,666	35,081
Accrued vacation and other employee benefits	24,863	167,127	136,218
Miscellaneous income			9,700
	<hr/>	<hr/>	<hr/>
Net cash used by operating activities	(2,470,309)	(4,608,706)	(4,763,443)
NONCAPITAL FINANCING ACTIVITIES:			
Federal and other subsidies received	3,135,624	955,962	
Repayments due to other governmental units		(4,282,347)	
Interest paid on amounts due to other governmental units		(219,774)	
	<hr/>	<hr/>	
Net cash provided (used) by noncapital financing activities	3,135,624	(3,546,159)	
CAPITAL AND RELATED FINANCING ACTIVITIES:			
Subsidies received		124,238,389	165,518,685
Capital contributions			532,916
Proceeds due from other government units	97,542		
Purchase of properties		(1,657,824)	(790,040)
Capital projects in progress		(4,384,561)	(35,663,234)
Principal payments on capital lease obligations		(4,168)	(22,314)
Interest payments on capital lease obligations		(1,397)	(4,992)
	<hr/>	<hr/>	<hr/>
Net cash provided by capital and related financing activities	97,542	118,190,439	129,571,021

See notes to financial statements.

**CENTRAL PUGET SOUND REGIONAL
TRANSIT AUTHORITY**

STATEMENTS OF CASH FLOWS *(continued)*

	<u>Years ended December 31,</u>		Nine months ended September 30, <u>1998</u> (unaudited)
	<u>1996</u>	<u>1997</u>	
INVESTING ACTIVITIES:			
Purchases of investments	\$(2,190,000)	\$(283,808,312)	\$(140,000,000)
Proceeds from sales of investments		227,512,739	30,000,000
Investment income on investments	74,479	1,644,699	6,343,395
	<u> </u>	<u> </u>	<u> </u>
Net cash used by investing activities	<u>(2,115,521)</u>	<u>(54,650,874)</u>	<u>(103,656,605)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,352,664)	55,384,700	21,150,973
CASH AND CASH EQUIVALENTS:			
Beginning of period	<u>1,441,274</u>	<u>88,610</u>	<u>55,473,310</u>
End of period	<u>\$ 88,610</u>	<u>\$ 55,473,310</u>	<u>\$ 76,624,283</u>
CASH AND CASH EQUIVALENTS, end of period:			
Working capital	\$ 88,610	\$ 50,602,084	\$ 66,834,060
Operating and contingency fund	<u> </u>	<u>4,871,226</u>	<u>9,790,223</u>
	<u>\$ 88,610</u>	<u>\$ 55,473,310</u>	<u>\$ 76,624,283</u>

See notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Information as of and for the period ended September 30, 1998, is unaudited)

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As provided under the Revised Code of Washington (RCW) Chapter 81.112 applicable to a regional transit authority, the Central Puget Sound Regional Transit Authority (the Authority), a public corporation acting under the service name of Sound Transit, was established in 1993. The Authority was formed to implement a high capacity transportation system throughout parts of King, Pierce, and Snohomish counties in the state of Washington through the design, construction and implementation of a commuter rail, light rail and regional express bus system.

The accounting and reporting policies of the Authority conform to generally accepted accounting principles for local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting For Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has chosen to apply all Financial Accounting Standards Board (FASB) statements and interpretations except those which contradict applicable GASB pronouncements.

The following summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and should be considered an integral part of these financial statements.

Reporting entity: The Authority is a special purpose government which is supported primarily through sales taxes, state motor vehicle excise taxes and rental car taxes in the Authority's operating jurisdiction. In addition, the Authority anticipates additional grant funding from federal and state agencies.

The Authority is governed by a board of 18 members, who are appointed by the respective member county executives and confirmed by the council of each member county. Membership is based on the population from that portion of each county which lies within the Authority's service area. Representation on the board shall include an elected official representing the largest city in each county and ensures proportional representation from other cities, and from unincorporated areas of each county.

As defined by GASB Statement No. 14, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide or impose a financial burden on the primary government; or
- Fiscal dependency on the primary government.

Although the Authority is significantly influenced by the three counties and numerous cities within the Authority's boundary, management does not consider the Authority to be a component unit of any of these aforementioned counties or cities.

Basis of accounting and presentation: The financial statements of the Authority are maintained in accordance with methods prescribed by the State Auditor under the authority of RCW Chapter 43.09. The Authority uses *Budgeting, Accounting and Reporting System for Proprietary-Type Districts* in the state of Washington. Proprietary funds are accounted for using the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Fixed assets are capitalized when purchased and long-term liabilities are accounted for as incurred.

Funds are accounted for on a cost of services or capital maintenance measurement focus. This means all assets and all liabilities (whether current or noncurrent) associated with the Authority's activity are included on its balance sheets. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets.

Cash and cash equivalents: For purposes of the statements of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments: The Authority invests all short-term cash surpluses in accordance with an investment policy approved in 1997 that was certified by the nationally recognized Municipal Treasurer's Association. The Authority elected to early implement GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as of December 31, 1997, which requires that certain investments be reported on the financial statements at fair value. Under GASB Statement No. 31, gains or losses due to market valuation changes are recognized in the statement of revenues and expenses. The implementation of GASB Statement No. 31 did not have an effect on the 1996 financial statements of the Authority and therefore have not been restated.

Subsidies: The Washington State Department of Revenue collects 0.4% of sales tax on transactions within the Authority's boundary as well as sales tax on rental cars in lieu of motor vehicle excise taxes which are exempt and remits the taxes collected to the Authority two months following the month in which the taxes were collected. The Washington State Department of Licensing collects 0.3% motor vehicle excise tax on applicable vehicles licensed within the Authority's boundary and remits the taxes collected during the month after the taxes are received. Taxes receivable as of December 31, 1997, include taxes which were collected by the Washington State Department of Revenue and the Washington State Department of Licensing during 1997 and remitted to the Authority during 1998.

Amounts due to and from other governmental units: The Authority entered into interlocal agreements with other governmental units for certain support services and funding. The amounts due to other governments as of December 31, 1997, were \$438,799 for various services rendered and are included in accounts payable and accrued liabilities. The amounts due to other governmental units as of December 31, 1996, represent loans to the Authority for interim funding purposes. The loans were paid off during 1997.

Properties: Properties are recorded at original cost, less accumulated depreciation, and consist of furniture, fixtures and office equipment. Depreciation is calculated on a straight-line basis over useful lives ranging from three to seven years. It is the policy of the Authority to capitalize all costs directly attributable to capital projects as well as certain indirect costs which are allocated to the projects based on various applicable factors supporting the overhead rates used. Capital projects in progress balances include costs incurred for transportation projects not yet in service.

Compensated absences: Vacation leave which has been earned but not paid has been accrued in the accompanying financial statements. Similarly, sick leave is accrued as the benefits are earned, but only to the extent it is probable that the Authority will compensate the employees through cash payments conditional on the employee's termination or retirement.

Vacation pay, which may be accumulated up to 50 days, is payable upon resignation, retirement, or death. Sick leave may accumulate up to 120 days and is payable at the rate of 50% upon resignation, retirement, or death.

Operating and contingency fund: The Authority's board adopted a policy, during 1997 which requires the Authority to maintain a reserve based on two months of average 1998 operating expenses to be used for any budget shortfalls.

Subarea accounting: The Authority is currently in the process of developing its policies regarding the allocation of equity to each of the included jurisdictions. Presentation of such allocation is not a required disclosure under generally accepted accounting principles; however, management expects to present such information in the future.

Use of estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications have been made to the 1996 balances to conform to the current year presentation.

Unaudited interim financial information: The unaudited interim financial information as of September 30, 1998, and for the nine-month period ended September 30, 1998, was prepared by the Authority in a manner consistent with the audited financial statements. The unaudited information, in management's opinion, reflects all adjustments that are of a normal recurring nature and that are necessary to present fairly the results for the period presented. The unaudited results of operations for the nine-month period ended September 30, 1998, are not necessarily indicative of the results to be expected for the entire year.

NOTE 2: CASH EQUIVALENTS

The Authority's cash and cash equivalents are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

At December 31, 1997, and September 30, 1998, the Authority had \$55,473,310 and \$76,624,283, respectively, in cash and cash equivalents, of which \$4,871,226 and \$9,790,223, respectively, was restricted as a reserve and contingency for operations and maintenance. The total cash and cash equivalent balance was invested in the Local Government Investment Pool managed by the Washington State Treasurer's Office. The Authority was authorized to use the Local Government Investment Pool on October 2, 1997. Amounts invested in the Local Government Investment Pool are recorded at amortized cost as they are not subject to the requirements of GASB Statement No. 31.

NOTE 3: INVESTMENTS

As required by state law and the Authority's investment policy, investments of the Authority's funds are generally obligations of the United States Government (treasury and agency securities), banker's acceptances, certificates of deposits, and repurchase agreements.

The Authority's investments are categorized to give an indication of the risk assumed at year end. Category 1 includes investments that are either insured, registered, or held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust

department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent, but not in the Authority's name. As of December 31, 1997 and 1996, the Authority's investments were classified as Category 1. The following table displays the breakdown of investments by type, along with amortized cost and fair values for 1997 and 1996:

	December 31,				September 30, 1998	
	1996		1997		Amortized cost	Fair value
	Amortized cost	Fair value	Amortized cost	Fair value		
U.S. Government	\$ 540,000	\$ 540,000	\$58,035,831	\$58,003,751	\$167,822,481	\$168,516,724
Bankers' acceptance	<u>1,650,000</u>	<u>1,650,000</u>				
Total	<u>\$2,190,000</u>	<u>\$2,190,000</u>	<u>\$58,035,831</u>	<u>\$58,003,751</u>	<u>\$167,822,481</u>	<u>\$168,516,724</u>

NOTE 4: EMPLOYEE BENEFITS

Money Purchase Plan and Trust: The Authority has adopted a Money Purchase Plan and Trust effective January 1, 1994, to recognize the contribution made to the Authority by its employees. Currently, ICMA Retirement Corporation is the trustee of the plan. This plan is a fixed employer system and membership in the system includes all full time Authority employees and elected officials. The vesting schedule of the plan is 20% immediately upon employment, 40% after one year of service, 60% after two years, 80% after three years and 100% after four years of service. Employees are responsible to direct the investment of their contributions and the Authority's contributions.

Any eligible employee who was employed on the effective date of this plan was eligible to participate in the plan. Any other eligible employee shall be eligible to participate on the first day of employment.

The Authority's actual contribution rates, which were the required contribution rates, are expressed as a percentage of covered payroll. The amount of covered payroll during 1997 was \$1,944,000 and total payroll was \$2,541,000. The required contribution rates expressed as a percentage of covered payroll and required Authority contributions during 1997 are as follows:

	Contribution rate	Contributions
Employer	12 %	\$ 233,300
Employee	<u>6</u>	<u>116,650</u>
Total	<u>18 %</u>	<u>\$ 349,950</u>

Public Employees Retirement System (PERS): The Washington State legislature established PERS in 1947 under Chapter 41.40 RCW. PERS is a cost-sharing, multiple-employer defined benefit system. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and the Superior courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; noncertified employees of school districts; and employees of local governments.

PERS contains two plans. All applicable employees of the Authority are PERS I. Plan I members are eligible for retirement after 30 years of service, or at the age of 60 with five years service, or at the age of 55 with 25 years of service. The annual pension is 2% of the final average salary per year of service, capped at 60%.

Each biennium the legislature establishes Plan I employer contribution rates. Employee contribution rates for Plan I are established by legislative statute and do not vary from year to year. Employer rates for Plan I are not necessarily adequate to fully fund the system. All employers are required to contribute at the level established by the legislature. The 1997 payrolls for Authority employees covered by PERS were \$596,441. There were no employees covered under PERS during 1996.

The required contribution rates expressed as a percentage of covered payroll and required Authority contributions during 1997 are as follows:

	<u>Contribution rate</u>	<u>Contributions</u>
Employer	7.5 %	\$ 44,733
Employee	<u>6.0</u>	<u>35,786</u>
Total	<u>13.5 %</u>	<u>\$ 80,519</u>

Effective for fiscal year 1997, Washington State implemented the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*. This pension obligation was calculated on a pension system basis and cannot be disclosed on a plan basis. The Department of Retirement Services does not make separate measurements of pension benefit obligation for individual employers.

Historical trend and other information regarding the plan is presented in the State Department of Retirement Systems 1997 annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Capital Plaza Building
1025 East Union Street
P. O. Box 48380
Olympia, Washington 98504-8380

Deferred compensation plan: The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The overall plan is administered by ICMA Retirement Corporation. The individual investment plans are available to all Authority employees, which permits them to defer a portion of their salary until termination, retirement, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the Authority, subject only to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair value of the deferred account.

It is the opinion of the Authority's legal counsel that the Authority has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The Authority believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the near future.

NOTE 5: CAPITAL LEASES

The Authority entered into a lease agreement in 1997 for the acquisition of copiers. The lease is classified as a capital lease for accounting purposes. Therefore, at inception of the lease, the copiers were recorded as

assets with a corresponding long-term liability of \$57,578, which is equal to the present value of future lease payments. The Authority records lease payments as reductions of the long-term liability and as interest expense over the life of the lease. As of December 31, 1997, the current and long-term portions of the capital lease payable were \$10,437 and \$42,974, respectively. Future payments under the capital lease obligations are as follows:

1998	\$ 13,358
1999	13,358
2000	13,358
2001	13,358
2002	<u>7,792</u>
Total minimum lease payments	61,224
Amounts representing interest	<u>(7,813)</u>
Present value of lease obligation	<u>\$ 53,411</u>

NOTE 6: COMMITMENTS AND CONTINGENCIES

The Authority participates in federal financial assistance programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursements to grantor agencies for expenditure disallowed under the terms of the grants. Authority management believes that such disallowances, if any, will be immaterial.

The Authority's board approved the capital budget for 1998 and entered into substantial contractual commitments thereto. The following table outlines the budget amounts committed by line of business:

<u>Line of business</u>	
Light rail	\$ 53,497,230
Commuter rail	122,319,600
Regional express	86,561,170
Regional fund	<u>664,015</u>
	<u>\$ 263,042,015</u>

During 1997, the Authority entered into an operating lease for office space. The initial term of this lease is through September 22, 2004. However, there is an early termination provision that can be exercised in 1998 for an effective date of February 23, 2000. The following table depicts the minimum lease payments through 2004.

1998	\$ 1,691,000
1999	1,715,000
2000	1,832,000
2001	1,832,000
2002	1,947,000
Thereafter	<u>3,468,000</u>
	<u>\$ 12,485,000</u>

Rent expense paid during 1997 amounted to \$343,248, of which \$241,604 was allocated to capital projects in process. There was no rent expense paid during 1996.

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APPENDIX B
MASTER RESOLUTION
SOUND TRANSIT
RESOLUTION NO. R98-47

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AUTHORIZING SALES TAX AND MOTOR VEHICLE EXCISE TAX BONDS OF THE AUTHORITY TO BE ISSUED IN SERIES TO FINANCE A PORTION OF THE AUTHORITY'S REGIONAL TRANSIT SYSTEM PLAN.

ADOPTED: November 12, 1998

TABLE OF CONTENTS*

	Page
Section 1. Definitions.....	1
Section 2. Pledge of Local Option Taxes; Flow of Funds	3
Section 3. Authorization and Description of Bonds	4
Section 4. Future Bonds	4
Section 5. Refunding Bonds.....	4
Section 6. Subordinate Lien Obligations; Obligations With Lien on Revenues	4
Section 7. Bond Account and Reserve Account	5
Section 8. Covenants.....	5
Section 9. Parity Payment Agreements	6
Section 10. Defeasance	6
Section 11. Lost, Stolen, Mutilated or Destroyed Bonds	6
Section 12. Execution of Bonds	6
Section 13. Adoption of Supplemental Resolutions	7
Section 14. Defaults	7
Section 15. Remedies Upon Default	7
Section 16. Ongoing Disclosure.....	8
Section 17. Resolution a Contract	8
Section 18. Severability	8

* This table of contents is not a part of this resolution as adopted but is provided for convenience of reference only.

SOUND TRANSIT

RESOLUTION NO. R98-47

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AUTHORIZING SALES TAX AND MOTOR VEHICLE EXCISE TAX BONDS OF THE AUTHORITY TO BE ISSUED IN SERIES TO FINANCE A PORTION OF THE AUTHORITY'S REGIONAL TRANSIT SYSTEM PLAN.

WHEREAS, the Board of Directors of the Central Puget Sound Regional Transit Authority (the "Authority"), by Resolution No. 73, authorized a regional transit system plan to

provide high capacity transportation services in the central Puget Sound region (the "Plan"); and

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

WHEREAS, by Resolution No. 82, the Board authorized the imposition of the Local Option Taxes 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, RCW 81.112.130 and 81.112.140 authorize the Authority to issue its bonds for Authority purposes, and RCW 81.104.180 authorizes the Authority to pledge the Local Option Taxes to retire bonds issued for the purpose of providing high capacity transportation services;

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 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 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 Bonds.

Act means Chapter 81.112 RCW and Chapter 81.104 RCW, as they may be amended from time to time.

Adopted Rate Adjustment means any reduction or increase in the rate of the levy of Local Option Taxes if the Authority has taken all actions and received all approvals required to reduce or increase such Local Option Taxes.

Annual Debt Service means the amount required in any Fiscal Year to pay for the principal of and interest on all Bonds Outstanding, excluding interest and principal to be paid from the proceeds of the sale of Bonds. For the purpose of calculating Annual Debt Service for purposes of the Future Bonds tests outlined in Section 4 and the Reserve Account Requirement:

(i) in the case of Variable Rate Bonds, the interest rate thereon shall be calculated on the assumption that such Bonds will bear interest during such period at a rate equal to the maximum rate permitted by the Series Resolution authorizing such Bonds, provided that if a Payment Agreement is executed in connection with a Series of Bonds that has the effect of converting the Variable Rate thereon to a synthetic fixed rate of interest or limiting the range of possible Variable Rates, then for purposes of calculating Annual Debt Service, the assumed interest rate for such Bonds shall be the synthetic fixed rate of interest or maximum Variable Rate, as applicable, payable by the Authority under the Payment Agreement for the term of the Payment Agreement;

(ii) if a Payment Agreement is executed in connection with a Series of Bonds that has the effect of converting the fixed rate of interest thereon to a synthetic Variable Rate, then for purposes of calculating Annual Debt Service, the assumed interest rate for such Bonds shall be the maximum synthetic Variable Rate payable by the Authority under the Payment Agreement for the term of the Payment Agreement;

(iii) in the case of Balloon Maturity Bonds, it shall be assumed that the principal of such Balloon Maturity Bonds, together with interest thereon at the rate applicable to such Balloon Maturity Bonds, shall be amortized in equal annual installments over a term set forth in the Series Resolution and that is the lesser of (a) 25 years or (b) the average weighted useful life (expressed in years and rounded to the next highest integer) of the

properties and assets constituting the Projects (if any) financed out of the proceeds of such Balloon Maturity Bonds:

(iv) in the case of Capital Appreciation Bonds, the principal and interest portions of the Accreted Value becoming due at maturity, or by virtue of a mandatory sinking fund deposit, shall be included in the calculation of accrued and unpaid and accruing interest on principal in such manner as is specified in the Series Resolution authorizing such Bonds; and

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

Authority means the Central Puget Sound Regional Transit Authority, a regional transit authority duly organized and existing under and by virtue of the Constitution and the Act.

Authority Certificate means a certificate dated no earlier than 30 days before the delivery of any series of Future Bonds, executed by a Designated Authority Representative and stating that Local Option Taxes received during the Base Period (as shown in the audited or unaudited financial statements of the Authority) were not less than two times Maximum Annual Debt Service on all Bonds that will be Outstanding upon the issuance of such series of Future Bonds; provided, that in preparing such certificate, the Designated Authority Representative shall take into account any Adopted Rate Adjustment as if such new rate had been in effect during the entire Base Period.

Average Annual Debt Service means the aggregate Annual Debt Service with respect to all Bonds Outstanding through the scheduled maturities thereof (stated maturity dates or mandatory redemption dates with respect to Term Bonds), divided by the number of years remaining during which Bonds are scheduled to mature or be subject to mandatory redemption (commencing with the year following the year of calculation).

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

Base Period means any consecutive 12-month period selected by the Authority out of the 18-month period next preceding the date of issuance of a Series of Bonds.

Board means the Board of Directors of the Authority.

Bond Account means the special account of the Authority created by Section 7(a) of this Resolution for the purpose of paying the principal, sinking fund installments, premium, if any, and interest on Bonds.

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

Bonds means bonds, notes or other obligations of the Authority issued pursuant to a Series Resolution and having a first lien on Local Option Taxes.

Capital Appreciation Bonds means 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 Bonds; provided, that if so provided in the Series Resolution authorizing their issuance, Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

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

Credit Facility means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, Qualified Insurance, Qualified Letter of Credit, standby purchase agreement or other financial instrument which obligates a party, other than the Authority, to make payments relating to the Bonds, including but not limited to the payment of the principal of, interest

on or purchase price of Bonds or meeting all or a portion of the Reserve Account Requirement.

Default means any of the events specified in Section 14.

Designated Authority Representative means the Executive Director or the Finance Director of the Authority or such other person as may be designated from time to time by resolution of the Board.

Finance Director means the Director of Finance and Administration of the Authority, or any official succeeding to the functions of the Finance Director.

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 Bonds means, as of any point in time, Bonds to be issued in the future pursuant to a Series Resolution.

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

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, and initially approved at an election held on November 5, 1996, as such taxes may be levied from time to time by the Authority.

Local Option Tax Accounts means the accounts held by the Authority in the Authority's Enterprise Fund for the deposit of Local Option Taxes.

Maximum Annual Debt Service means at the time of calculation, the highest Annual Debt Service with respect to all Bonds that will mature or come due in the current or any future Fiscal Year.

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

Owner means the registered owner of any Bond.

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

Parity Payment Agreement means a Payment Agreement between the Authority and a Qualified Counterparty under which the Authority's payment obligations are expressly stated to be secured by a pledge of and lien on Local Option Taxes on an equal and ratable basis with the Local Option Taxes required to be paid into the Bond Account to pay and secure the payment of the principal of and interest on Bonds.

Paying Agent means any person or entity as designated and appointed from time to time by a Series Resolution to act as paying agent for one or more Series of Bonds.

Payment means any 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 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 to provide high-capacity transportation services in the central Puget Sound region, and as it has been and may hereafter be updated, amended or supplemented.

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

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 obligations are unconditionally guaranteed by a party that has at least "A" ratings by Moody's Investors Service and Standard & Poor's Ratings Services, or their successors and assigns, and who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

Qualified Insurance means any non-cancellable municipal bond insurance policy or surety bond with an initial term no shorter than the lesser of five years or the final maturity of the Bonds, issued to satisfy all or any portion of the Reserve Account Requirement, issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest Rating Categories for unsecured debt or insurance underwriting or claims paying ability by the Rating Agencies.

Qualified Letter of Credit means any irrevocable letter of credit with a minimum term of the lesser of five years or the final maturity date of Bonds, issued to satisfy all or any portion of the Reserve Account Requirement, issued by a financial institution, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest Rating Categories by the Rating Agencies.

Rating Agencies means Moody's Investors Service or its successors and assigns, Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. or its successors and assigns, and/or such other securities rating agency selected by the Authority to provide a rating with respect to a Series of Bonds, or any portion thereof, which Rating Agency, as of the applicable date, shall have assigned a rating to any Series of 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 (designated as such by a Series Resolution) to be made to, or for the benefit of, the Authority under a Payment Agreement by the Payor.

Refunding Bonds means Future Bonds the proceeds of which will be used to refund other Bonds as provided in Section 5.

Registrar means any person or entity designated and appointed from time to time by resolution of the Board or by a Series Resolution to act as registrar for one or more Series of Bonds.

Reserve Account means the special account created pursuant to Section 7(b) of this Resolution.

Reserve Account Requirement means the lesser of (i) 50% of Maximum Annual Debt Service with respect to Outstanding Bonds or (ii) 125% of Average Annual Debt Service with respect to Outstanding Bonds; provided, that at the time of issuance of any Series of Bonds, the Reserve Account Requirement

allocable to a Series of Bonds shall not exceed 10% of the initial principal amount of that Series of Bonds.

Series means any separate series of Bonds issued pursuant to this Resolution.

Series Resolution means a resolution authorizing the issuance of a Series of Bonds, as such resolution may be amended or supplemented.

State means the State of Washington.

Subordinate Lien Obligations means bonds, notes or other obligations identified as "Subordinate Lien Obligations" in the resolution authorizing such obligations and having a lien on Local Option Taxes subordinate to the Bonds.

Sufficiency Test means that the ratio of Local Option Taxes collected to Annual Debt Service in each Fiscal Year is not less than two to one. For purposes of calculating the Sufficiency Test, there shall be added to Local Option Taxes collected in any Fiscal Year any amount withdrawn from the Tax Stabilization Subaccount in such year and deposited into the Local Option Tax Accounts, and there shall be subtracted from Local Option Taxes collected in any Fiscal Year any amount withdrawn from the Local Option Tax Accounts and deposited into the Tax Stabilization Subaccount; provided, that for purposes of the Sufficiency Test the amount withdrawn from the Tax Stabilization Subaccount in any Fiscal Year shall not exceed 0.50 times the Annual Debt Service in such Fiscal Year.

Supplemental Resolution means a resolution adopted by the Authority pursuant to Section 13.

Tax Stabilization Subaccount means the subaccount of that name authorized to be created in the Local Option Tax Accounts pursuant to Section 2.

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

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

Variable Rate Bonds means Bonds that bear interest at a Variable Rate; provided, that Bonds the interest rate on which shall have been fixed for the remainder of their term to maturity shall no longer be Variable Rate Bonds.

Section 2. Pledge of Local Option Taxes; Flow of Funds.

(a) Local Option Tax Accounts. The Authority maintains Local Option Tax Accounts into which it shall deposit, promptly upon the receipt thereof, all Local Option Taxes. The Local Option Tax Accounts shall be held separate from all other accounts of the Authority. The Authority may create a Tax Stabilization Subaccount in the Local Option Tax Accounts and deposit Local Option Taxes into or withdraw Local Option Taxes from such subaccount and use amounts in such subaccount for any lawful purposes in accordance with the flow of funds set forth in Section 2(b), including for the purposes set forth in Section 8(a).

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

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

(1) to pay the interest when due on the Bonds;

(2) to pay the maturing principal (including sinking fund redemptions) of the Bonds;

Second, to make all payments required to be made into the Reserve Account by Section 7(b) to meet the Reserve Account Requirement and to make all payments required

to be made pursuant to a reimbursement obligation in connection with a Qualified Letter of Credit or Qualified Insurance with respect to the 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 any other bond redemption account and reserve account created to pay the principal of, premium, if any, and interest on any Subordinate Lien Obligations (to the extent such obligations are issued with a lien on Local Option Taxes superior to the payment of operation and maintenance expenses);

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

Fifth, for any lawful purpose of the Authority, including the purchase of Bonds or Subordinate Lien Obligations; and to pay Subordinate Lien Obligations with a lien on Local Option Taxes junior 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 a specified order of priority.

Amounts in the Local Option Tax Accounts shall be invested by the Authority in any legal investment for funds of regional transit authorities of the State.

(c) Pledge of Local Option Tax Accounts and Certain Other Accounts. From and after the issuance and delivery of the Bonds of each Series and so long as any of the same remain Outstanding, the Authority hereby irrevocably obligates and binds itself to deposit all Local Option Taxes into the Local Option Tax Accounts and to set aside and pay into the Bond Account out of Local Option Taxes, on or prior to the date on which the interest on, principal of, premium, if any, and sinking fund requirements for the Bonds shall become due, the amounts necessary to pay the interest, principal, sinking fund requirements and premium coming due on Bonds. All Bonds now or hereafter Outstanding shall be equally and ratably payable and secured hereunder 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, however, that any Series of Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that Series of Bonds.

All Bonds are special limited obligations of the Authority payable from and secured solely by Local Option Taxes and amounts, if any, in the Bond Account, Reserve Account and any project account created for the deposit of Bond proceeds.

There is hereby pledged for the payment of the Bonds the Local Option Taxes and amounts in the Local Option Tax Accounts, the Bond Account, Reserve Account, and any project account created for the deposit of Bond proceeds and such pledge is hereby declared to be a prior lien and charge upon the Local Option Taxes and such accounts superior to all other charges of any kind or nature.

Section 3. Authorization and Description of Bonds. Sales tax and motor vehicle excise tax bonds of the Authority, to be known as "The Central Puget Sound Regional Transit Authority Sales Tax and Motor Vehicle Excise Tax Bonds," are hereby authorized to be issued in Series by means of a Series Resolution, and each such Series may be issued in such amounts, at such times, and upon such terms and conditions as the Board may deem to be necessary or advisable for any purposes of the Authority now or hereafter permitted by law.

Each Series of Bonds shall be authorized by a Series Resolution which shall, among other provisions, specify or delegate to a Board committee or Authority personnel to provide for:

(a) the principal amount, dated date, maturity schedule, interest rates or rate (or formula), denominations and designation for such Bonds;

(b) the general purpose or purposes for which such Series of Bonds is being issued, and the deposit and application of the proceeds of the sale of the Bonds;

(c) the currency or currencies in which the Bonds of such Series are payable if other than U.S. dollars;

(d) the Registrar, Paying Agent, remarketing agent and tender agent, if any, for the Bonds and the duties and obligations thereof;

(e) the place or places of payment of such Bonds;

(f) the form of the Bonds of such Series and the methods for the registration, transfer and exchange of the Bonds of such Series;

(g) the terms and conditions, if any, for the redemption of the Bonds of such Series prior to maturity;

(h) the terms and conditions, if any, for the purchase of the Bonds of such Series upon any optional or mandatory tender for purchase prior to maturity;

(i) the manner of sale of the Bonds of such Series, with or without a premium or a discount;

(j) the authorization of and any terms and conditions with respect to any Credit Facility for the Bonds; and

(k) any other provisions which the Authority deems necessary or desirable in connection with the Bonds of such Series.

Section 4. Future Bonds. On this date, the Authority is adopting a Series Resolution authorizing the issuance of the first Series of Bonds. Following the issuance of such initial Series, except as provided in Section 5, the Authority shall issue any Series of Future Bonds only upon compliance with the following conditions as certified by a Designated Authority Representative:

(a) there is no deficiency in the Bond Account and an amount equal to the Reserve Account Requirement (including for the Future Bonds to be issued) shall be on deposit in the Reserve Account upon the issuance of the Future Bonds;

(b) no Default (as defined in Section 14) has occurred and is continuing; and

(c) an Authority Certificate is delivered on or prior to the date of issuance of such Future Bonds.

Section 5. Refunding Bonds. The Authority, by means of a Series Resolution adopted in compliance with the provisions of Section 3, may issue Refunding Bonds as follows:

(a) Refunding Bonds may be issued at any time for the purpose of refunding (including by purchase) Bonds, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase), making future Reserve Account deposits, paying for a Credit Facility, making any settlement payment in connection with the termination of a Payment Agreement relating to the Refunding Bonds, and paying the expenses of issuing the Refunding Bonds and of effecting such refunding. Refunding Bonds may be issued without regard to the requirements of clause (c) of Section 4 if in every Fiscal Year the Annual Debt Service on such Refunding Bonds does not exceed the Annual Debt Service by more than \$5,000 on the Bonds to be refunded were such refunding not to occur.

(b) Refunding Bonds may be issued without meeting the requirements of clauses (a), (b) and (c) of Section 4 for the purpose of refunding (including by purchase) any Bonds for the payment of which sufficient Local Option Taxes are not available.

Section 6. Subordinate Lien Obligations; Obligations With Lien on Revenues. The Authority may issue Subordinate Lien Obligations for any purpose of the Authority. The resolution authorizing a series of Subordinate Lien Obligations shall provide that the maturity date of Subordinate Lien 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 Subordinate Lien Obligations) and shall further provide that following the occurrence of a Default, Local Option

Taxes may not be used to pay the principal of or interest on Subordinate Lien Obligations unless all payments required to be made with respect to principal of and interest on Bonds required to be paid into the Bond Account have been fully paid. In addition, the Authority reserves the right to issue obligations payable from revenues of the Authority other than Local Option Taxes.

Section 7. Bond Account and Reserve Account.

(a) *Bond Account.* A special account of the Authority designated the "Sales Tax and Motor Vehicle Excise Tax Bond Account" (the "Bond Account") is hereby created for the purpose of paying and securing the payment of the Bonds. The Bond Account is pledged to the payment of Bonds and shall be held separate and apart from all other accounts of the Authority and shall be a trust account for the Owners of the Bonds.

The Authority hereby irrevocably obligates and binds itself for so long as any Bonds remain Outstanding to set aside or cause to be set aside and pay or cause to be paid into the Bond Account from Local Option Taxes:

(1) 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 Bonds; and

(2) 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 for Bonds.

(b) *Reserve Account.* A special account of the Authority designated as the "Sales Tax and Motor Vehicle Excise Tax Bond Reserve Account" (the "Reserve Account") is hereby created for the purpose of securing the payment of the principal of, premium, if any, and interest on the Bonds. The Reserve Account is pledged to the payment of Bonds, shall be held separate and apart from all other accounts of the Authority and shall be a trust account for the Owners of the Bonds. The Authority hereby covenants that on the date of issuance of each Series of Bonds, the Authority will assure that the amount on hand in the Reserve Account shall be sufficient to meet the Reserve Account Requirement.

The Reserve Account Requirement shall be maintained by deposits of cash, investments, a Qualified Letter of Credit, or Qualified Insurance, or a combination of the foregoing. To the extent that the Authority obtains a Qualified Letter of Credit or Qualified Insurance in substitution for amounts in the Reserve Account, all or a portion of the money on hand in the Reserve Account shall be transferred to the Bond Account or another account as permitted by the Code. In computing the amount on hand in the Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the face amount thereof, and all other obligations purchased as an investment of money therein shall be valued at market at least annually. The market value of securities then credited to the Reserve Account shall be determined and any deficiency in the Reserve Account shall be made up in equal monthly installments within six months after the date of such valuation. As used herein, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's checks.

Whenever there is a sufficient amount in the Bond Account and the Reserve Account to pay the principal of, premium, if any, and interest on all Outstanding Bonds, the money in the Reserve Account may be used to pay such principal, premium, if any, and interest. Amounts in the Reserve Account in excess of the Reserve Account Requirement may be withdrawn to redeem and retire Outstanding Bonds and to pay the interest due to such date of redemption and premium, or used for any other lawful purposes. When a Series of Bonds is refunded in whole or in part, money may be withdrawn from the Reserve Account to pay or provide for the payment of Refunding Bonds; provided, that immediately after such withdrawal there shall remain in or be

credited to the Reserve Account an amount equal to the Reserve Account Requirement. The Authority also may transfer out of the Reserve Account any money required in order to prevent any Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in the Bond Account shall occur prior to a principal or interest payment date on the Bonds, such deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Reserve Account in such amounts as will provide amounts in the Bond Account sufficient to pay when due the principal and interest of the Bonds, and if a deficiency still exists immediately prior to a payment date and after the withdrawal of cash, the Authority shall then draw upon any Qualified Letter of Credit or Qualified Insurance for the Bonds, on a pro rata basis, in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as such Qualified Letter of Credit or such Qualified Insurance shall provide. If the Authority fails to make any payment required to be made under a reimbursement agreement with the issuer of a Qualified Letter of Credit or Qualified Insurance, the issuer thereof shall be entitled to exercise all remedies available at law or under this Resolution; provided, that no acceleration of the Bonds shall be permitted, and no remedies which adversely affect Owners of the Bonds shall be permitted. Any deficiency created in the Reserve Account by reason of any such withdrawal shall be made up from the next available Local Option Taxes, but in no event later than within one year from Qualified Insurance or a Qualified Letter of Credit or out of Local Option Taxes after making necessary provision for the payments required to be made into the Bond Account within such year.

In making the payments and credits to the Reserve Account required by this Section 7(b), to the extent that the Authority has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Reserve Account such amounts so covered by Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Account by this Section 7(b). In the event of termination of a Qualified Letter of Credit or if the issuer of the Qualified Insurance or the Qualified Letter of Credit shall no longer meet the requirements for the provider of a Qualified Letter of Credit or Qualified Insurance or be insolvent or no longer in existence, the Reserve Account Requirement shall be satisfied with other Qualified Insurance or another Qualified Letter of Credit, or in equal monthly payments, within twelve months after the insolvency of the issuer of a Qualified Letter of Credit or Qualified Insurance or termination of a Qualified Letter of Credit, out of Local Option Taxes (or out of other money on hand and legally available for such purpose) after making necessary provisions for the payments required to be made into the Bond Account.

(c) *Credit Facilities.* To the extent that the Authority shall have obtained a Credit Facility, the Series Resolution may provide additional covenants and prescribe additional procedures with respect to such Credit Facility not inconsistent with this Resolution.

(d) *Deposits into Accounts.* For purposes of this Resolution, the Authority shall be considered to have deposited or withdrawn amounts in the Bond Account or Reserve Account or any other account when it credits or debits from within the Authority's Enterprise Fund amounts to such account.

Section 8. Covenants. The Authority hereby makes the following covenants with the Owners of the Bonds for as long as any of the same remain Outstanding:

(a) *Tax Levy Covenant.* So long as any Bonds remain Outstanding, the Authority shall levy the special motor vehicle excise tax authorized by RCW 81.104.160 at a rate of not less than three-tenths of one percent and the sales and use tax authorized by RCW 81.104.170 at a rate of not less than four-tenths of one percent; provided, that the Authority may levy the sales and use tax at a rate of not less than three-tenths of one

percent so long as the Sufficiency Test is met. To the extent permitted by law and approved by the voters (if a vote is required), the Authority may, in a Series or Supplemental Resolution, pledge to the repayment of the Bonds the motor vehicle excise tax in excess of three-tenths of one percent and the sales and use tax in excess of four-tenths of one percent.

If the Authority is levying the sales and use tax at a rate less than four-tenths of one percent and the Sufficiency Test is not met for a Fiscal Year, within 90 days of the end of that Fiscal Year the Authority shall take all action required on its part to increase the rate of the sales and use tax levied, but not to exceed four-tenths of one percent, for the purpose of meeting the Sufficiency Test.

The Authority shall take all reasonable actions necessary to levy and provide for the continued collection of the Local Option Taxes and the application of those taxes for repayment of the Bonds in accordance with this Resolution.

(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 9. Parity Payment Agreements. A Payment made under a Payment Agreement may be on a parity with the lien on Local Option Taxes as the Bonds if the Payment Agreement satisfies the requirements for Future Bonds described in Section 4, 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 Bonds:

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

(2) Prior to entering into a Payment Agreement, the Authority shall adopt a Series Resolution which shall:

A. set forth the manner in which the Payments and Receipts are to be calculated and a schedule of Payment Dates;

B. establish general provisions for the rights of parties to Payment Agreements; and

C. set forth such other matters as the Authority deems necessary or desirable in connection with the management of Payment Agreements as are not clearly 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 Bond Account and Annual Debt Service shall include any regularly scheduled

Authority Payments adjusted by any regularly scheduled Receipts during a Fiscal Year or Base Year, as applicable. Receipts shall be paid directly into the Bond Account. Obligations to make unscheduled payments, such as termination payments, may not be entered into on a parity with the Bonds.

Nothing in this section shall preclude the Authority from entering into Payment Agreements with a claim on Local Option Taxes junior to that of the Bonds. Furthermore, nothing in this section shall preclude the Authority from entering into obligations on a parity with the 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 10. Defeasance. In the event that cash and/or noncallable Government Obligations, maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire the Bonds or any of them in accordance with their terms are set aside with a trustee or escrow agent in a special account to effect such redemption or retirement and such money and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need to be made into the Bond Account for the payment of the principal of and interest on the Bonds so provided for and such Bonds shall cease to be entitled to any lien, benefit or security of this Resolution except the right to receive the funds so set aside and pledged, and such Bonds shall be deemed not to be Outstanding. Prior to such defeasance the Authority shall obtain a verification from an independent certified public accountant that such Government Obligations and cash are sufficient to pay such Bonds and an opinion of Bond Counsel that such defeasance will not adversely affect the exemption from federal income taxation of interest on any Outstanding Bonds. Within 30 days of any defeasance of Bonds, the Authority shall provide notice of the defeasance to the Owners of the Bonds so provided for and, if applicable, as provided in Exhibit A.

Section 11. Lost, Stolen, Mutilated or Destroyed Bonds.

In case any Bond or Bonds shall be lost, stolen, mutilated or destroyed, the Registrar may execute and deliver a new Bond or Bonds of like date, number and tenor to the Owner thereof upon the Owner 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 Bond was actually lost, stolen or destroyed (including the presentation of a mutilated Bond) and of ownership thereof, and upon furnishing the Authority with indemnity satisfactory to the Authority.

Section 12. Execution of Bonds. Except as may be provided in a Series Resolution, Bonds shall be executed on behalf of the Authority with the manual or facsimile signature of the Chair of its Board, shall be attested by the manual or facsimile signature of the Board Administrator and shall have the seal of the Authority impressed or a facsimile thereof imprinted thereon.

Only such Bonds as shall bear a certificate of authentication manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution. Such certificate of authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Resolution.

In case either of the officers of the Authority who shall have executed the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed shall have been authenticated or delivered by the Registrar, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the Authority as though those who signed the same had continued to be such officers of the Authority. Any Bond may also be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bond shall be the proper officers of the Authority although at

the original date of such Bond any such person shall not have been such officer.

Section 13. Adoption of Supplemental Resolutions.

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

(i) To provide for the issuance of a Series of Bonds pursuant to Sections 4 or 5 or to authorize a Parity Payment Agreement pursuant to Section 9;

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

(iii) To prescribe further limitations and restrictions upon the issuance of Bonds and/or Parity Payment Agreements which are not contrary to or inconsistent with the limitations and restrictions in this 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, income or revenues to the pledge of this Resolution or confirm as further assurance any pledge or provision for payment of the Bonds created by this Resolution and to make such conforming changes as shall be necessary or desirable in connection therewith;

(vi) To cure any ambiguity or defect or inconsistent provision in this Resolution or to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable; provided that such modifications shall not materially and adversely affect the security for the payment of any Bonds;

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

(viii) To obtain or maintain a rating with respect to any Series of Bonds;

(ix) To modify the provisions of this Resolution to obtain from any Rating Agency a rating on any Series of Bonds or any portion thereof which is higher than the rating which would be assigned without such modification; 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 any Bond and will not cause any Rating Agency to lower a rating on any Bonds.

(b) *Amendments 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 Bonds then Outstanding. Without the specific consent of the Owner of each Bond, no Supplemental Resolution shall (1) permit the creation of a lien or charge on Local Option Taxes superior to the payment of the Bonds; (2) reduce the percentage of Bond Owners which are required to consent to any Supplemental Resolution; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds. No Supplemental Resolution shall change the date of payment of the principal of any Bond, reduce the principal amount or Accreted Value of any 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 Bond may first be called for redemption prior to its fixed maturity date (except as provided in the Series Resolution authorizing the issuance of such Bond) without the specific consent of the Owner of that Bond; and no such amendment shall change or modify any of the rights or obligations of any Paying Agent or Registrar or other agent or provider of a Credit Facility for a Series of Bonds without its written consent.

Section 14. Defaults. Any one or more of the following events shall constitute a "Default" under this Resolution and each Series Resolution:

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

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

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

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

(e) If the Authority shall 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 Series Resolution and such default or defaults 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 15. Remedies Upon Default. The remedies of the Owners during the continuance of a Default shall, to the extent permitted by law, be governed by this Section.

(a) *Bondowners' Trustee.* So long as a Default shall not have been remedied, a Bondowners' Trustee may be appointed by the Owners of at least 20% in principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact duly authorized and delivered to the Bondowners' Trustee and the Authority. Any Bondowners' Trustee appointed under the provisions of this Section shall be a bank or trust company organized under the laws of the State or the State of New York or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the Owners of a majority in principal amount of the Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact duly authorized.

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

(b) *Suits at Law or in Equity.* The Bondowners' Trustee may upon the happening of a Default, and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Owners to collect any amounts due and owing the Authority and pledged to the 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 Bonds shall not be subject to acceleration.

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

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

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

(d) *Payment of Funds to Bondowners' Trustee.* The Authority covenants that if a Default shall happen and shall not have been remedied, the Authority, upon demand of the Bondowners' Trustee, shall pay over to the Bondowners' Trustee (i) forthwith, all amounts in the Local Option Tax Accounts, Bond Account, Reserve Account, and any project account created for the deposit of Bond proceeds, and (ii) as promptly as practicable after receipt thereof, all Local Option Taxes subsequently levied and received by the Authority and pledged under this Resolution.

(e) *Application of Funds by Bondowners' Trustee.* During the continuance of a Default, the Local Option Taxes and other funds received by the Bondowners' Trustee pursuant to the provisions of the preceding paragraph shall be applied by the Bondowners' Trustee first, to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Bondowners' Trustee and second, in accordance with the provisions of Section 2(b) of this Resolution.

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

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

Second, to the payment to the persons entitled thereto of the unpaid principal and premium, if any, of any 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 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

Bonds, together with the reasonable and proper charges, expenses and liabilities of the Bondowners' Trustee and the Owners of 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 Bonds which shall then be payable, shall either be paid by or for the account of the Authority, or provision satisfactory to the Bondowners' Trustee shall be made for such payment, and all Defaults under this Resolution, or the Bonds shall be made good or secured to the satisfaction of the Bondowners' Trustee or provision deemed by the Bondowners' Trustee to be adequate shall be made therefor, the Bondowners' Trustee shall pay over to the Authority all money and securities then remaining unexpended and held by the Bondowners' Trustee and thereupon all such funds shall thereafter be applied as provided in this Resolution. No such payment over to the Authority by the Bondowners' Trustee or resumption of the application of Local Option 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 Bondowners.* No Owner shall have any right to institute any action, suit or proceeding at law or in equity unless a Default shall have happened and be continuing and unless no Bondowners' Trustee has been appointed as herein provided, but any remedy herein authorized to be exercised by the Bondowners' Trustee may be exercised individually by any Owner, in his or her own name and on his or her own behalf or for the benefit of all Owners, in the event no Bondowners' Trustee has been appointed, or with the consent of the Bondowners' Trustee if such Bondowners' Trustee has been appointed; provided, that nothing in this Resolution or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the Owners thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

(h) *Remedies Granted in Resolution not Exclusive.* No remedy granted in this Resolution to the Bondowners' Trustee or the Owners of the 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 16. Ongoing Disclosure. Attached as Exhibit A is the Authority's ongoing disclosure undertaking. Except as may be provided in a Series Resolution for a Series of Bonds, the Authority hereby agrees to comply with such undertaking.

Section 17. Resolution a Contract. This Resolution shall constitute a contract with the Owners of the Bonds.

Section 18. 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 Bonds issued pursuant to the terms hereof.

ADOPTED by the Board of Directors of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on the 12th day of November, 1998

By _____
Paul Miller, Board Chair

ATTEST:

Marcia Walker, Board Administrator

EXHIBIT A

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

(a) *Contract/Undertaking.* This undertaking ("Undertaking") constitutes the Authority's written undertaking for the benefit of the beneficial owners of the Bonds in order to assist the underwriters of the Bonds in complying with the Securities and Exchange Commission's (the "SEC") Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule").

(b) *Financial Statements/Operating Data.*

(1) *Annual Disclosure Report.* The Authority covenants that not later than six months after the end of each Fiscal Year (the "Submission Date"), commencing June 30, 1999 for the fiscal year ending December 31, 1998 for the first Series of Bonds, the Authority shall provide or cause to be provided to each nationally recognized securities information repository ("NRMSIR") and to the state information depository for the State of Washington (if one is created) ("SID"), an annual report (the "Annual Disclosure Report") that is consistent with the requirements of part (2) of this subsection (b). The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in part (2) of this subsection (b); provided, that any audited annual financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such audited annual financial statements are not available by the Submission Date. If the Authority's Fiscal Year changes, the Authority shall give notice of such change in the same manner as notice is to be given of the occurrence of an event listed in subsection (c) hereof, and if for any Fiscal Year the Authority does not furnish an Annual Disclosure Report to the NRMSIRs and to the SID, if any, by the Submission Date, the Authority shall send to each NRMSIR and to the Municipal Securities Rulemaking Board ("MSRB") notice of its failure to furnish such report.

(2) *Content of Annual Disclosure Reports.* The Authority's Annual Disclosure Report shall contain or include by reference the following:

(A) *Audited financial statements.* Audited financial statements prepared in accordance with regulations prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute), except that if any audited financial statements are not available by the Submission Date, the Annual Disclosure Report 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 Disclosure Report when and if they become available.

(B) *Operating and Financial Information.*

(i) Aggregate principal amount of Bonds and Subordinate Lien Obligations Outstanding;

(ii) Amount of Local Option Taxes levied and collected by type;

(iii) Any change by type in the rate or in the total amount of Local Option Taxes the Authority is authorized to levy; and

(iv) Sufficiency Test calculation if the Authority is required to comply with the Sufficiency Test.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority, that have been submitted to each of the NRMSIRs and the SID, if any, or to the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall identify clearly each document so included by reference.

(c) *Material Events.* The Authority agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- Modifications to rights of Owners;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856;
- Defeasances;
- Release, substitution or sale of property securing the repayment of the Bonds; and
- Rating changes.

(d) *Termination/Modification.* The Authority's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance (if notice of such defeasance is given as provided above) or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if the Authority (1) obtains an opinion of Bond Counsel to the effect that those portions of the Rule which require this section, or any such provision, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this section.

Notwithstanding any other provision of this Undertaking, the Authority may amend this Undertaking with an approving opinion of Bond Counsel. In the event of any amendment of a provision of this Undertaking, the Authority shall describe such amendment in the next Annual Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection (c), and (ii) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(e) *Owner's and Beneficial Owners' Remedies.* An Owner's or Beneficial Owner's right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the Authority's obligations hereunder, and any failure by the Authority to comply with the provisions of this undertaking shall not be a Default.

(f) *Additional Information.* Nothing in this Exhibit shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of a material event, in addition to that which is required by this Undertaking. If the Authority chooses to include any information in any Annual Disclosure Report or notice of the occurrence of a material event in addition to that specifically required by this Undertaking, the Authority shall have no obligation under this Resolution to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of a material event.

(g) *Modification of Undertaking.* A Series Resolution may specify that this undertaking does not apply to a Series of Bonds or may alter this undertaking for a Series of Bonds.

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APPENDIX C

DEMOGRAPHIC AND ECONOMIC INFORMATION

The boundaries of the District incorporate areas within King, Pierce and Snohomish Counties. King County consists of 2,128 square miles, Pierce County consists of 1,676 square miles, and Snohomish County consists of 2,098 square miles, ranking 11th, 23rd and 13th, respectively, in geographical size of the State's 39 counties. King County ranks first, Pierce County ranks second and Snohomish County ranks third in population. The Counties constitute the financial, economic and industrial center of the Pacific Northwest region. The City of Seattle, encompassing 91.6 square miles, is the center of the District's economic activity.

The population of the District is currently estimated at 2,416,700, which comprises approximately 84% of the population of the Counties (91% of King County's population, 82% of Pierce County's population and 67% of Snohomish County's population), and 43% of the State's population.

As of June 1998, the Seattle-Bellevue-Everett-Tacoma metropolitan areas accounted for 1.6 million jobs, 57% of the State's total employment. The District's economy is well diversified in the aerospace, manufacturing, trade, high technology, services, construction, tourism and government sectors.

Employment growth in the Puget Sound region declined from a 6.0% annual rate in the fourth quarter of 1997 to a 3.5% annual rate in the first half of 1998. This decline was primarily due to a slowdown in hiring by Boeing, the region's largest employer. Boeing has announced plans to eliminate up to 48,000 jobs by the end of 2000, with up to 24,000 to 30,000 of those job losses expected within the Puget Sound region. In addition, international trade—particularly in aerospace, high technology and agricultural goods—plays a significant role in the region's economy. Economic turmoil in Asia and other factors may have a negative impact on economic activity in the District.

TABLE C-1:
POPULATION IN THE COUNTIES

Year	King County	Pierce County	Snohomish County
1997	1,646,200	674,300	551,200
1996	1,628,800	665,200	538,100
1995	1,613,600	660,200	525,600
1994	1,599,500	648,900	516,500
1993	1,587,700	640,700	507,900
1992	1,564,486	624,000	494,286
1991	1,542,286	603,800	483,986
1990	1,507,305	586,203	465,628
1980	1,269,898	485,667	337,720

Source: 1991 through 1997, State Office of Financial Management; 1980 and 1990, U.S. Department of Commerce, Bureau of Census.

TABLE C-2:
ANNUAL AVERAGE NONAGRICULTURAL EMPLOYMENT IN THE COUNTIES

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Total	1,509,800	1,433,900	1,382,900	1,355,300	1,338,900
Construction and Mining	79,100	73,600	69,800	70,300	70,200
Manufacturing	242,900	220,300	208,800	215,700	224,300
Transportation, Communications and Public Utilities	86,800	84,100	82,000	79,700	78,600
Trade	358,200	346,000	341,300	328,200	319,500
Finance, Insurance and Real Estate	89,000	85,600	83,800	86,300	85,600
Services	433,200	406,800	383,000	364,700	353,900
Government	220,900	217,800	214,300	210,600	206,800

Source: State Employment Security Department.

Note: Totals may not add due to rounding.

TABLE C-3:
ANNUAL AVERAGE UNEMPLOYMENT IN THE COUNTIES

Year	King County		Pierce County		Snohomish County	
	Labor Force and Percent Unemployed		Labor Force and Percent Unemployed		Labor Force and Percent Unemployed	
1997	1,002,100	3.3%	328,100	4.5%	315,700	3.5%
1996	946,000	4.9	317,700	6.2	298,900	5.3
1995	922,700	5.2	312,900	6.2	288,800	5.7
1994	896,400	5.5	301,300	6.5	279,300	6.4
1993	899,200	6.4	297,400	7.5	275,100	7.0
1992	895,100	6.4	288,200	7.5	269,800	7.0
1991	861,100	4.9	274,300	6.1	259,700	5.6

Source: State Employment Security Department.

TABLE C-4:
MAJOR PRIVATE EMPLOYERS IN THE COUNTIES

Employer	Employment	Business Activity
The Boeing Company	87,300	Aerospace manufacturer
Microsoft Corporation	10,900	Software developer
Sisters of Providence Health System	10,500	Health-care services
Group Health Cooperative	9,000	Health-care services
U S West Communications	6,100	Telecommunications
Alaska Air Group, Inc.	5,700	Airline
Nordstrom Inc.	5,500	Department stores
Weyerhaeuser Co.	4,900	Forest products
The Bon Marche	4,400	Department stores
Quality Food Centers Inc.	4,300	Grocery stores
MultiCare Health System	4,200	Health-care services
Virginia Mason Medical Center	4,000	Health-care services
Swedish Health Services	3,900	Health-care services
Franciscan Health System	3,800	Health-care services
PriceCostco Inc.	3,600	Membership warehouses
Safeco Corporation	3,300	Insurance and financial services
Key Bank of Washington	3,200	Banking and financial services
Paccar Inc.	3,200	Heavy duty truck manufacturer
AT&T Corporation	3,000	Telecommunications
Washington Mutual Inc.	2,900	Banking and financial services
Seattle Times Company	2,500	Newspaper publisher
Eddie Bauer Inc.	2,400	Casual apparel and home furnishings
GTE Telephone Operations	2,300	Telecommunications
BF Goodrich Aerospace	2,100	Commercial aircraft repair
Eagle Hardware & Garden	2,100	Home improvement retailer

Source: 1998 Puget Sound Business Journal Book of Lists.

TABLE C-5:
PERSONAL INCOME IN THE COUNTIES
(\$000s)

Year	King County	Pierce County	Snohomish County
1996	\$ 55,568,498	\$ 14,353,372	\$ 12,849,126
1995	51,425,713	13,544,499	12,023,444
1994	47,624,053	12,680,056	11,402,216
1993	45,441,190	12,181,740	10,829,149
1992	43,841,981	11,581,508	10,333,203
1991	40,749,590	10,757,858	9,540,132

Source: U.S. Bureau of Economic Analysis.

TABLE C-6:
PER CAPITA INCOME IN THE COUNTIES

Year	King County	Pierce County	Snohomish County
1996	\$ 34,440	\$ 21,913	\$ 23,596
1995	32,205	20,928	22,559
1994	30,054	19,895	21,781
1993	28,855	19,376	21,086
1992	28,102	18,736	20,669
1991	26,529	17,837	19,701

Source: U.S. Bureau of Economic Analysis.



PRESTON GATES & ELLIS LLP
ATTORNEYS

APPENDIX D

[CLOSING DATE]

The Central Puget Sound Regional
Transit Authority
Seattle, Washington

Goldman Sachs & Co.
New York, New York

Lehman Brothers, Inc.
New York, New York

Salomon Smith Barney, Inc.
New York, New York

E. J. De la Rosa & Co.
Los Angeles, California

Re: Central Puget Sound Regional Transit Authority Sales Tax and Motor Vehicle
Excise Tax Bonds, Series 1999

Ladies and Gentlemen:

We have acted as bond counsel to the Central Puget Sound Regional Transit Authority (the "Authority") and have examined a certified transcript of the proceedings taken in the matter of the issuance by the Authority of its Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999, dated December 1, 1998, in the aggregate principal amount of \$350,000,000 (the "Series 1999 Bonds"). The Series 1999 Bonds have been issued pursuant to Resolution No. R98-47 (the "Master Resolution") and Resolution No. R98-48 (the "Series Resolution") of the Board of Directors of the Authority (together, the "Bond Resolution"), for the purpose of paying a portion of the cost of implementing the Authority's regional transit system plan to provide high capacity transportation services in the central Puget Sound region. Capitalized terms not otherwise defined herein shall have the meanings given in the Bond Resolution. The Series 1999 Bonds are subject to optional and mandatory redemption, mature on the dates and pay interest on the dates and at the rates as provided in the Bond Purchase Contract for the Bonds dated December 9, 1998.

We express no opinion herein relating to the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds, or relating to the undertaking by the Authority to provide ongoing disclosure pursuant to SEC Rule 15c2-12.

D-1

A LIMITED LIABILITY PARTNERSHIP INCLUDING OTHER LIMITED LIABILITY ENTITIES

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Bond Resolution and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

From such examination it is our opinion, as of this date and under existing law, that:

1. The Series 1999 Bonds have been legally issued and constitute valid special obligations of the Authority, both principal thereof and interest thereon being payable solely from amounts in the Local Option Tax Accounts, the Bond Account, the Reserve Account, the Project Account, 1999 and any project account created for the deposit of the proceeds of Future Bonds, except to the extent that the enforcement of the rights and remedies of the Owners of the Series 1999 Bonds may be limited by laws relating to bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. The Authority has irrevocably bound itself to levy the Local Option Taxes at the rates set forth in the Master Resolution and to pay into the Bond Account and the Reserve Account from the Local Option Taxes the various amounts required by the Bond Resolution to be paid into and maintained in such accounts, all within the times provided by the Bond Resolution, to provide for the payment of the principal of and interest on the Series 1999 Bonds as the same become due.

3. The Authority has pledged that the payments to be made into the Bond Account and the Reserve Account from the Local Option Taxes shall be a lien and charge thereon equal in rank to the lien and charge upon the Local Option Taxes of the amounts required to pay and secure the payment of any sales tax and motor vehicle excise tax bonds of the Authority hereafter issued under the Master Resolution on a parity with the Series 1999 Bonds and superior to all other liens and charges. The Authority has reserved the right to issue Future Bonds on the terms set forth in the Master Resolution.

4. Interest on the Series 1999 Bonds is excluded from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The Series 1999 Bonds are not private activity bonds. Interest on the Series 1999 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations, but is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code. The opinions stated in this paragraph are subject to the condition that the Authority comply with all requirements of the Code that must be satisfied subsequent to

The Central Puget Sound Regional
Transit Authority
Goldman Sachs & Co.
Lehman Brothers, Inc.
Salomon Smith Barney
E. J. De la Rosa & Co.
[CLOSING DATE]
Page 3

the issuance of the Series 1999 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 1999 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 1999 Bonds.

The Authority has not designated the Series 1999 Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code. Except as stated herein we express no opinion regarding any federal, state or local tax consequences arising with respect to ownership of the Series 1999 Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PRESTON GATES & ELLIS LLP

By
Jay A. Reich

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

With respect to Series 1999 Bonds registered on the Bond Register in the name of Cede & Co., as nominee of DTC, Sound Transit and the Registrar shall have no responsibility or obligation to any Participant (defined herein) or to any person on behalf of whom a Participant holds an interest in the Series 1999 Bonds with respect to: (1) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Series 1999 Bonds; (2) the delivery to any Participant or any other person, other than a bondowner as shown on the Bond Register, of any notice with respect to the Series 1999 Bonds, including any notice of redemption; (3) the payment to any Participant or any other person, other than a bondowner as shown on the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Series 1999 Bonds; (4) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 1999 Bonds; (5) any consent given action taken by DTC as registered owner; or (6) any other matter. Sound Transit and the Registrar may treat and consider Cede & Co., in whose name each Series 1999 Bond is registered on the Bond Register, as the holder and absolute owner of such Series 1999 Bond for the purpose of payment of principal and interest with respect to such Series 1999 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 1999 Bond, for the purpose of registering transfers with respect to such Series 1999 Bond, and for all other purposes whatsoever. For the purposes of this Official Statement, the term "Beneficial Owner" shall include the person for whom the Participant acquires an interest in the Series 1999 Bonds.

If Sound Transit is unable to retain a qualified successor to DTC or Sound Transit has determined that it is in the best interest of Sound Transit not to continue the book-entry system of transfer or that interests of Beneficial Owners of the Series 1999 Bonds might be adversely affected if the book-entry system of transfer is continued, Sound Transit shall execute, authenticate and deliver at no cost to the Beneficial Owners of the Series 1999 Bonds or their nominees, Series 1999 Bonds in fully registered form, in the denomination of \$5,000 or any integral multiple thereof. Thereafter, the principal of the Series 1999 Bonds shall be payable upon due presentment and surrender thereof at the principal office of the Registrar, interest on the Series 1999 Bonds will be payable by check or draft mailed to the persons in whose names such Series 1999 Bonds are registered, at the address appearing upon the registration books on the 15th day of the month next preceding an interest payment date, and the Series 1999 Bonds will be transferable as provided in the Resolution. For purposes hereof, record date shall mean in the case of each interest payment date, the Registrar's close of business on the 15th day immediately preceding such interest payment date, and, in the case of each redemption, such record date shall be specified by the Registrar in the notice of redemption, provided that such record date shall not be less than 15 calendar days before the mailing of such notice of redemption.

The following information has been provided by DTC. Sound Transit and the Underwriters make no representation regarding the accuracy or completeness thereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

DTC will act as initial securities depository for the Series 1999 Bonds. The Series 1999 Bonds will be issued as fully-registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 1999 Bond

certificate will be issued for each maturity of the Series 1999 Bonds in the principal amount of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 1999 Bonds under the DTC system, in denominations of \$5,000 or any integral multiple thereof, must be made by or through Direct Participants, which will receive a credit for the Series 1999 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 1999 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 1999 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 1999 Bonds, except in the event that use of the book-entry system for the Series 1999 Bonds is discontinued.

To facilitate subsequent transfers, all Series 1999 Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Series 1999 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1999 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 1999 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

When notices are given, they shall be sent by the Registrar to DTC only. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 1999 Bonds, such as redemptions, tenders,

defaults, and proposed amendments to the Security documents. Beneficial Owners of the Series 1999 Bonds may wish to ascertain that the nominee holding the Series 1999 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 1999 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 1999 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to Sound Transit as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 1999 Bonds are credited to on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 1999 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Sound Transit or the Registrar on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar, or Sound Transit, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Sound Transit or the Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 1999 Bonds at any time by giving reasonable notice to Sound Transit and the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series 1999 Bond certificates are required to be printed and delivered.

Sound Transit may decide to discontinue use of the system of the book-entry transfers through DTC (or a successor securities depository). In that event, Series 1999 Bond certificates will be printed and delivered.

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and interest payments) to securityholders, book-entry deliveries and settlement of trades within DTC ("DTC Services") continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility services providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from who DTC acquires services to: (1) impress upon them the importance of such services being Year 2000 compliant; and (2) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the information in the previous two paragraphs with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

APPENDIX F
SPECIMEN BOND INSURANCE POLICY

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Financial Guaranty Insurance
 Company
 115 Broadway
 New York, NY 10006
 (212) 312-3000
 (800) 352-0001

A GE Capital Company

Municipal Bond New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

Municipal Bond New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in accordance with the provisions hereof to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in black ink, appearing to be "A. L. H.", with a long horizontal flourish extending to the right.

President

Effective Date:

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

A handwritten signature in black ink, appearing to be "G. J. P.", with a long horizontal flourish extending to the right.

Authorized Officer

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect to a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer

State Street Bank and Trust Company, N.A., as Fiscal Agent

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

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SOUNDTRANSIT

DO NOT STAPLE THIS FORM

WA14556

97887

MSRB

FORM G-36 (OS) - FOR OFFICIAL STATEMENTS

SECTION I - MATERIALS SUBMITTED

A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

- 1. A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)
 - (a) DATE RECEIVED FROM ISSUER: 12/21/98
 - (b) DATE SENT TO MSRB: 12/21/98
- 2. AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)
 - (a) DATE RECEIVED FROM ISSUER: _____
 - (b) DATE SENT TO MSRB: _____

B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g. preliminary official statement and wrap, even if physically attached), PLEASE CHECK HERE:

C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original form G-36 (OS)):

SECTION II - IDENTIFICATION OF ISSUE(S)

Each issue must be listed separately.

If more space is needed to list additional issues, please include on a separate sheet and check here:

NAME OF ISSUER: THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY SALES TAX AND MOTOR VEHICLE EXCISE TAX BONDS, SERIES 1999

DESCRIPTION OF ISSUE: SERIES 1999

STATE: WA
DATED: _____
DATE: 12/01/1998

NAME OF ISSUER: _____

DESCRIPTION OF ISSUE: _____

STATE: _____
DATED: _____
DATE: _____

NAME OF ISSUER: _____

DESCRIPTION OF ISSUE: _____

STATE: _____
DATED: _____
DATE: _____

SECTION III - TRANSACTION INFORMATION

LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 02/01/2028

DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 12/10/1998

ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 01/06/1999

IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE:

A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

SECTION IV - UNDERWRITER ASSESSMENT INFORMATION

The information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

MANAGING UNDERWRITER: Goldman, Sachs & Co.

TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING \$ 350,000,000

PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from the amount shown in item B above): \$ _____

CHECK ALL THAT APPLY

SEC REG. NUMBER: 8-00129

- 1. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.
- 2. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.
- 3. This offering is exempt from SEC rule 15c2-12 under section (c)(1) of that rule. Section (c)(1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

SECTION V - CUSIP INFORMATION

Rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

CUSIP-9 NUMBERS OF THE ISSUE(S)

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
01/2006A	155048AA9	02/01/2007A	155048AB7	02/01/2008A	155048AC5
01/2009A	155048AP6	02/01/2009B	155048AD3	02/01/2010A	155048AQ4
01/2010B	155048AE1	02/01/2011A	155048AR2	02/01/2011B	155048AF8
01/2012A	155048AS0	02/01/2012B	155048AG6	02/01/2013A	155048AT8
01/2013B	155048AH4	02/01/2014A	155048AU5	02/01/2014B	155048AJ0
01/2015A	155048AV3	02/01/2015B	155048AK7	02/01/2016A	155048AW1
01/2016B	155048AL5	02/01/2017A	155048AX9	02/01/2017B	155048AM3
01/2018A	155048AY7	02/01/2018B	155048AN1	02/01/2021A	155048AZ4
01/2023B	155048BA8	02/01/2028A	155048BB6	02/01/2028B	155048BC4

IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9", CHECK HERE AND LIST THEM BELOW: []

(Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED: _____

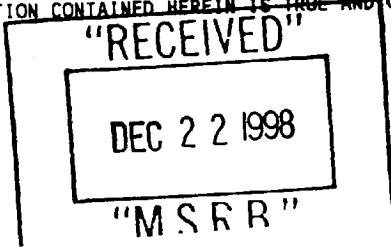
State the reason why such securities have not been assigned a "CUSIP-9": _____

IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT, PLEASE CHECK HERE: []

State the reason why such securities are ineligible for CUSIP number assignment: _____

SECTION VI - MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE AND THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGES THAT SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.



NAME

SIGNATURE

NAME

(PRINT)

SECTION IV ABOVE

(Managing Underwriter)

and

most likely

will instruct
or noted as

PREPARED FOR

statement must

Form and two cc

MSRB within the meaning of rule G-36.

File to MSRB, MSIL System, 1640 King Street, Suite 300, Alexandria, Virginia