

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2015 Parity Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the 2015 Parity Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2015 Parity Bonds. See "TAX MATTERS."



THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY



\$792,840,000

**Sales Tax Improvement and Refunding Bonds,
Series 2015S-1 (Green Bonds)**

\$75,000,000

**Sales Tax Improvement Bonds,
Series 2015S-2A (Green Bonds)**

\$75,000,000

**Sales Tax Improvement Bonds,
Series 2015S-2B (Green Bonds)**

Dated: Date of initial delivery

Due: As shown on inside cover and on page i

The Central Puget Sound Regional Transit Authority ("Sound Transit"), a Washington regional transit authority, is issuing its Sales Tax Improvement and Refunding Bonds, Series 2015S-1 (the "2015S-1 Parity Bonds"), in the aggregate principal amount of \$792,840,000, its Sales Tax Improvement Bonds, Series 2015S-2A (the "2015S-2A Parity Bonds"), in the aggregate principal amount of \$75,000,000 and its Sales Tax Improvement Bonds, Series 2015S-2B (the "2015S-2B Parity Bonds," and together with the 2015S-2A Parity Bonds, the "2015S-2 Parity Bonds," and the 2015S-2 Parity Bonds together with the 2015S-1 Parity Bonds, the "2015 Parity Bonds"), in the aggregate principal amount of \$75,000,000.

The 2015S-1 Parity Bonds are being issued as fixed-rate bonds and will bear interest at the rates set forth on the inside cover. The 2015S-2 Parity Bonds are being issued initially as Index Floating Rate Bonds and will bear interest at the SIFMA Index Rate, as set forth on page i, subject to prior optional redemption or Conversion to a new Index Floating Rate Period or to another Interest Rate Mode, as described herein. **Interest on the 2015S-2 Parity Bonds is subject to a Delayed Remarketing Rate and a Maximum Rate.** This Official Statement describes the 2015S-2 Parity Bonds only during the Initial Period. At the end of the Initial Period, the 2015S-2 Parity Bonds are subject to mandatory tender for purchase, as described herein. At that time, Sound Transit may elect to redeem the 2015S-2 Parity Bonds or to effect a Conversion to a new Index Floating Rate Period or to another Interest Rate Mode, as described herein. No Liquidity Facility secures payment of the purchase price of 2015S-2 Parity Bonds that are not remarketed at the end of the Initial Period. **As described herein, failure by Sound Transit to provide funds for that mandatory purchase will not constitute a Default under the 2015 Parity Bond Resolutions.**

The 2015 Parity Bonds are being issued 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 2015 Parity Bonds. Individual purchases of 2015 Parity Bonds are to be made in denominations of \$5,000 and any integral multiple thereof within a maturity of a series, in book-entry form only, and purchasers will not receive certificates representing their interest in the 2015 Parity Bonds, except as described herein. Payments of principal of and interest on the 2015 Parity Bonds are to be made to DTC by the fiscal agent of the State of Washington, currently U.S. Bank National Association in Seattle, Washington (the "Bond Registrar"). Disbursements of payments to DTC participants is the responsibility of DTC, and disbursement of payments to beneficial owners of the 2015 Parity Bonds is the responsibility of DTC participants. The 2015 Parity Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices described herein.

Interest on the 2015S-1 Parity Bonds is payable on each May 1 and November 1, commencing on November 1, 2015, until maturity or prior redemption. Interest on the 2015S-2 Parity Bonds is payable on the first Business Day of each month, commencing on the date set forth on page i, until the end of the Initial Period, prior redemption, or Conversion to a new Index Floating Rate Period or to another Interest Rate Mode.

The 2015 Parity Bonds are being issued (i) to pay or to reimburse Sound Transit for the payment of costs of constructing a portion of Sound Transit's System Plan, (ii) to advance refund certain outstanding Parity Bonds and (iii) to pay the costs of issuing the 2015 Parity Bonds.

The 2015 Parity Bonds are special limited obligations of Sound Transit payable from and secured solely by a pledge of the proceeds of certain sales and use taxes and rental car taxes imposed by Sound Transit and amounts, if any, in certain accounts held by Sound Transit. The pledge for the payment of the 2015 Parity Bonds of certain taxes and certain amounts in certain accounts is subordinate to the pledge thereof to the payment of the Prior Bonds, as described herein. Sound Transit has reserved the right to issue additional Prior Bonds and Parity Bonds in the future. The 2015 Parity Bonds are not obligations of the State of Washington or any political subdivision thereof other than Sound Transit. The 2015 Parity Bonds are not secured by any lien, nor are the 2015 Parity Bonds secured by any charge upon any general fund or upon any money or other property of Sound Transit not specifically pledged thereto.

The 2015 Parity Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Sound Transit, and to certain other conditions. Certain legal matters will be passed upon for Sound Transit by its General Counsel and by Foster Pepper PLLC, Seattle, Washington, its Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Pacifica Law Group LLP, Seattle, Washington. It is expected that the 2015 Parity Bonds will be available for delivery in New York, New York, through the facilities of DTC, or to the Bond Registrar on behalf of DTC, on or about September 10, 2015.

J.P. Morgan

BofA Merrill Lynch

Citigroup

Goldman, Sachs & Co.

RBC Capital Markets

Wells Fargo Securities

The Central Puget Sound Regional Transit Authority

\$792,840,000

Sales Tax Improvement and Refunding Bonds, Series 2015S-1 (Green Bonds)

Due (November 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No. 15504R
2018	\$ 2,900,000	5.00%	1.00%	112.339	FT1
2024	11,435,000	5.00	2.30	122.143	FU8
2025	10,750,000	5.00	2.44	122.873	FV6
2026	9,680,000	5.00	2.57	121.570*	FW4
2027	8,530,000	5.00	2.69	120.381*	FX2
2029	42,485,000	5.00	2.88	118.526*	FY0
2030	34,925,000	5.00	2.96	117.756*	FZ7
2031	55,865,000	5.00	3.03	117.086*	GA1
2032	58,660,000	5.00	3.08	116.611*	GB9
2033	61,590,000	4.00	3.52	104.060*	GC7
2034	64,055,000	4.00	3.56	103.714*	GD5
2035	71,620,000	5.00	3.20	115.480*	GE3
2036	74,950,000	5.00	3.24	115.106*	GF0
2040	40,000,000	4.00	3.76	102.004*	GK9

\$83,000,000 5.00% Term Parity Bonds due November 1, 2045, at a yield of 3.43% and price of 113.348*
CUSIP No. 15504R GG8

\$92,000,000 5.00% Term Parity Bonds due November 1, 2050**, at a yield of 3.58% and price of 111.983*
CUSIP No. 15504R GJ2

\$70,395,000 4.00% Term Parity Bonds due November 1, 2050**, at a yield of 4.05% and price of 99.063
CUSIP No. 15504R GH6

* Priced to the November 1, 2025 par call date.

** Bifurcated maturity.

The Central Puget Sound Regional Transit Authority

\$75,000,000

Sales Tax Improvement Bonds, Series 2015S-2A (Green Bonds)

Price: 100%

Index Floating Rate: SIFMA Index Rate

Applicable Spread: +70 Basis Points

First Interest Payment Date: October 1, 2015

Maturity Date: November 1, 2045

End of Initial Period (Mandatory Purchase Date): November 1, 2018

Par Call Date: May 1, 2018

CUSIP No.: 15504R FR5

\$75,000,000

Sales Tax Improvement Bonds, Series 2015S-2B (Green Bonds)

Price: 100%

Index Floating Rate: SIFMA Index Rate

Applicable Spread: +70 Basis Points

First Interest Payment Date: October 1, 2015

Maturity Date: November 1, 2045

End of Initial Period (Mandatory Purchase Date): November 1, 2018

Par Call Date: May 1, 2018

CUSIP No.: 15504R FS3

No dealer, broker, salesperson or other person has been authorized by Sound Transit or the Underwriters to give any information or to make any representations in connection with the offering of the 2015 Parity Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of the 2015 Parity Bonds, by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information set forth in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements contained in this Official Statement reflect not historical facts but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe” and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. Sound Transit specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except as otherwise described in “CONTINUING DISCLOSURE.”

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Sound Transit since the date of this Official Statement.

In connection with the offering of the 2015 Parity Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the 2015 Parity Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2015 Parity Bonds to certain dealers (including dealers depositing 2015 Parity Bonds into investment trusts) and others at prices lower than the initial offering prices or prices corresponding to the yields set forth on the inside cover or on page i, and such initial offering prices may be changed, from time to time, by the Underwriters, without prior notice.

Information on web site addresses set forth in this Official Statement is not part of this Official Statement and should not be relied upon to be accurate as of the date of this Official Statement, nor should such information be relied upon in making investment decisions regarding the 2015 Parity Bonds.

The CUSIP numbers in this Official Statement are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard and Poor’s. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with Sound Transit and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the 2015 Parity Bonds. Neither Sound Transit nor the Underwriters take responsibility for the accuracy of the CUSIP numbers.

The 2015 Parity Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such laws. The 2015 Parity Bonds will not have been recommended by the Securities and Exchange Commission (“SEC”) or any other federal, state or foreign securities commission or regulatory authority, and no such commissions and regulatory authorities will have reviewed or passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

Sound Transit
(The Central Puget Sound Regional Transit Authority)
401 South Jackson Street
Seattle, Washington 98104
(206) 398-5000
www.soundtransit.org

Board of Directors

Name (Board Position)	Entity Represented	Elected/Appointed Position
Dow Constantine (Chair)	King County	County Executive
Paul Roberts (Vice Chair)	City of Everett	Councilmember
Marilyn Strickland (Vice Chair)	City of Tacoma	Mayor
John Lovick	Snohomish County	County Executive
Claudia Balducci	City of Bellevue	Mayor
Fred Butler	City of Issaquah	Mayor
Dave Earling	City of Edmonds	Mayor
David Enslow	City of Sumner	Mayor
John Marchione	City of Redmond	Mayor
Pat McCarthy	Pierce County	County Executive
Joe McDermott	King County	Councilmember
Mary Moss	City of Lakewood	Councilmember
Ed Murray	City of Seattle	Mayor
Mike O'Brien	City of Seattle	Councilmember
Lynn Peterson	State of Washington	Secretary of Transportation
Larry Phillips	King County	Councilmember
Dave Upthegrove	King County	Councilmember
Peter von Reichbauer	King County	Councilmember

Principal Administrative Officers

Joni Earl	Chief Executive Officer*
Michael Harbour	Acting Chief Executive Officer
Brian McCartan	Executive Director, Finance and Information Technology
Desmond Brown	Executive Director, General Counsel
Ahmad Fazel	Executive Director, Design, Engineering and Construction Management
Ric Ilgenfritz	Executive Director, Planning, Environment and Project Development
Craig Davison	Executive Director, Communications and External Affairs
Bonnie Todd	Executive Director, Operations
Tracy Butler	Treasurer
Valentina Zackrone	Chief Human Resources Officer

Advisors and Consultants

Orrick, Herrington & Sutcliffe LLP	Bond Counsel
Foster Pepper PLLC	Disclosure Counsel
Piper Jaffray & Co.	Financial Advisor

Bond Registrar

Washington State Fiscal Agent
(currently U.S. Bank National Association)

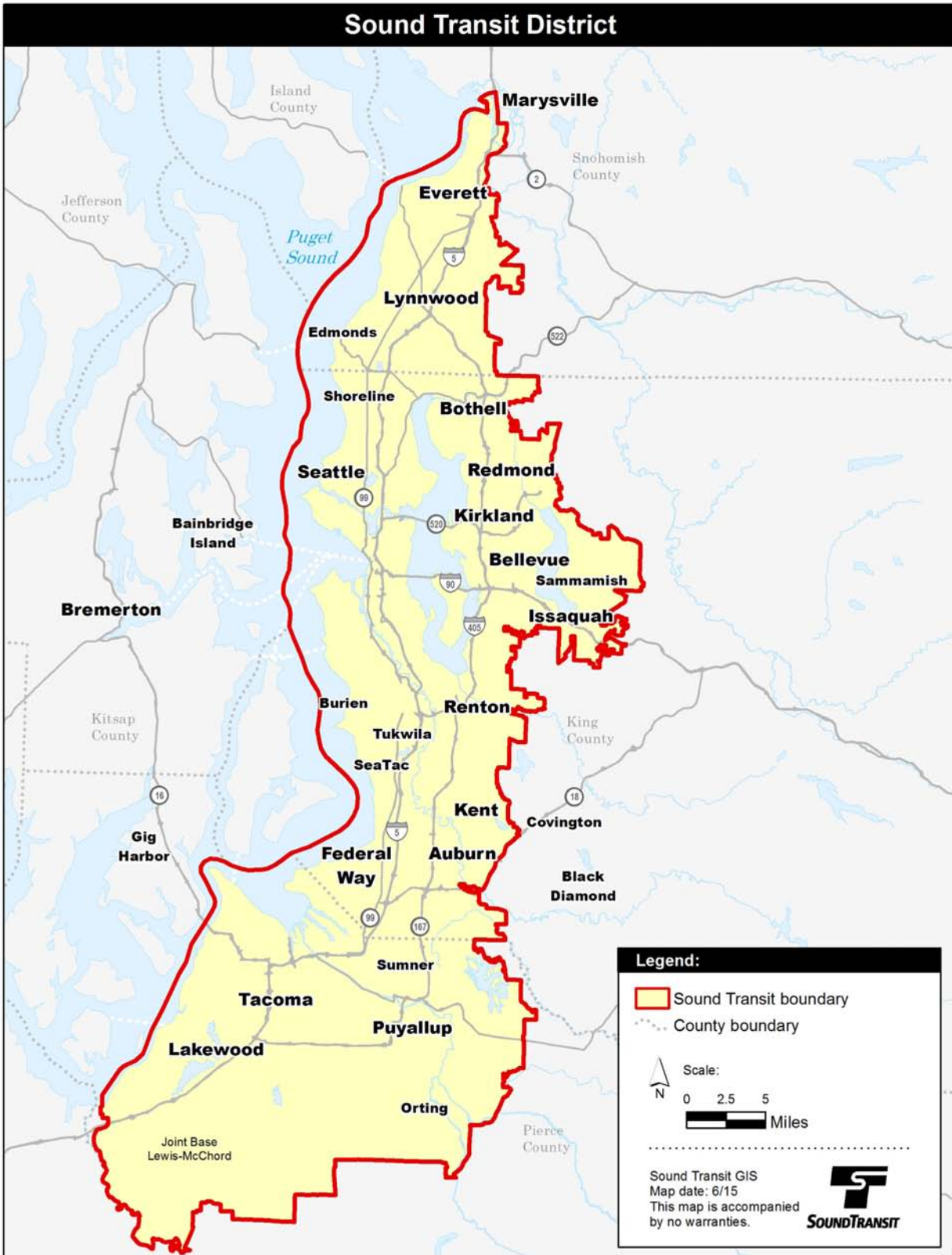
* In May 2015, Ms. Earl announced that she will retire in early 2016. The Sound Transit Board of Directors has started a process to hire her replacement.

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SOUND TRANSIT DISTRICT MAP



OFFICIAL STATEMENT

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY (SOUND TRANSIT)

\$792,840,000

SALES TAX IMPROVEMENT AND REFUNDING BONDS, SERIES 2015S-1 (GREEN BONDS)

\$75,000,000

SALES TAX IMPROVEMENT BONDS, SERIES 2015S-2A (GREEN BONDS)

\$75,000,000

SALES TAX IMPROVEMENT BONDS, SERIES 2015S-2B (GREEN BONDS)

INTRODUCTION

This Official Statement, including the cover, inside cover and appendices, is being provided by The Central Puget Sound Regional Transit Authority (“Sound Transit”), a Washington regional transit authority, to furnish information in connection with the issuance by Sound Transit of its Sales Tax Improvement and Refunding Bonds, Series 2015S-1, in the aggregate principal amount of \$792,840,000 (the “2015S-1 Parity Bonds”), its Sales Tax Improvement Bonds, Series 2015S-2A, in the aggregate principal amount of \$75,000,000 (the “2015S-2A Parity Bonds”), and its Sales Tax Improvement Bonds, Series 2015S-2B, in the aggregate principal amount of \$75,000,000 (the “2015S-2B Parity Bonds,” together with the 2015S-2A Parity Bonds, the “2015S-2 Parity Bonds,” and the 2015S-2 Parity Bonds together with the 2015S-1 Parity Bonds, the “2015 Parity Bonds”).

The 2015 Parity Bonds, together with the outstanding Sales Tax Bonds, Series 2007A (the “2007A Parity Bonds”), Sales Tax Bonds, Series 2009S-2T (Taxable Build America Bonds – Direct Payment) (the “2009S-2T Parity Bonds”) and Sales Tax Refunding Bonds, Series 2012S-1 (the “2012S-1 Parity Bonds,” and together with the 2007A Parity Bonds and the 2009S-2T Parity Bonds, the “Outstanding Parity Bonds”) and any obligations issued in the future that are secured by a pledge of the Pledged Taxes (defined herein) on a parity with the pledge to the payment of the Outstanding Parity Bonds and the 2015 Parity Bonds (the “Future Parity Bonds”), are referred to collectively as the “Parity Bonds.”

The pledge of the existing Pledged Taxes to the payment of the Parity Bonds is subordinate to the pledge thereof to the payment of the outstanding Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999 (the “1999 Prior Bonds”), Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2009P-1 (the “2009P-1 Prior Bonds”), Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2009P-2T (Taxable Build America Bonds – Direct Payment) (the “2009P-2T Prior Bonds”), and Sales Tax and Motor Vehicle Excise Tax Refunding Bonds, Series 2012P-1 (the “2012P-1 Prior Bonds,” and together with the 1999 Prior Bonds, the 2009P-1 Prior Bonds and the 2009P-2T Prior Bonds, the “Outstanding Prior Bonds”). The Outstanding Prior Bonds and any obligations issued in the future that are secured by a pledge of the Local Option Taxes (defined herein) on a parity with the pledge to the payment of the Outstanding Prior Bonds (the “Future Prior Bonds”) are referred to collectively as the “Prior Bonds.” See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS.”

This Introduction does not purport to be complete, and reference is made to the entire Official Statement, including the cover, inside cover and appendices, for more complete statements with respect to the matters summarized herein. Unless otherwise defined in this Official Statement, capitalized terms used herein have the meanings set forth in Appendix B – “FORMS OF THE 2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution – Definitions” and “– 2015 Parity Bond Series Resolution – Definitions.”

Sound Transit

Sound Transit is a regional transit authority encompassing portions of King, Snohomish and Pierce Counties (the “Counties”) in the central Puget Sound region of the State of Washington (the “State”). Sound Transit was created in 1993 pursuant to chapter 81.112 of the Revised Code of Washington (“RCW”).

Sound Transit’s boundaries generally conform to the “urban growth boundaries” designated by the Counties pursuant to the State’s Growth Management Act, with certain minor adjustments. The area within Sound Transit’s boundaries (the “District”) had a 2014 estimated population of approximately 2.8 million, or approximately 41% of the population in the State, and includes, among others, the cities of Seattle, Tacoma, Bellevue and Everett. A map of the District is set forth on page vi of this Official Statement.

The primary statutory purpose of Sound Transit is to develop and operate a “high capacity transportation system” within the District. 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 also may include any lands, interests 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. See “SOUND TRANSIT.”

System Plan

Sound Transit has adopted its “System Plan,” which incorporates commuter rail, light rail, express bus, community connections (such as transit centers, park-and-ride lots and transit access improvements) and high-occupancy vehicle (“HOV”) facilities and other improvements. The three primary programs are regional express buses (“ST Express”); commuter rail (“Sounder”); and electric light rail (“Link”). The implementation of the initial phase of the System Plan (“Sound Move”) was approved by voters in 1996. In 2008, voters approved “Sound Transit 2” as a second phase of the System Plan to finance the expansion of the light rail system, commuter rail and express bus service. The capital component of the entire System Plan is estimated to cost \$17.2 billion (in year of expenditure dollars) and is expected to be financed with a combination of Sales Tax, Rental Car Tax and Motor Vehicle Tax proceeds, federal, State and local grants and loans, bond proceeds, fares and other operating revenues, as well as interest earnings on money from such sources. See “SOUND TRANSIT – System Plan.” Many such sources, including proceeds of Local Option Taxes and Pledged Taxes available as described in “SECURITY FOR THE PARITY BONDS – Flow of Funds,” are also used to pay the cost of operating and maintaining Sound Transit and its facilities. See “HISTORICAL FINANCIAL INFORMATION.”

In July 2015, the State Legislature authorized additional funding authority for Sound Transit, which allows Sound Transit to submit a ballot measure currently being referred to as “Sound Transit 3” to the voters as early as 2016 to further expand its high capacity transportation system and to impose certain additional taxes. The proceeds of any such taxes approved by the voters may, but are not required to, be pledged to the payment of the Parity Bonds. See “SOUND TRANSIT – System Plan – Sound Transit 3.”

Purpose of the 2015 Parity Bonds

The 2015 Parity Bonds are being issued to provide funds necessary, together with other available funds of Sound Transit, (i) to pay or to reimburse Sound Transit for the payment of costs of constructing a portion of Sound Transit’s System Plan, (ii) to advance refund all of the outstanding 2007A Parity Bonds (the “Refunded Bonds”), and (iii) to pay the costs of issuing the 2015 Parity Bonds. See “SOURCES AND USES OF FUNDS.”

Green Bonds

Sound Transit has designated the 2015 Parity Bonds as “Green Bonds” based on the planned use of the proceeds of the 2015 Parity Bonds to finance or refinance projects that adhere to Sound Transit’s Sustainability Plan (the “Sustainability Plan”), such as reducing car trips by carrying more transit riders, supporting smart regional growth, fostering transit-oriented development and improved transit access, designing and building greener projects and

operating fleets and facilities more efficiently. See “THE 2015 PARITY BONDS – Designation as Green Bonds” and Appendix E – “GREEN BOND PROJECT DESCRIPTIONS AND SECOND-PARTY REVIEW.”

Authority for Issuance

The 2015 Parity Bonds are authorized to be issued pursuant to chapters 81.104 and 81.112 RCW (the “Act”) and chapters 39.46 and 39.53 RCW.

The 2015 Parity Bonds are being issued pursuant to Resolution No. R2015-16, adopted on July 23, 2015 (the “Parity Bond Master Resolution”), as supplemented by Resolution No. R2015-17, adopted on July 23, 2015 (the “2015 Parity Bond Series Resolution,” and together with the Parity Bond Master Resolution, the “2015 Parity Bond Resolutions”). The 2015 Parity Bond Resolutions, together with the other resolutions, as amended, that authorized the issuance of the Outstanding Parity Bonds, are referred to collectively as the “Parity Bond Resolutions.”

The forms of the 2015 Parity Bond Resolutions are set forth in their entirety in Appendix B – “FORMS OF THE 2015 PARITY BOND RESOLUTIONS.”

Resolution No. R2012-14, adopted on June 28, 2012 (the “Master Prior Bond Resolution”), together with the other resolutions, as amended, that authorized the issuance of the Outstanding Prior Bonds, are referred to collectively as the “Prior Bond Resolutions.”

Local Option Taxes Pledged to Prior Bonds and Pledged Taxes Pledged to Parity Bonds

In 1996, Sound Transit obtained voter approval to impose and collect two taxes within the District: a sales and use tax (the “Sales Tax”), imposed at the rate of 0.4%, and a motor vehicle excise tax (the “Motor Vehicle Tax”), imposed at the rate of 0.3%. Sound Transit imposed the Sales Tax and the Motor Vehicle Tax effective April 1, 1997, together with a 0.8% rental car tax (the “Rental Car Tax”) that did not require voter approval. In 2008, Sound Transit obtained voter approval to increase the rate at which the Sales Tax is imposed by an additional 0.5%. Sound Transit began imposing the Sales Tax at the increased rate of 0.9% effective April 1, 2009.

The Sales Tax, the Motor Vehicle Tax and the Rental Car Tax are referred to collectively as the “Local Option Taxes.” The Local Option Taxes are pledged to the payment of the Prior Bonds. See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS.”

The Sales Tax and the Rental Car Tax (together with other taxes if pledged in the future to the payment of the Parity Bonds) are referred to collectively as the “Pledged Taxes.” The Pledged Taxes are pledged to the payment of the Parity Bonds, including the 2015 Parity Bonds. The pledge of the Sales Tax and the Rental Car Tax to the payment of the Parity Bonds is subordinate to the pledge thereof to the payment of the Prior Bonds. See “SECURITY FOR THE PARITY BONDS.”

The Motor Vehicle Tax is a component of the Local Option Taxes pledged to the payment of the Prior Bonds, but the Motor Vehicle Tax is not a component of the Pledged Taxes pledged to the payment of the Parity Bonds. Under current law, Sound Transit does not have authority to impose the Motor Vehicle Tax after the 1999 Prior Bonds are retired or provision is made for their payment. The last scheduled maturity of the 1999 Prior Bonds is February 1, 2028. Sound Transit has covenanted in the Master Prior Bond Resolution to use the proceeds from all Local Option Taxes (including the Motor Vehicle Tax) for purposes and in priorities generally described in “First” through “Tenth” in “SECURITY FOR THE PARITY BONDS – Flow of Funds,” including for payment of debt service on the Parity Bonds. The 2015 Parity Bonds are not secured by any provisions of the Master Prior Bond Resolution.

See “SOUND TRANSIT TAXES.”

Security for the Prior Bonds

The Prior Bonds are payable from and secured by a pledge of the Local Option Taxes (the Sales Tax, the Motor Vehicle Tax and the Rental Car Tax), which are required to be deposited into the Local Option Tax Accounts. The

Prior Bonds are also secured by amounts, if any, in the Local Option Tax Accounts, the Prior Bond Account, the Prior Reserve Account and any project account created for the deposit of Prior Bond proceeds. The pledge for the payment of the Prior Bonds of the Local Option Taxes and amounts in the Local Option Tax Accounts, the Prior Bond Account, the Prior Reserve Account and any project account created for the deposit of Prior Bond proceeds is a prior charge upon the Local Option Taxes and such accounts superior to all other charges of any kind or nature (including the payment of Parity Bonds and the payment of costs of operating and maintaining Sound Transit and its facilities). See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS.”

As of May 1, 2015, Sound Transit had Prior Bonds outstanding in the aggregate principal amount of \$570,175,000. See “DEBT CAPACITY – Outstanding Prior Bonds and Parity Bonds” and “DEBT SERVICE REQUIREMENTS.”

Security for the Parity Bonds

The 2015 Parity Bonds are “Subordinate Obligations,” as that term is defined in the Master Prior Bond Resolution. The Parity Bond Master Resolution provides that the 2015 Parity Bonds are payable from and secured by a pledge of (i) the Pledged Taxes (currently, the Sales Tax and the Rental Car Tax), which are required to be deposited into the Local Option Tax Accounts, (ii) amounts in the Parity Bond Account, (iii) amounts in the Local Option Tax Accounts, the Additional Taxes Accounts, the Tax Stabilization Subaccount, subject to the prior pledge of money in the Local Option Tax Accounts and the Tax Stabilization Subaccount that has been made in favor of the Prior Bonds, and (iv) except as otherwise provided in a Series Resolution or the Parity Bond Master Resolution, amounts in any proceeds account created pursuant to a Series Resolution and any project account created in the Project Fund for the deposit of proceeds of the Parity Bonds.

The Parity Bond Master Resolution provides that the pledge for the payment of the 2015 Parity Bonds of amounts in the Parity Bond Account, the Additional Taxes Accounts and, except as otherwise provided in a Series Resolution or the Parity Bond Master Resolution, the proceeds of the Parity Bonds deposited in any proceeds account and/or in any account created in the Project Fund for the deposit of Parity Bond proceeds is a charge on the amounts in such accounts equal to the charge of any other Parity Bonds thereon and superior to all other charges of any kind or nature (including the payment of costs of operating and maintaining Sound Transit and its facilities and the payment of debt service on the Prior Bonds).

The Parity Bond Master Resolution provides that the pledge for the payment of the 2015 Parity Bonds of the Pledged Taxes and amounts in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount and earnings thereon, to the extent amounts and earnings in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount represent revenues from Pledged Taxes, is a prior charge superior to all other charges of any kind or nature (including the payment of costs of operating and maintaining Sound Transit and its facilities), except the charge of the Prior Bonds on Local Option Taxes, and equal to the charge of any other Parity Bonds.

Sound Transit has also pledged for the payment of the 2015 Parity Bonds proceeds of the 2015 Parity Bonds used to reimburse Sound Transit for the costs of constructing a portion of the System Plan (the “2015 Parity Improvement Bonds”), if any, deposited in the 2015 Project Account in the Project Fund and in any other account or subaccount established by Sound Transit to hold proceeds of the 2015 Parity Improvement Bonds, and such pledge is a charge on the amounts in such accounts superior to all other charges of any kind or nature.

The Parity Bond Master Resolution provides for a Parity Reserve Account that secures only Future Parity Bonds for which Sound Transit establishes a Parity Reserve Account Requirement greater than zero. The Parity Reserve Account Requirement for the 2015 Parity Bonds and the Outstanding Parity Bonds is zero. The 2015 Parity Bonds and the Outstanding Parity Bonds are not secured by the Parity Reserve Account. The Parity Reserve Account is not currently funded. See “SECURITY FOR THE PARITY BONDS – Security for the Parity Bonds – Parity Reserve Account.”

The Parity Bond Master Resolution provides for various amendments to the Parity Bond Resolutions, to which the Owners of the 2015 Parity Bonds will be deemed to have consented. See “SECURITY FOR THE PARITY BONDS – Security for the Parity Bonds – Special Amendments.”

As of May 1, 2015, Sound Transit had Parity Bonds outstanding in the aggregate principal amount of \$795,500,000. The Refunded Bonds, in the aggregate principal amount of \$397,955,000, will be refunded by the 2015S-1 Parity Bonds. See “SOURCES AND USES OF FUNDS – Refunding Plan,” “DEBT CAPACITY – Outstanding Prior Bonds and Parity Bonds” and “DEBT SERVICE REQUIREMENTS.”

See “SECURITY FOR THE PARITY BONDS.”

Other Obligations

TIFIA Bond. In January 2015, Sound Transit entered into a TIFIA Loan Agreement with the United States Department of Transportation, acting by and through the Federal Highway Administrator (the “TIFIA Lender”), pursuant to the Transportation Infrastructure Finance and Innovation Act (“TIFIA”). The obligations of Sound Transit under the TIFIA Loan Agreement are evidenced by a TIFIA Bond. The TIFIA Bond is a Second Tier Junior Obligation payable from Pledged Taxes after payment of debt service on the Prior Bonds, the Parity Bonds and any First Tier Junior Obligations, and on a parity with any other Second Tier Junior Obligations. See “SECURITY FOR THE PARITY BONDS – Flow of Funds.” The principal amount that may be drawn on the TIFIA Bond may not exceed \$1.33 billion. Subject to certain conditions, Sound Transit may draw on the TIFIA Bond at any time until one year after substantial completion of the facilities to be financed, which is expected to occur in 2023. Sound Transit currently expects to draw on the TIFIA Bond from 2019 through 2023. The TIFIA Bond matures no later than November 1, 2058. See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bond.”

Capital Lease. In 2001, Sound Transit entered into a transaction to lease 22 rail passenger cab and coach cars and five locomotives to an investor and simultaneously subleased the vehicles from the investor (the “Capital Lease”). As of December 31, 2014, the present value of Sound Transit’s future payments under the Capital Lease was \$60.3 million. The payment obligations of Sound Transit under the Capital Lease are subject and subordinate to the payment of the Prior Bonds, the Parity Bonds, the First Tier Junior Obligations and the Second Tier Junior Obligations. See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – Capital Lease.”

Additional Bonds. Sound Transit expects to issue additional series of bonds. See “SOUND TRANSIT – System Plan.” Sound Transit has reserved the right to issue Future Prior Bonds, Future Parity Bonds, First Tier Junior Obligations and additional Second Tier Junior Obligations as described in “SECURITY FOR THE PARITY BONDS” and “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS.”

SOURCES AND USES OF FUNDS

Expected Sources and Uses of Funds

The 2015 Parity Bonds are being issued to provide funds necessary, together with other available funds of Sound Transit, (i) to pay or to reimburse Sound Transit for the payment of costs of constructing a portion of Sound Transit’s System Plan, (ii) to advance refund the Refunded Bonds, and (iii) to pay the costs of issuing the 2015 Parity Bonds. Sound Transit has designated the 2015 Parity Bonds as “Green Bonds” based on the planned use of the proceeds of the 2015 Parity Bonds. See “THE 2015 PARITY BONDS – Designation as Green Bonds.”

Table 1 sets forth the expected sources and uses of funds, including proceeds of the 2015 Parity Bonds, rounded to the nearest dollar.

TABLE 1
EXPECTED SOURCES AND USES OF FUNDS

	2015S-1 Parity Bonds	2015S-2A Parity Bonds	2015S-2B Parity Bonds	Total
Sources of Funds				
Principal of the 2015 Parity Bonds	\$792,840,000	\$75,000,000	\$75,000,000	\$ 942,840,000
Net Original Issue Premium	92,069,845	–	–	92,069,845
Other Available Funds	7,117,020	–	–	7,117,020
Total Sources	\$892,026,865	\$75,000,000	\$75,000,000	\$1,042,026,865
Uses of Funds				
Project Account	\$450,420,000	\$74,790,000	\$74,790,000	\$ 600,000,000
Refunding Account	440,200,840	–	–	440,200,840
Issuance Costs ⁽¹⁾	1,406,025	210,000	210,000	1,826,025
Total Uses	\$892,026,865	\$75,000,000	\$75,000,000	\$1,042,026,865

(1) Includes rating agency fees, financial advisor and legal fees, escrow agent fees, verification agent fees, Underwriters' discount and other costs of issuing the 2015 Parity Bonds and refunding the Refunded Bonds.

Source: Sound Transit.

Refunding Plan

A portion of the 2015S-1 Parity Bond proceeds will be used to advance refund the following Refunded Bonds to achieve debt service savings.

TABLE 2
REFUNDED BONDS
(Sales Tax Bonds, Series 2007A)

Maturity (November 1)	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP No.
2018	\$ 3,630,000	4.00%	11/01/2017	100%	15504R CS6
2032 ⁽¹⁾	125,045,000	5.00	11/01/2017	100	15504R CT4
2034	50,000,000	5.00	11/01/2017	100	15504R CV9
2034 ⁽¹⁾	78,075,000	5.00	11/01/2017	100	15504R CU1
2036 ⁽¹⁾	141,205,000	5.00	11/01/2017	100	15504R CW7
Total	\$397,955,000				

(1) Term Parity Bonds.

Source: Sound Transit.

A portion of the net proceeds to be received from the sale of the 2015S-1 Parity Bonds and other available funds will be irrevocably deposited in the 2015 Refunding Parity Bond Proceeds Account (the "Refunding Account") and used to purchase certain Defeasance Obligations (as defined in "SECURITY FOR THE PARITY BONDS – Defeasance") to be held by U.S. Bank National Association (the "Escrow Agent") under an escrow agreement (the "Escrow Agreement"), to be dated the date of delivery of the 2015S-1 Parity Bonds, between Sound Transit and the Escrow Agent. The Defeasance Obligations so purchased are to mature at such times and pay interest in such amounts so that, with other available funds held by the Escrow Agent under the Escrow Agreement, sufficient money will be available to pay the interest on the Refunded Bonds coming due on and prior to the redemption date set forth above and to redeem and retire the Refunded Bonds on the redemption date.

Sound Transit has engaged Causey Demgen & Moore P.C. to verify (i) that the Defeasance Obligations held by the Escrow Agent and the interest to be earned thereon, together with any money held in the Refunding Account, will be

sufficient to make all such interest payments to the redemption date and to pay the principal of the Refunded Bonds on the redemption date and (ii) the correctness of the mathematical computations supporting the conclusion of Bond Counsel that the 2015 Parity Bonds are not “arbitrage bonds” as defined in Section 148 of the Internal Revenue Code of 1986 (including all applicable regulations and rulings relating thereto, the “Code”).

DEBT SERVICE REQUIREMENTS

Table 3 sets forth the current annual principal and interest requirements of the Outstanding Prior Bonds and Outstanding Parity Bonds and of the 2015 Parity Bonds, rounded to the nearest dollar. See “DEBT CAPACITY – Outstanding Prior Bonds and Parity Bonds.” A portion of the 2015S-1 Parity Bond proceeds will be used to refund the Refunded Bonds. See “SOURCES AND USES OF FUNDS – Refunding Plan.” Table 3 does not include payments on the TIFIA Bond or the Capital Lease. Sound Transit expects to issue additional bonds to finance a portion of the System Plan. See “SOUND TRANSIT – System Plan.”

**TABLE 3
ANNUAL DEBT SERVICE REQUIREMENTS FOR THE PRIOR BONDS AND PARITY BONDS**

Year	Outstanding Prior Bonds Debt Service ⁽¹⁾	Outstanding Parity Bonds Debt Service ⁽¹⁾⁽²⁾	2015S-1 Parity Bonds		2015S-2A Parity Bonds		2015S-2B Parity Bonds		Total Parity Bonds Debt Service	Aggregate Debt Service ⁽⁴⁾
			Principal	Interest	Principal	Interest ⁽³⁾	Principal	Interest ⁽³⁾		
2015 ⁽⁵⁾	\$ 13,376,617	\$ 7,756,706	–	\$ 5,281,560	–	\$ 505,479	–	\$ 505,479	\$ 14,049,224	\$ 27,425,841
2016	51,005,745	21,118,413	–	37,281,600	–	2,251,044	–	2,251,044	62,902,101	113,907,846
2017	52,278,020	21,118,163	–	37,281,600	–	2,248,956	–	2,248,956	62,897,675	115,175,695
2018	53,586,528	17,489,413	\$ 2,900,000	37,281,600	–	2,262,329	–	2,262,329	62,195,671	115,782,199
2019	54,926,017	21,267,413	–	37,136,600	–	2,243,836	–	2,243,836	62,891,685	117,817,702
2020	56,297,202	21,265,163	–	37,136,600	–	2,244,914	–	2,244,914	62,891,591	119,188,793
2021	57,708,618	21,267,663	–	37,136,600	–	2,248,956	–	2,248,956	62,902,175	120,610,793
2022	59,151,147	21,263,163	–	37,136,600	–	2,250,000	–	2,250,000	62,899,763	122,050,910
2023	60,630,527	21,266,163	–	37,136,600	–	2,250,000	–	2,250,000	62,902,763	123,533,290
2024	62,143,762	21,265,413	11,435,000	37,136,600	–	2,257,192	–	2,257,192	74,351,397	136,495,159
2025	63,697,513	21,265,163	10,750,000	36,564,850	–	2,242,775	–	2,242,775	73,065,563	136,763,076
2026	65,289,623	21,264,413	9,680,000	36,027,350	–	2,250,000	–	2,250,000	71,471,763	136,761,386
2027	66,921,682	21,267,163	8,530,000	35,543,350	–	2,250,000	–	2,250,000	69,840,513	136,762,195
2028	67,619,984	21,267,163	–	35,116,850	–	2,251,044	–	2,251,044	60,886,101	128,506,085
2029	–	17,013,413	42,485,000	35,116,850	–	2,261,285	–	2,261,285	99,137,833	99,137,833
2030	–	16,795,911	34,925,000	32,992,600	–	2,243,836	–	2,243,836	89,201,183	89,201,183
2031	–	15,527,852	55,865,000	31,246,350	–	2,243,836	–	2,243,836	107,126,874	107,126,874
2032	–	15,533,327	58,660,000	28,453,100	–	2,251,061	–	2,251,061	107,148,549	107,148,549
2033	–	15,537,020	61,590,000	25,520,100	–	2,248,956	–	2,248,956	107,145,032	107,145,032
2034	–	15,543,754	64,055,000	23,056,500	–	2,250,000	–	2,250,000	107,155,254	107,155,254
2035	–	15,548,171	71,620,000	20,494,300	–	2,262,329	–	2,262,329	112,187,129	112,187,129
2036	–	15,550,093	74,950,000	16,913,300	–	2,238,715	–	2,238,715	111,890,823	111,890,823
2037	–	91,499,341	–	13,165,800	–	2,248,939	–	2,248,939	109,163,019	109,163,019
2038	–	91,569,967	–	13,165,800	–	2,250,000	–	2,250,000	109,235,767	109,235,767
2039	–	91,643,162	–	13,165,800	–	2,250,000	–	2,250,000	109,308,962	109,308,962
2040	–	–	40,000,000	13,165,800	–	2,263,339	–	2,263,339	57,692,478	57,692,478
2041	–	–	15,020,000	11,565,800	\$13,945,000	2,207,294	\$13,945,000	2,207,294	58,890,388	58,890,388
2042	–	–	15,770,000	10,814,800	14,450,000	1,793,377	14,450,000	1,793,377	59,071,554	59,071,554
2043	–	–	16,560,000	10,026,300	14,975,000	1,362,456	14,975,000	1,362,456	59,261,212	59,261,212
2044	–	–	17,390,000	9,198,300	15,530,000	911,152	15,530,000	911,152	59,470,604	59,470,604
2045	–	–	18,260,000	8,328,800	16,100,000	443,077	16,100,000	443,077	59,674,954	59,674,954
2046	–	–	29,645,000	7,415,800	–	–	–	–	37,060,800	37,060,800
2047	–	–	30,995,000	6,063,500	–	–	–	–	37,058,500	37,058,500
2048	–	–	32,415,000	4,648,900	–	–	–	–	37,063,900	37,063,900
2049	–	–	33,895,000	3,168,750	–	–	–	–	37,063,750	37,063,750
2050	–	–	35,445,000	1,620,200	–	–	–	–	37,065,200	37,065,200
Total⁽⁴⁾	\$784,632,985	\$681,903,586	\$792,840,000	\$822,505,810	\$75,000,000	\$63,486,177	\$75,000,000	\$63,486,177	\$2,574,221,750	\$3,358,854,735

- (1) Net of federal credit payments expected to be received by Sound Transit. See “SECURITY FOR THE PARITY BONDS” and “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS.” Excludes the effect of federal sequestration. See “SOUND TRANSIT – Federal Sequestration.”
- (2) Excludes the Refunded Bonds.
- (3) Assumes the 2015S-2 Parity Bonds bear interest at 3.00% per annum.
- (4) Totals may not foot due to rounding.
- (5) Partial year debt service; includes August 1 and November 1 payments.

Source: Sound Transit.

DEBT CAPACITY

Borrowing Authority

Sound Transit is authorized to borrow money by various means, including: (i) issuing general obligation bonds with a maximum term of 40 years; (ii) issuing revenue bonds with a maximum term of 40 years, payable from gross revenues of the high capacity transportation system and from otherwise unpledged fees, tolls, charges, tariffs, fares, rentals or special taxes; (iii) entering into financing leases; (iv) issuing special assessment bonds with a maximum term of 30 years, payable from special assessments levied in a local improvement district that may be created to provide transportation improvements; (v) borrowing from the State or any local transit agency within the District pursuant to a loan agreement; (vi) establishing lines of credit with banking institutions; (vii) issuing short-term obligations; and (viii) issuing refunding bonds. Under State law, bonds payable from any type of taxes, such as the 2015 Parity Bonds, are considered general obligation bonds for purposes of determining the source of authority for issuance and limits on the amount of debt that may be issued.

Outstanding Prior Bonds and Parity Bonds

Table 4 sets forth the final maturity date, original principal amount and outstanding principal amount of each series of Outstanding Prior Bonds and Outstanding Parity Bonds as of May 1, 2015.

TABLE 4
OUTSTANDING PRIOR BONDS AND PARITY BONDS
((\$000s))

Series	Final Maturity	Original Principal Amount	Outstanding Principal Amount ⁽¹⁾
Prior Bonds			
1999	2/01/2028	\$ 350,000	\$ 297,270
2009P-1	2/01/2016	23,155	17,620
2009P-2T	2/01/2028	76,845	76,845
2012P-1	2/01/2028	216,165	178,440
Total Prior Bonds		\$ 666,165	\$ 570,175
Parity Bonds			
2007A	11/01/2036	\$ 450,000	\$ 397,955 ⁽²⁾
2009S2-T	11/01/2039	300,000	300,000
2012S-1	11/01/2030	97,545	97,545
Total Parity Bonds		\$ 847,545	\$ 795,500
Total Prior Bonds and Parity Bonds		\$1,513,710	\$1,365,675

(1) As of May 1, 2015.

(2) All to be refunded with a portion of the proceeds of the 2015 Parity Bonds.

Source: Sound Transit.

Additional Borrowing

Sound Transit expects to issue additional Parity Bonds over the next several years to finance additional costs of Sound Transit 2. See "SOUND TRANSIT – System Plan." Sound Transit periodically reviews its outstanding indebtedness for refunding opportunities and may issue bonds for refunding purposes if market conditions warrant.

Debt Capacity

Sound Transit is authorized to incur debt in an amount equal to 1½% of the value of taxable property within the District without obtaining voter approval for such debt. The Outstanding Prior Bonds, the Outstanding Parity Bonds, the 2015 Parity Bonds, the TIFIA Bond and the Capital Lease are included in Sound Transit’s nonvoted debt computation. See “INTRODUCTION – Other Obligations.” Sound Transit has not obtained voter approval for any of its outstanding debt.

With the approval of 60% of the District 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. Table 5 sets forth the estimated legal debt capacity for Sound Transit after giving effect to the issuance of the 2015 Parity Bonds and the refunding of the Refunded Bonds.

TABLE 5
ESTIMATED LEGAL DEBT CAPACITY
(\$000s)

Assessed valuation in 2013 for collection of taxes in 2014 ⁽¹⁾	\$413,679,786
Maximum nonvoted debt (1½% of assessed valuation)	\$ 6,205,197
Less: Outstanding Prior Bonds	(570,175)
Less: Outstanding Parity Bonds ⁽²⁾	(397,545)
Less: TIFIA Bond ⁽³⁾	(1,330,000)
Less: Capital Lease ⁽⁴⁾	(60,270)
Less: 2015 Parity Bonds	(942,840)
Nonvoted debt capacity remaining	<u>\$ 2,904,367</u>
Maximum voted debt (5% of assessed valuation)	\$ 20,683,989
Less: Outstanding Prior Bonds and Parity Bonds ⁽²⁾	(967,720)
Less: TIFIA Bond ⁽³⁾	(1,330,000)
Less: Capital Lease ⁽⁴⁾	(60,270)
Less: 2015 Parity Bonds	(942,840)
Less: Outstanding voted debt	-
Voted debt capacity remaining	<u>\$ 17,383,159</u>

(1) The assessed valuation for the District for 2015 will not be available until October 2015; legal debt capacity is estimated based on the assessed valuation for the District for 2014.

(2) Excludes the Refunded Bonds. With this adjustment as of May 1, 2015.

(3) Reflects the full amount available to be drawn on the TIFIA Bond. Sound Transit currently expects to draw on the TIFIA Bond from 2019 through 2023. See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bond.”

(4) As of December 31, 2014. See “SOUND TRANSIT – Capital Lease.”

Sources: Assessed valuation, King, Pierce and Snohomish County assessors; all other information, Sound Transit.

THE 2015 PARITY BONDS

General

The 2015S-1 Parity Bonds are being issued in the aggregate principal amount of \$792,840,000 and mature on the dates and in the principal amounts set forth on the inside cover. The 2015S-2A Parity Bonds are being issued in the

aggregate principal amount of \$75,000,000 and mature on the date set forth on page i. The 2015S-2B Parity Bonds are being issued in the aggregate principal amount of \$75,000,000 and mature on the date set forth on page i. The 2015 Parity Bonds are dated their date of initial delivery and are being issued in denominations of \$5,000 and any integral multiple thereof within a maturity of a series.

Designation as Green Bonds

Sound Transit has designated the 2015 Parity Bonds as “Green Bonds” based on the planned use of the proceeds of the 2015 Parity Bonds to finance or refinance projects that adhere to the Sustainability Plan, such as reducing car trips by carrying more transit riders, supporting smart regional growth, fostering transit-oriented development and improved transit access, designing and building greener projects and operating fleets and facilities more efficiently.

The Sustainability Plan seeks to promote regional sustainability and encompasses all planning, design, construction and operations activities under Sound Transit’s operational control. The Sustainability Plan is organized around the action areas of “People,” “Planet” and “Prosperity.” “People” represents ridership and the goal of connecting the region with transit services by developing affordable and reliable transportation choices. “Planet” represents the choice of transit over cars, significantly reducing air and water pollution from fossil fuels and conserving resources for future generations. “Planet” also represents the planning, design and construction of transit services to mitigate potential adverse environmental impacts. “Prosperity” represents the commitment to the community to foster economic growth by connecting people with places more conveniently and affordably.

Sound Transit’s mission is for the System Plan and Sustainability Plan to enable more people to travel affordably and reliably on environmentally-friendly buses and trains throughout the region in order to reduce greenhouse gases and reliance on fossil fuels. According to the State Department of Ecology, the transportation sector is responsible for the majority of the region’s greenhouse gas emissions, differing from most of the United States, where electricity generation is the primary source of emissions. Sound Transit’s mission has thereby had a direct beneficial impact on the sector that is responsible for the majority of the region’s emissions. By providing green transit services, Sound Transit has been making continuous efforts in reducing emissions in the transportation sector and will continue to do so with the proceeds of the 2015 Parity Bonds. See “SOUND TRANSIT – Environmental and Sustainability Management” for further information on the Sustainability Plan and a description of Sound Transit’s environmental accomplishments.

Pursuant to the 2015 edition of the Green Bond Principles published by the International Capital Market Association, Sound Transit has committed to complying with guidelines to qualify the 2015 Parity Bonds as Green Bonds. The Green Bond Principles specify that Green Bond issuers should provide information regarding (i) use of proceeds, (ii) the process for project evaluation and selection, (iii) management of proceeds and (iv) reporting. The 2015 Parity Bonds will comply with the Green Bond Principles as follows.

Use of Proceeds. The 2015 Parity Bonds are being issued to provide funds necessary, together with other available funds of Sound Transit, (i) to pay or to reimburse Sound Transit for the payment of costs of constructing a portion of the System Plan that adheres to the Sustainability Plan, (ii) to advance refund the Refunded Bonds, the proceeds of which were used to finance project costs expended in accordance with the Sustainability Plan, and (iii) to pay the costs of issuing the 2015 Parity Bonds. Projects that were funded by the Refunded Bonds are to be paid or reimbursed from proceeds of the 2015 Parity Bonds as set forth in Appendix E – “GREEN BOND PROJECT DESCRIPTIONS AND SECOND-PARTY REVIEW.”

Process for Project Evaluation and Selection. The specific projects to be paid or reimbursed with a portion of the 2015 Parity Bonds were selected based on (i) the time period in which the expenditures were made, (ii) preliminary expenditures that are eligible for reimbursement, including design, engineering and surveying that occurred before the commencement of the project, and (iii) expenditures that have not been allocated to grants or other bond issues. Sound Transit implements its Sustainability Plan through its Environmental and Sustainability Management System (“ESMS”), which holds Sound Transit accountable for controlling potential environmental impacts, achieving annual ESMS targets and demonstrating continual improvement in performance. Since 2007, Sound Transit has been among a select number of transit agencies nationwide to achieve the International Organization for Standardization (“ISO”) 14001 certification of its ESMS. This certification recognizes Sound Transit’s compliance with the ISO set of standards designed to aid in the creation of environmental management systems to help

organizations minimize how their operations negatively affect the environment, comply with applicable laws, regulations and other environmentally oriented requirements and implement continuous improvement of these systems.

Proceeds Management. The proceeds of the 2015 Parity Bonds are expected to be spent immediately to refund the Refunded Bonds and to reimburse Sound Transit for the payment of costs of constructing a portion of the System Plan that adheres to the Sustainability Plan.

Reporting. The net sale proceeds of the 2015 Parity Bonds are expected to be spent immediately. Projects that were funded by the Refunded Bonds and are to be paid or reimbursed from proceeds of the 2015 Parity Bonds are set forth in Appendix E – “GREEN BOND PROJECT DESCRIPTIONS AND SECOND-PARTY REVIEW.” In addition, Sound Transit annually updates its progress on its Sustainability Plan on its website (www.soundtransit.org/About-Sound-Transit/Environment-and-sustainability).

The Green Bond Principles also recommend the use of independent external assurance to confirm compliance with the guidelines described above. Sound Transit has engaged Sustainalytics to provide an opinion regarding compliance of the 2015 Parity Bonds with such guidelines. See Appendix E – “GREEN BOND PROJECT DESCRIPTIONS AND SECOND-PARTY REVIEW.”

Payment of 2015 Parity Bonds

The fiscal agent of the State (currently U.S. Bank National Association in Seattle, Washington) will serve as initial paying agent, authenticating agent, transfer agent and registrar for the 2015 Parity Bonds (the “Bond Registrar”).

The 2015 Parity Bonds are being issued as fully registered bonds under a book-entry system, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as initial securities depository for the 2015 Parity Bonds. Individual purchases of 2015 Parity Bonds are to be made in authorized denominations in book-entry form only. Purchasers will not receive certificates representing their interest in the 2015 Parity Bonds, except as described in Appendix G – “DTC AND ITS BOOK-ENTRY SYSTEM.”

Payments of principal of and interest on the 2015 Parity Bonds registered in the name of DTC or its nominee are to be made to DTC by the Bond Registrar. Disbursement of payments to DTC participants is the responsibility of DTC, and disbursement of payments to beneficial owners of the 2015 Parity Bonds is the responsibility of DTC participants, all as described in Appendix G – “DTC AND ITS BOOK-ENTRY SYSTEM.”

Interest on certificated 2015 Parity Bonds is payable by checks or drafts of the Bond Registrar, or, if requested in writing prior to the Record Date by the Owner of \$1,000,000 or more in principal amount of Parity Bonds, by wire, mailed or transferred on the interest payment date to Owners of the 2015 Parity Bonds as those Owners and their addresses and accounts appear on the Bond Register on the Record Date. Principal of certificated 2015 Parity Bonds is payable at maturity or on such date as may be specified for prior redemption upon presentation and surrender of the 2015 Parity Bonds by the Owners at the designated office or offices of the Bond Registrar.

The Record Date for the 2015S-1 Parity Bonds means the 15th day of the month immediately preceding an interest payment date and for the 2015S-2 Parity Bonds means the Business Day immediately preceding an interest payment date.

If any 2015 Parity Bond is not paid when properly presented at its maturity or date fixed for redemption, Sound Transit is obligated to pay interest on that 2015 Parity Bond at the same rate provided in that 2015 Parity Bond from and after its maturity or date fixed for redemption until that 2015 Parity Bond, principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Account.

Registration and Transfer or Exchange of 2015 Parity Bonds

The 2015 Parity Bonds initially are to be registered in the name of Cede & Co., as the nominee of DTC. The 2015 Parity Bonds so registered initially are to be held by DTC as securities depository in its book-entry system in

accordance with the provisions of the Letter of Representations, all as described in Appendix G – “DTC AND ITS BOOK-ENTRY SYSTEM.”

Neither Sound Transit nor the Bond Registrar has any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the 2015 Parity Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or interest on the 2015 Parity Bonds, or any notice which is permitted or required to be given to Owners under the Parity Bond Master Resolution (except such notice as is required to be given by the Bond Registrar to DTC or its nominee).

For so long as any 2015 Parity Bonds are held in fully immobilized form, DTC, its nominee or any successor depository will be deemed to be the Owner for all purposes under the Parity Bond Master Resolution and all references to Owners will mean DTC, its nominee or successor depository and will not mean the owners of any beneficial interests in the 2015 Parity Bonds.

2015 Parity Bonds surrendered to the Bond Registrar may be exchanged for 2015 Parity Bonds in any authorized denomination of an equal aggregate principal amount and of the same series, maturity and interest rate. 2015 Parity Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer will be without cost to the Owner or transferee. The Bond Registrar is not obligated to exchange or transfer any 2015 Parity Bond during the period beginning on the date the Bond Registrar receives direction to send notice of redemption of that 2015 Parity Bond and ending on the date the Bond Registrar sends such notice.

2015S-1 Parity Bonds

Interest. Interest on the 2015S-1 Parity Bonds is calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the 2015S-1 Parity Bonds is payable on each May 1 and November 1, commencing on November 1, 2015, until maturity or prior redemption.

Optional Redemption. The 2015S-1 Parity Bonds stated to mature on or after November 1, 2026 are subject to redemption prior to maturity, at the option of Sound Transit, in whole or in part on November 1, 2025, or any date thereafter, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the date fixed for redemption.

Mandatory Redemption. The 2015S-1 Parity Bonds stated to mature on November 1, 2045, November 1, 2050 (with an interest rate of 5.00%), and November 1, 2050 (with an interest rate of 4.00%), are Term Parity Bonds and, if not optionally redeemed, purchased or defeased in accordance with the 2015 Parity Bond Resolutions, are subject to mandatory redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, on November 1 in the years and principal amounts as follows.

2015S-1 Parity Bonds Stated to Mature in 2045

<u>Year</u>	<u>Principal Amount</u>
2041	\$15,020,000
2042	15,770,000
2043	16,560,000
2044	17,390,000
2045*	18,260,000

* Maturity.

2015S-1 Parity Bonds Stated to Mature in 2050 (with an interest rate of 5.00%)

<u>Year</u>	<u>Principal Amount</u>
2046	\$16,650,000
2047	17,480,000
2048	18,355,000
2049	19,275,000
2050*	20,240,000

* Maturity.

2015S-1 Parity Bonds Stated to Mature in 2050 (with an interest rate of 4.00%)

<u>Year</u>	<u>Principal Amount</u>
2046	\$12,995,000
2047	13,515,000
2048	14,060,000
2049	14,620,000
2050*	15,205,000

* Maturity.

If Sound Transit redeems pursuant to optional redemption provisions, purchases for cancellation or defeases Term Parity Bonds, the principal amount of the Term Parity Bonds of such maturity so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) are to be credited against one or more scheduled mandatory sinking fund redemptions for Term Parity Bonds of the same maturity as determined by Sound Transit at that time.

Selection for Redemption. If fewer than all of the outstanding 2015S-1 Parity Bonds within a maturity and interest rate are to be redeemed prior to maturity, 2015S-1 Parity Bonds of such maturity and interest rate are to be selected for redemption by lot within such maturity and interest rate in such manner as the Bond Registrar shall determine. Notwithstanding the foregoing, so long as the 2015S-1 Parity Bonds are registered in the name of DTC or its nominee, selection of 2015S-1 Parity Bonds for redemption within a maturity and interest rate shall be in accordance with the Letter of Representations.

Notice of Redemption; Conditional Notice; Rescission. Sound Transit is required to cause notice of any intended redemption of 2015S-1 Parity Bonds to be given not less than 20 but not more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Owner of any 2015S-1 Parity Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and those requirements will be deemed to have been fulfilled when notice has been mailed as so provided, whether or not notice is actually received by that Owner. Notwithstanding the foregoing, notice of redemption of any 2015S-1 Parity Bonds registered in the name of DTC or its nominee is to be made in accordance with the Letter of Representations.

In the case of an optional redemption, the notice may state that such redemption is conditioned on sufficient money being available for such purpose on the date fixed for redemption, and that the notice and optional redemption will be of no effect to the extent that sufficient funds are not available if Sound Transit rescinds the notice of redemption for any reason. Any 2015S-1 Parity Bonds subject to a rescinded notice of redemption are to remain outstanding, and the rescission will not constitute a Default.

Effect of Notice of Redemption. If notice of redemption has been duly given (and in the case of a conditional notice of optional redemption if sufficient funds are deposited with the Bond Registrar and if such conditional notice is not rescinded), then on the date fixed for redemption each 2015S-1 Parity Bond or portion thereof so called for redemption will become due and payable at the redemption price specified in such notice. From and after the date fixed for redemption, if money for the payment of the redemption price of any 2015S-1 Parity Bond or portion thereof so called for redemption that becomes payable is held by the Bond Registrar, interest thereon will cease to

accrue and that 2015S-1 Parity Bond or portion thereof will cease to be outstanding and to be entitled to any benefit, protection or security under the 2015 Parity Bond Resolutions, and the Owner of such 2015S-1 Parity Bond or portion thereof will have no rights in respect thereof except to receive payment of the redemption price upon delivery of such 2015S-1 Parity Bond to the Bond Registrar.

Purchase in the Open Market. Sound Transit has reserved the right and option to purchase any or all of the 2015S-1 Parity Bonds in the open market at any time at any price acceptable to Sound Transit, plus accrued interest to the date of purchase.

Cancellation upon Purchase or Redemption. All 2015S-1 Parity Bonds purchased or redeemed in accordance with the provisions described under this heading are to be surrendered to the Bond Registrar and canceled.

2015S-2 Parity Bonds

Interest. The 2015S-2 Parity Bonds are being issued initially as Index Floating Rate Bonds, bearing interest at the SIFMA Index Rate, for an Initial Period ending on the date, subject to prior optional redemption or Conversion to a new Index Floating Rate Period or to another Interest Rate Mode, all as set forth on page i. The 2015S-2 Parity Bonds bear interest from the Closing Date, payable on the first Business Day of each month, commencing on the date set forth on page i (each, an “Interest Payment Date”), until the end of the Initial Period, prior redemption, or Conversion to a new Index Floating Rate Period or to another Interest Rate Mode. This Official Statement describes the 2015S-2 Parity Bonds only during the Initial Period. All 2015S-2A Parity Bonds are required to bear interest accruing at the same Index Floating Rate and all 2015S-2B Parity Bonds are required to bear interest accruing at the same Index Floating Rate. Interest on the 2015S-2 Parity Bonds bearing interest at the SIFMA Index Rate is to be computed on the basis of a 365-day or 366-day year for the actual days elapsed.

SIFMA Index Rate. The SIFMA Index Rate is the per annum rate of interest established on each Computation Date equal to the sum of the Applicable Spread plus the SIFMA Index. The determination of the SIFMA Index Rate by the Calculation Agent (initially, the Bond Registrar) will be conclusive and binding upon the Owners and the beneficial owners. **Interest on the 2015S-2 Parity Bonds is subject to a Maximum Rate of the lower of 12% or the maximum rate, if any, permitted by law.**

“Computation Date” means Wednesday of each week, or if any Wednesday is not a Business Day, the next succeeding Business Day.

“Applicable Spread” means the number of basis points determined for the Initial Period on or before the Closing Date that when added to the SIFMA Index equals the minimum interest rate per annum that enables the 2015S-2 Parity Bonds to be sold on the Closing Date at a price equal to the principal amount thereof. The Applicable Spread for the Initial Period is set forth on page i.

“SIFMA Index” means, for any Computation Date, the level of the index that is (a) compiled from the weekly interest rate resets of tax-exempt variable rate issues reported to the MSRB’s Short-term Obligation Rate Transparency (“SHORT”) system that meet specific criteria established from time to time by the Securities Industry and Financial Markets Association (“SIFMA”) and (b) issued on Wednesday of each week, or if any Wednesday is not a Business Day, the next succeeding Business Day. If the SIFMA Index is no longer published, then the “SIFMA Index” shall mean the S&P Municipal Bond 7 Day High Grade Rate Index. If the S&P Municipal Bond 7 Day High Grade Rate Index is no longer published, then “SIFMA Index” shall mean the prevailing rate determined by the Calculation Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Calculation Agent to be comparable under the circumstances to the criteria used by SIFMA to determine the SIFMA Index immediately prior to the date on which SIFMA ceased publication of the SIFMA Index.

The Calculation Agent is to determine the SIFMA Index Rate on each Computation Date, such rate is to become effective on the Thursday next succeeding such Computation Date (or on such Computation Date if the Computation Date is a Thursday), and interest at such rate is to accrue until such rate is recalculated on the next succeeding Computation Date. The SIFMA Index Rate is to be rounded upward to the second decimal place. If the SIFMA Index Rate is not determined by the Calculation Agent on the Computation Date, the rate of interest borne by the

2015S-2 Parity Bonds is to be the rate determined on the immediately preceding Computation Date until the Calculation Agent next determines the SIFMA Index Rate.

Optional Redemption. The 2015S-2 Parity Bonds are subject to redemption at the option of Sound Transit on any day on or after May 1, 2018, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the date fixed for redemption.

Mandatory Redemption. The 2015S-2A Parity Bonds and the 2015S-2B Parity Bonds are Term Parity Bonds and, if not optionally redeemed, purchased or defeased in accordance with the 2015 Parity Bond Resolutions, are subject to mandatory redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, on November 1 in the years and principal amounts as follows.

2015S-2A Parity Bonds

<u>Year</u>	<u>Principal Amount</u>
2041	\$13,945,000
2042	14,450,000
2043	14,975,000
2044	15,530,000
2045*	16,100,000

* Final maturity.

2015S-2B Parity Bonds

<u>Year</u>	<u>Principal Amount</u>
2041	\$13,945,000
2042	14,450,000
2043	14,975,000
2044	15,530,000
2045*	16,100,000

* Final maturity.

If Sound Transit redeems pursuant to optional redemption provisions, purchases for cancellation or defeases Term Parity Bonds, the principal amount of the Term Parity Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) are to be credited against one or more scheduled mandatory sinking fund redemptions as determined by Sound Transit at that time.

Selection for Redemption. If fewer than all of the outstanding 2015S-2 Parity Bonds of a subseries are to be redeemed prior to maturity, 2015S-2 Parity Bonds of such subseries are to be selected for redemption by lot in such manner as the Bond Registrar shall determine. Notwithstanding the foregoing, so long as the 2015S-2 Parity Bonds are registered in the name of DTC or its nominee, selection of 2015S-2 Parity Bonds for redemption shall be in accordance with the Letter of Representations.

Notice of Redemption; Conditional Notice; Rescission. Sound Transit is required to cause notice of any intended redemption of 2015S-2 Parity Bonds to be given not less than 15 calendar days (and five calendar days during a Delayed Remarketing Period), but not more than 60 days prior to the date fixed for redemption by Electronic Notice, confirmed by written notice given by first-class mail, postage prepaid, to the Owner of any 2015S-2 Parity Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and those requirements will be deemed to have been fulfilled when notice has been mailed as so provided, whether or not notice is actually received by that Owner. Notwithstanding the foregoing, notice of redemption of any 2015S-2 Parity Bonds registered in the name of DTC or its nominee is to be made in accordance with the Letter of Representations.

In the case of an optional redemption, the notice may state that such redemption is conditioned on sufficient money being available for such purpose on the date fixed for redemption, and that the notice and optional redemption will be of no effect to the extent that sufficient funds are not available if Sound Transit rescinds the notice of redemption for any reason. Any 2015S-2 Parity Bonds subject to a rescinded notice of redemption are to remain outstanding, and the rescission will not constitute a Default.

Effect of Notice of Redemption. If notice of redemption has been duly given (and in the case of a conditional notice of optional redemption if sufficient funds are deposited with the Bond Registrar and if such conditional notice is not rescinded), then on the date fixed for redemption each 2015S-2 Parity Bond or portion thereof so called for redemption will become due and payable at the redemption price specified in such notice. From and after the date fixed for redemption, if money for the payment of the redemption price of any 2015S-2 Parity Bond or portion thereof so called for redemption that becomes payable is held by the Bond Registrar, interest thereon will cease to accrue and that 2015S-2 Parity Bond or portion thereof will cease to be outstanding and to be entitled to any benefit, protection or security under the 2015 Parity Bond Resolutions, and the Owner of such 2015S-2 Parity Bond or portion thereof will have no rights in respect thereof except to receive payment of the redemption price upon delivery of such 2015S-2 Parity Bond to the Bond Registrar.

Purchase in the Open Market. Sound Transit has reserved the right and option to purchase any or all of the 2015S-2 Parity Bonds in the open market at any time at any price acceptable to Sound Transit, plus accrued interest to the date of purchase.

Cancellation upon Purchase or Redemption. Except as described in “Mandatory Purchase at End of Initial Period; Delayed Remarketing Period” and “Conversion of Interest Rate Mode” below, all 2015S-2 Parity Bonds purchased or redeemed in accordance with the provisions described under this heading are to be surrendered to the Bond Registrar and canceled.

Mandatory Purchase at End of Initial Period; Delayed Remarketing Period. The date on which the Initial Period ends, as set forth on page i, is a Conversion Date, and on such date the 2015S-2 Parity Bonds are subject to mandatory tender. If the funds available for the purchase of 2015S-2 Parity Bonds subject to purchase on the Purchase Date are insufficient to purchase all of the 2015S-2 Parity Bonds, then no purchase of any 2015S-2 Parity Bonds will occur on the Purchase Date and, on the Purchase Date, the Tender Agent (initially, the Bond Registrar) is to (i) return all 2015S-2 Parity Bonds that were tendered or deemed tendered to the Owners thereof and (ii) return all moneys received by the Tender Agent for the purchase of the 2015S-2 Parity Bonds to the respective persons that provided such moneys (in the respective amounts in which such moneys were so provided).

Any 2015S-2 Parity Bonds not so purchased when required are to bear interest at the Delayed Remarketing Rate during a Delayed Remarketing Period. Sound Transit is not obligated to purchase any 2015S-2 Parity Bonds if available funds from remarketing the 2015S-2 Parity Bonds are insufficient, and such failure to purchase is not a Default. No Liquidity Facility secures payment of the Purchase Price of 2015S-2 Parity Bonds that are not remarketed at the end of the Initial Period.

“Delayed Remarketing Period” means the period beginning on a Purchase Date on which the Purchase Price (100 percent of the principal amount thereof plus, if the Purchase Date is not an Interest Payment Date, accrued and unpaid interest thereon to such Purchase Date) for all of the 2015S-2 Parity Bonds is not available or any of the other conditions to Conversion were not satisfied and ending on the earlier of (i) the day that is one Business Day after the Business Day the Remarketing Agent provides notice to Sound Transit and the Bond Registrar that all of the 2015S-2 Parity Bonds can be remarketed and (ii) if Sound Transit elects to convert to the 2015S-2 Parity Bonds to another Interest Rate Mode, the Conversion Date.

“Delayed Remarketing Rate” means an interest rate equal to 9% per annum.

During a Delayed Remarketing Period, the Remarketing Agent is required to remarket the 2015S-2 Parity Bonds. The Remarketing Agent is required to provide notice to Sound Transit and the Bond Registrar no later than the Business Day after determining that all of the 2015S-2 Parity Bonds can be remarketed. Upon receipt of such notice from the Remarketing Agent, Sound Transit is to direct the Bond Registrar to provide notice to the Owners of the 2015S-2 Parity Bonds that the 2015S-2 Parity Bonds will be subject to mandatory tender on a Business Day no later

than the Business Day following such notice to the Bond Registrar. The Bond Registrar is to give Electronic Notice, confirmed by first class mail, of the mandatory tender of the 2015S-2 Parity Bonds to the Owners of the 2015S-2 Parity Bonds at their addresses as they appear on the Bond Register as of the date such direction is received by the Bond Registrar from Sound Transit. Such notice of mandatory tender is to include the information described under “Notice of Conversion.”

During a Delayed Remarketing Period, the 2015S-2 Parity Bonds will continue to be subject to optional redemption by Sound Transit, and interest on the 2015S-2 Parity Bonds will continue to accrue and be payable on the Interest Payment Dates and on the last day of the Delayed Remarketing Period. During a Delayed Remarketing Period, Sound Transit also may elect to convert the 2015S-2 Parity Bonds to a new Interest Rate Mode or may give notice of an Authority Elective Purchase Date (see “Authority Elective Purchase Date”) or may redeem, or may purchase in lieu of redemption, all or a portion of the 2015S-2 Parity Bonds, as provided in the 2015 Parity Bond Series Resolution.

Authority Elective Purchase Date. On any date on which the 2015S-2 Parity Bonds of a subseries are subject to redemption as described above under “Optional Redemption” (each, a “Par Call Date”) designated by Sound Transit (each, an “Authority Elective Purchase Date”), the 2015S-2 Parity Bonds of such subseries are subject to mandatory tender for purchase at the Purchase Price, payable in immediately available funds. Such Authority Elective Purchase Date must be a Business Day not earlier than the 10th day following the second Business Day after receipt by the Tender Agent of such designation. If on an Authority Elective Purchase Date sufficient remarketing proceeds or other amounts provided by Sound Transit are not available for the purchase of all 2015S-2 Parity Bonds of such subseries, then the designation of such Authority Elective Purchase Date will be deemed rescinded, and Sound Transit will have no obligation to purchase the 2015S-2 Parity Bonds of such subseries tendered or deemed tendered on the Authority Elective Purchase Date. The Bond Registrar is to give Electronic Notice of such rescission to the Owners as soon as practicable and in any event not later than the next succeeding Business Day.

Conversion of Interest Rate Mode. The date on which the Initial Period ends, as set forth on page i, is a Conversion Date, and a Conversion Date may also be a Par Call Date. Any action required to be taken on the Conversion Date, if such day is not a Business Day, may be taken on the next succeeding Business Day as if it had occurred on such Conversion Date. Each Conversion Date is a Purchase Date, and on that date the 2015S-2 Parity Bonds of the applicable subseries are subject to mandatory tender as described above in “Mandatory Purchase at End of Initial Period; Delayed Remarketing Period.”

The interest rate on all (but not less than all) of the 2015S-2 Parity Bonds of each subseries is to be converted to a new Index Floating Rate unless, at the option of Sound Transit, the interest rate with respect to all (but not less than all) of the 2015S-2 Parity Bonds of such subseries is to be converted from an Index Floating Rate to a new Interest Rate Mode, subject to the satisfaction of the conditions described below under “Conditions to Conversion.”

Notice of Conversion. Not fewer than 15 days prior to the proposed Conversion Date, the Bond Registrar is required to give Electronic Notice, confirmed by first class mail, of the Conversion and of mandatory tender to the Owners of the of the 2015S-2 Parity Bonds of the applicable subseries at their addresses as they appear on the Bond Register as of the date notice of the election is received by the Bond Registrar from Sound Transit.

The notice is required to: (i) specify the proposed Purchase Date and the event which gives rise to the proposed Purchase Date; (ii) state that the 2015S-2 Parity Bonds will be subject to mandatory tender for purchase on such date; (iii) state that Owners may not elect to retain 2015S-2 Parity Bonds subject to mandatory tender; (iv) state that all 2015S-2 Parity Bonds subject to mandatory tender will be required to be delivered to the designated corporate trust office of the Tender Agent at or before 1:00 p.m., New York City time, on the Purchase Date; (v) state that if the Owner of any 2015S-2 Parity Bond subject to mandatory tender fails to deliver such 2015S-2 Parity Bond to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of funds sufficient to pay the Purchase Price thereof, such 2015S-2 Parity Bond (or portion thereof) will nevertheless be deemed purchased on the Purchase Date and ownership of such 2015S-2 Parity Bond (or portion thereof) will be transferred to the purchaser thereof; (vi) state that any Owner that fails to deliver any 2015S-2 Parity Bond for purchase will have no further rights thereunder or under the 2015 Parity Bond Series Resolution except the right to receive the Purchase Price thereof upon presentation and surrender of said 2015S-2 Parity Bond to the Tender Agent and that the Bond Registrar will place a stop transfer against the 2015S-2 Parity Bonds subject to mandatory tender registered in the

name of such Owner(s) on the Bond Register; (vii) state that provided that moneys sufficient to effect such purchase shall have been provided through (a) the remarketing of the 2015S-2 Parity Bonds by the Remarketing Agent or (b) funds provided by Sound Transit, all such 2015S-2 Parity Bonds will be purchased; and (viii) state that such Conversion and such mandatory tender will not occur by reason of the occurrence of the events describe in “Conditions to Conversion” (and summarize such events).

The notice is also required to state that if not all of the 2015S-2 Parity Bonds of the applicable subseries are remarketed in the new Interest Rate Mode on the Conversion Date, then such notice of Conversion will be of no force and effect, the 2015S-2 Parity Bonds of such subseries will not be subject to mandatory tender and the 2015S-2 Parity Bonds of such subseries will not be converted to the new Interest Rate Mode.

Conditions to Conversion. Notwithstanding the delivery of notice of the exercise of the option to effect a Conversion, the Conversion to a new Interest Rate Mode, and in the case of conditions (6) and (7) below, a Conversion to a new Index Floating Rate Period, will not take effect if:

- (1) on or before the Conversion Date, Sound Transit has not delivered to the Bond Registrar and the Remarketing Agent, if any, an Opinion of Bond Counsel to the effect that the Conversion is authorized by the 2015 Parity Bond Series Resolution and will not, in and of itself, cause the interest on the 2015S-2 Parity Bonds to be includable in the gross income of Owners for federal income tax purposes;
- (2) Sound Transit withdraws such notice of the exercise of the option to effect Conversion not later than the Business Day preceding the date on which the interest rate in the new Interest Rate Mode is to be determined;
- (3) the Calculation Agent or the Remarketing Agent, as applicable, fails to determine, when required, the interest rate for the new Interest Rate Mode;
- (4) the notice to Owners of the 2015S-2 Parity Bonds of the applicable subseries is not given when required;
- (5) Sound Transit fails to deliver to the Bond Registrar or the Remarketing Agent, as applicable, any other Opinion of Bond Counsel required under the 2015 Parity Bond Series Resolution or otherwise fails to satisfy any of the conditions to conversion to the new Interest Rate Mode specified in the 2015 Parity Bond Series Resolution;
- (6) sufficient funds are not available by Noon (New York City time) on the Conversion Date to pay the Purchase Price for all of the 2015S-2 Parity Bonds of the applicable subseries; or
- (7) not all of the 2015S-2 Parity Bonds of the applicable subseries are remarketed in the new Interest Rate Mode on the Conversion Date.

In any of such events,

- (1) the Conversion Date will not occur, whether or not notice of the Conversion has been given to the Owners;
- (2) the mandatory tender of the 2015S-2 Parity Bonds of the applicable subseries on the Conversion Date will not occur, whether or not notice of the Conversion has been given to the Owners; and
- (3) the 2015S-2 Parity Bonds of the applicable subseries will bear interest at the Delayed Remarketing Rate during a Delayed Remarketing Period, as described above under “Mandatory Purchase at End of Initial Period; Delayed Remarketing Period.”

SOUND TRANSIT TAXES

Introduction

Sound Transit has obtained voter approval to impose and collect two taxes within the District: the Sales Tax and the Motor Vehicle Tax, both of which Sound Transit began imposing in 1997, together with the Rental Car Tax, which did not require voter approval. In 2008, Sound Transit obtained voter approval to impose the Sales Tax at an increased rate.

The Sales Tax, the Motor Vehicle Tax and the Rental Car Tax are referred to collectively as the “Local Option Taxes.” The Local Option Taxes are pledged to the payment of the Prior Bonds. See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS.”

The Sales Tax and the Rental Car Tax (together with other taxes if pledged in the future to the payment of the Parity Bonds) are referred to collectively as the “Pledged Taxes.” The Pledged Taxes are pledged to the payment of the Parity Bonds, including the 2015 Parity Bonds. The pledge of the Sales Tax and the Rental Car Tax to the payment of the Parity Bonds is subordinate to the pledge thereof to the payment of the Prior Bonds. See “SECURITY FOR THE PARITY BONDS.”

A map of the District is set forth on page vi of this Official Statement. See Appendix D – “DEMOGRAPHIC AND ECONOMIC INFORMATION” for a discussion of the demographics and economy of the District.

Sales Tax

General. The State first imposed 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 impose various sales and use taxes to generate revenues to carry out essential governmental purposes. Neither the State nor any local government within the State collects a tax on personal or corporate net income.

In 1992, the State Legislature authorized regional transit authorities 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 in 1996. Sound Transit began imposing the Sales Tax in 1997 at the rate of 0.4%. In 2008, voters within the District approved an increase in the Sales Tax of 0.5%, and Sound Transit began imposing the Sales Tax in 2009 at the rate of 0.9%. In 2014, Sound Transit received or accrued \$639.9 million on account of the Sales Tax. See Table 6 under this heading for historical information regarding Sound Transit’s Sales Tax revenues.

The State currently imposes a sales and use tax of 6.5%. Sales and use taxes in the District currently are imposed by the State and local taxing entities at aggregate rates ranging from 8.6% to 9.6%. These rates include Sound Transit’s 0.9% Sales Tax.

Sound Transit has reserved the right to reduce the rate of the Sales Tax to as low as 0.8% upon satisfaction of the conditions set forth in the Master Prior Bond Resolution and the Parity Bond Resolutions. See “SECURITY FOR THE PARITY BONDS – Security for the Parity Bonds – Covenant to Impose Pledged Taxes” and Appendix B – “FORMS OF THE 2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution –Covenants – Pledged Taxes.”

In July 2015, the State Legislature authorized additional funding authority for Sound Transit, including the authority to seek voter approval to impose an additional sales and use tax of up to 0.5%, for a total of 1.4%. The proceeds of any such tax approved by the voters may, but are not required to, be pledged to the payment of the Parity Bonds. See “SOUND TRANSIT – System Plan – Sound Transit 3.”

Community Transit has announced that it will seek voter approval in Snohomish County in November 2015 to increase the rate at which it imposes its sales and use tax by 0.3%. Community Transit currently imposes its sales and use tax at the rate of 0.9%.

Tax Base. The Sales Tax consists of a sales tax and a use tax. The sales 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 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 of certain services and by taxing the use of personal property on which a sales tax has not been paid (such as items purchased in a state that imposes no sales tax). The State Legislature and the voters through the initiative process have changed the base of the sales tax and the use tax on occasion. This may occur again in the future. See “INITIATIVES AND REFERENDA.” Among the various items not currently subject to the Sales Tax are most personal services, motor vehicle fuel, most food for off-premises consumption, trade-ins and purchases for resale. Most lodging is not subject to the Sales Tax because the State Legislature has authorized the imposition of separate lodging taxes and has limited the total sales taxes that may be imposed on lodging.

Method of Collection. 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 (the “DOR”), which usually occurs on a monthly basis.

Sound Transit has entered into an agreement with the DOR for State administration of the Sales Tax and the Rental Car Tax. Under this agreement, the DOR administers and collects the taxes from retailers, taxpayers 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 DOR charges an ongoing administrative fee for this service of 0.7% on 4/9ths of the Sound Transit monthly tax distribution through 2025 and on all of the monthly tax distributions after 2025. The DOR agreement also provides for reimbursement of DOR for costs of modifications or changes to the administration of Sound Transit taxes as well as refunds not in the ordinary course of administering the taxes. The agreement expired December 31, 2014, and was automatically renewed for another three-year period. This agreement is subject to automatic renewal for an additional four successive three-year periods and is subject to termination by either party upon proper written notice.

Rental Car Tax

General. In 1992, the State Legislature authorized regional transit authorities to impose an incremental sales and use tax upon retail car rentals that are otherwise taxable by the State pursuant to chapters 82.08 and 82.12 RCW. Sound Transit began imposing the Rental Car Tax in 1997 upon car rentals in the District at the rate of 0.8% of the rental value. In 2014, Sound Transit received or accrued approximately \$3.1 million on account of the Rental Car Tax. See Table 6 under this heading for historical information regarding Sound Transit’s Rental Car Tax revenues.

The Board is currently authorized by statute to increase the rate of the Rental Car Tax to up to 2.172%. In July 2015, the State Legislature authorized Sound Transit to seek voter approval to impose a motor vehicle excise tax of up to 0.8%. This legislation provides that the rate of the Rental Car Tax imposed by Sound Transit must bear the same ratio of the maximum rate authorized that the rate of any motor vehicle excise tax imposed by Sound Transit bears to the maximum rate authorized. See “SOUND TRANSIT – System Plan – Sound Transit 3.” Sound Transit currently imposes the Motor Vehicle Tax at 0.3%, which is 37.5% of the 0.8% maximum rate permitted under this legislation, and Sound Transit currently imposes the Rental Car Tax at 0.8%, which is 36.8% of the 2.172% maximum rate permitted.

The State currently imposes a rental car tax of 5.9%. In addition to the State tax, King County and Pierce County currently impose a 1.0% local rental car tax. Snohomish County is authorized to impose a 1.0% retail rental car tax, but has not done so to date. The retail rental car tax is imposed in the District by the State and local taxing entities at aggregate rates ranging from 6.7% to 7.7%. These rates include Sound Transit’s 0.8% Rental Car Tax. Both the Rental Car Tax and the Sales Tax are collected upon taxable retail car rentals in the District.

Tax Base and Method of Collection. The retail rental car tax is paid by the customer on the rental of a passenger car (as defined in RCW 46.04.382) for a period of less than 30 days. The base of the Rental Car Tax is the rental value of the car. Rental car companies are required by law to collect the retail rental car tax, temporarily hold the tax receipts in trust, and remit such tax receipts to the DOR on the same frequency as the retail sales tax (which the

rental car companies also collect from their customers). The DOR disburses Rental Car Tax proceeds to Sound Transit on a monthly basis pursuant to the contract described in “Sales Tax – Method of Collection” under this heading.

Historical Sales Tax and Rental Car Tax Revenues

Table 6 sets forth historical Sales Tax and Rental Car Tax revenues as reported in Sound Transit’s audited financial statements for the years 2005 through 2014. The proceeds of the Sales Tax and Rental Car Tax, together with the Motor Vehicle Tax, are pledged to the payment of the Prior Bonds. The Sales Tax and the Rental Car Tax (but not the Motor Vehicle Tax) are currently the only components of the Pledged Taxes pledged to the payment of the Parity Bonds, including the 2015 Parity Bonds.

TABLE 6
HISTORICAL SALES TAX AND RENTAL CAR TAX REVENUES
(\$000s)

Year	Sales Tax Revenue ⁽¹⁾	Growth Rate	Rental Car Tax Revenue ⁽¹⁾	Growth Rate	Total	Growth Rate
2014	\$639,890	7.7%	\$3,092	12.0%	\$642,982	7.7%
2013	594,022	7.6	2,761	9.3	596,783	7.6
2012	551,898	4.5	2,527	29.1	554,425	4.6
2011	528,022	4.7	1,958	(18.7)	529,980	4.6
2010	504,101	14.3	2,409	(16.0)	506,510	14.1
2009 ⁽²⁾	440,929	66.2	2,869	14.9	443,798	65.7
2008	265,358	(5.3)	2,498	(1.3)	267,856	(5.3)
2007	280,263	8.1	2,531	4.3	282,794	8.1
2006	259,164	8.1	2,427	8.1	261,591	8.1
2005	239,785	9.5	2,245	3.6	242,030	9.4

(1) On an accrual basis.

(2) The rate of the Sales Tax was increased to 0.9% from 0.4% in April 2009.

Source: Sound Transit.

Motor Vehicle Tax

Pledge of Motor Vehicle Tax. The Motor Vehicle Tax is a component of the Local Option Taxes pledged to the payment of the Prior Bonds, but the Motor Vehicle Tax is not a component of the Pledged Taxes pledged to the payment of the Parity Bonds. **Under current law, Sound Transit does not have authority to impose the Motor Vehicle Tax after the 1999 Prior Bonds are retired or provision is made for their payment.** The last scheduled maturity of the 1999 Prior Bonds is February 1, 2028. Sound Transit has covenanted in the Master Prior Bond Resolution to use the proceeds from all Local Option Taxes (including the Motor Vehicle Tax) for purposes and in priorities generally described in “First” through “Tenth” in “SECURITY FOR THE PARITY BONDS – Flow of Funds,” including for payment of debt service on Parity Bonds. The 2015 Parity Bonds are not secured by any provisions of the Master Prior Bond Resolution. See “SECURITY FOR THE PARITY BONDS.”

General. The State first imposed a motor vehicle excise tax on vehicles owned by residents in 1937. In 1992, the State Legislature authorized regional transit authorities 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% in 1996. Sound Transit began imposing the Motor Vehicle Tax in 1997 at the rate of 0.3%. In 2014, Sound Transit received or accrued \$74.2 million on account of the Motor Vehicle Tax. See Table 7 under this heading for historical information regarding Sound Transit’s Motor Vehicle Tax revenues. In 2002, the State’s voters approved Initiative Measure No. 776 (“I-776”). I-776 required all motor vehicle license tab fees to be limited to a maximum of \$30. The initiative purported to repeal the statutory authority relied upon by Sound Transit to impose the Motor Vehicle Tax. In 2006, the State Supreme Court upheld Sound Transit’s continued collection of the Motor Vehicle Tax. The Court

ruled that the State Constitution's contract clause (Article I, Section 23) prevents an initiative from impairing the contractual obligation between Sound Transit and its bondholders. This decision confirmed Sound Transit's authority to continue collecting the full amount of the Motor Vehicle Tax so long as the 1999 Prior Bonds remain outstanding.

In July 2015, the State Legislature authorized additional funding authority for Sound Transit, including the authority to seek voter approval to impose a motor vehicle excise tax of up to 0.8%. The proceeds of any such tax approved by the voters may, but are not required to, be pledged to the payment of the Parity Bonds. See "SOUND TRANSIT – System Plan – Sound Transit 3."

Tax Base and Method of Collection. The values of motor vehicles are determined by statute. Passenger vehicles generally are valued at a percentage of the manufacturer's suggested retail price. The percentages are prescribed by a statute in effect at the time Sound Transit first imposed the Motor Vehicle Tax. Those percentages decline based on the number of years the vehicle is in service. The Motor Vehicle Tax does not apply to certain exempted classes of vehicles, including commercial trucks and rental cars.

The Motor Vehicle Tax is due and payable annually at the time a motor vehicle is registered. A vehicle registration is 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 contract with the State Department of Licensing for the collection and disbursement of the Motor Vehicle Tax through 2015. The agreement may be extended for three additional terms, in increments up to five years each, upon written consent of both parties, and Sound Transit is in the process of extending this agreement. Under this contract, the State 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 State Department of Licensing for all reasonable ongoing direct and indirect administrative costs in collecting the Motor Vehicle Tax.

Historical Motor Vehicle Tax Revenues

Table 7 sets forth historical Motor Vehicle Tax revenues as reported in Sound Transit’s audited financial statements for the years 2005 through 2014.

TABLE 7
HISTORICAL MOTOR VEHICLE TAX REVENUES
(\$000s)

<u>Year</u>	<u>Motor Vehicle Tax Revenue ⁽¹⁾</u>	<u>Growth Rate</u>
2014	\$74,166	7.3%
2013	69,096	4.9
2012	65,844	0.1
2011	65,893	0.2
2010	65,788	(2.2)
2009	67,290	(1.9)
2008 ⁽²⁾	68,621	(5.2)
2007	72,403	3.1
2006	70,202	5.9
2005	66,308	2.5

(1) On an accrual basis.

(2) Beginning in December 2008, Sound Transit and the State Department of Licensing began a process to issue refunds for Motor Vehicle Tax overpayments affecting some vehicle owners who live near but outside the District. The overpayments affected approximately 1.5% of the vehicles that were assessed the Motor Vehicle Tax. Approximately \$3.8 million was refunded. The State Department of Licensing revised its process for issuing license renewals in January 2009 so that overpayments do not continue to occur.

Source: Sound Transit.

SECURITY FOR THE PARITY BONDS

Limited Obligations

The 2015 Parity Bonds are not obligations of the State or any political subdivision thereof other than Sound Transit. The 2015 Parity Bonds are not secured by any lien, nor are the 2015 Parity Bonds secured by any charge upon any general fund or upon any money or other property of Sound Transit not specifically pledged thereto.

Flow of Funds

Sound Transit holds all accounts created under the Master Prior Bond Resolution and the Parity Bond Resolutions, including the Local Option Tax Accounts, the Prior Bond Account, the Prior Reserve Account, the Parity Bond Account, the Parity Reserve Account and the Project Fund. Sound Transit maintains Local Option Tax Accounts and has covenanted in the Master Prior Bond Resolution to deposit all Local Option Taxes in the Local Option Tax Accounts promptly upon receipt. Under the Parity Bond Master Resolution, Pledged Taxes deposited in the Local Option Tax Accounts (and the Motor Vehicle Tax, for so long as the Motor Vehicle Tax is collected and is subject to the requirements of the Master Prior Bond Resolution) may be used by Sound Transit only for the following purposes and in the following order of priority. Additional Taxes deposited in the Additional Taxes Accounts are to be applied by Sound Transit for the purposes and in the order of priority set forth below, beginning with paragraph “Third.” The provisions and order of the provisions of the Parity Bond Master Resolution described in paragraphs “Fifth” through “Thirteenth” may be amended or (other than paragraphs “Tenth” and “Thirteenth”) deleted by Sound Transit without the consent of the Owners of Parity Bonds.

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

- (i) to pay the interest when due on the Prior Bonds (including regularly scheduled Payments under Prior Payment Agreements); and
- (ii) to pay the maturing principal (including sinking fund redemptions) of the Prior Bonds;

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

Third, to make all payments required to be made into the Parity Bond Account, including the monthly deposits described in “Security for the Parity Bonds – Parity Bond Account” under this heading, in the following order:

- (i) to pay the interest when due on the Parity Bonds (including regularly scheduled payment obligations under Parity Payment Agreements for Parity Bonds);
- (ii) to pay the maturing principal (including sinking fund redemptions) of Parity Bonds; and
- (iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of the Parity Reserve Account Requirement, and other than the provider of a Liquidity Facility) for payments of the principal and/or interest on Parity Bonds;

Fourth, to make all payments required to be made (1) into the Parity Reserve Account under any Series Resolution authorizing the issuance of Parity Bonds that are Covered Parity Bonds to meet the Parity Reserve Account Requirement for Covered Parity Bonds and (2) into a separate reserve account or into a subaccount within the Parity Reserve Account established in a Series Resolution for one or more Series of Parity Bonds that are not Covered Parity Bonds; and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to the Parity Reserve Account Requirement;

Fifth, to make the following required payments in the following order (provided that Sound Transit may specify that payments relating to First Tier Junior Obligations described in this paragraph “Fifth” and/or in paragraph “Sixth” be made in any other order or priority):

- (i) to pay the interest when due on First Tier Junior Obligations (including regularly scheduled payment obligations under any Payment Agreement for the First Tier Junior Obligations);
- (ii) to pay the maturing principal (including sinking fund redemptions) of First Tier Junior Obligations; and
- (iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of any reserve account requirement for First Tier Junior Obligations, and other than the provider of a Liquidity Facility) for payments of the principal and/or interest on First Tier Junior Obligations;

Sixth, to make all payments required to be made to meet any reserve account requirement for First Tier Junior Obligations and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to such reserve account requirement;

Seventh, to make all of the following required payments in the following order:

- (i) to pay the interest when due on the TIFIA Bond and any other Second Tier Junior Obligations (including regularly scheduled payment obligations under any Payment Agreement for the Second Tier Junior Obligations);
- (ii) to pay the maturing principal (including sinking fund redemptions) of the TIFIA Bond and any other Second Tier Junior Obligations; and
- (iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of any reserve account requirement for Second Tier Junior Obligations, and other than the provider of a Liquidity Facility) for payments of the principal and/or interest on Second Tier Junior Obligations;

Eighth, to make all payments required to be made to meet any reserve account requirement for Second Tier Junior Obligations (including the payments required to be made into the TIFIA Reserve Account pursuant to the TIFIA Loan Agreement to meet the TIFIA Reserve Requirement) and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to such reserve requirement;

Ninth, if the TIFIA Bond is outstanding, to the payment of fees, administrative costs and other expenses of the TIFIA Lender;

Tenth, to pay costs of operating and maintaining Sound Transit and its System, including all of its public transportation facilities and assets, in a state of good repair;

Eleventh, to fund any termination payment in connection with a Qualified Hedge or Payment Agreement to the extent permitted in the TIFIA Resolution or as otherwise agreed by the TIFIA Lender if the TIFIA Bond is outstanding;

Twelfth, so long as the TIFIA Bond is outstanding and is owned by the TIFIA Lender or another federal agency and except as otherwise agreed (or waived), upon the occurrence and continuation of a Revenue Sharing Trigger Event, an amount equal to the Excess Taxes for such month for deposit into the Revenue Sharing Account; and

Thirteenth, for any lawful purpose of Sound Transit; *provided*, that Sound Transit may determine that items described in this “Thirteenth” category shall be paid in a specified order of priority.

For a description of certain provisions relating to the TIFIA Bond, see “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bond.”

Security for the Parity Bonds

Pledge of Pledged Taxes. The Parity Bonds, including the 2015 Parity Bonds, are special limited obligations of Sound Transit payable from and secured by a pledge of the Pledged Taxes. The Sales Tax and the Rental Car Tax (but not the Motor Vehicle Tax) are currently the only components of the Pledged Taxes. See “SOUND TRANSIT TAXES” for more information regarding the Pledged Taxes.

The Parity Bond Master Resolution provides that the 2015 Parity Bonds are also secured by a pledge of (i) amounts in the Parity Bond Account, (ii) amounts in the Local Option Tax Accounts, the Additional Taxes Accounts, the Tax Stabilization Subaccount, subject to the prior pledge of money in the Local Option Tax Accounts and the Tax Stabilization Subaccount that has been made in favor of the Prior Bonds, and (iii) proceeds of the 2015 Parity Improvement Bonds, if any, deposited in the 2015 Project Account in the Project Fund and in any other account or subaccount established by Sound Transit to hold such proceeds.

The Parity Bond Master Resolution provides that the pledge for the payment of the 2015 Parity Bonds of amounts in the Parity Bond Account, the Additional Taxes Accounts and, except as otherwise provided in a Series Resolution or

the Parity Bond Master Resolution, the proceeds of the Parity Bonds deposited in any proceeds account and/or in any account created in the Project Fund for the deposit of Parity Bond proceeds is a charge on the amounts in such accounts equal to the charge of any other Parity Bonds thereon and superior to all other charges of any kind or nature (including the payment of costs of operating and maintaining Sound Transit and its facilities and the payment of debt service on the Prior Bonds).

The Parity Bond Master Resolution provides that the pledge for the payment of the 2015 Parity Bonds of the Pledged Taxes and amounts in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount and earnings thereon, to the extent amounts and earnings in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount represent revenues from Pledged Taxes, is a prior charge superior to all other charges of any kind or nature (including the payment of costs of operating and maintaining Sound Transit and its facilities), except the charge of the Prior Bonds on Local Option Taxes, and equal to the charge of any other Parity Bonds.

Sound Transit has also pledged for the payment of the 2015 Parity Bonds proceeds of the 2015 Parity Improvement Bonds, if any, deposited in the 2015 Project Account in the Project Fund and in any other account or subaccount established by Sound Transit to hold proceeds of the 2015 Parity Improvement Bonds, and such pledge is a charge on the amounts in such accounts superior to all other charges of any kind or nature.

Covenant to Impose Pledged Taxes. Sound Transit has covenanted in the Parity Bond Resolutions that so long as any Parity Bonds remain Outstanding, Sound Transit will impose the Sales Tax at a rate of not less than 0.9% and will impose the Rental Car Tax at a rate of not less than 0.8%, except that Sound Transit may impose the Sales Tax rate at a rate of not less than 0.8% in the manner described below in “Permitted Reduction of Sales Tax Rate.” Sound Transit has further covenanted in the Parity Bond Resolutions (i) to take all reasonable actions necessary to impose and provide for the continued collection of the Pledged Taxes and the application of those taxes for payment of the Parity Bonds in accordance with the Parity Bond Resolutions; (ii) to take all reasonable actions necessary to impose and provide for the continued collection of the Local Option Taxes and the application of those taxes for the payment of the Prior Bonds in accordance with the Master Prior Bond Resolution and the application of those Local Option Taxes in accordance with the Master Prior Bond Resolution and the Parity Bond Resolutions; and (iii) except as described in “Permitted Reduction of Sales Tax Rate,” not to take any action that limits, terminates, reduces or otherwise impairs the authority of Sound Transit to impose and collect all Local Option Taxes and Pledged Taxes.

Permitted Reduction of Sales Tax Rate. In the Parity Bond Resolutions, Sound Transit has reserved the right to reduce the rate of the Sales Tax to as low as 0.8%, provided that Sound Transit certifies in an Authority Pledged Taxes Sufficiency Certificate that:

- (i) ***Prior Bonds Coverage Test.*** Local Option Taxes received during any consecutive 12-month period selected by Sound Transit out of the 16-month period immediately preceding the date of calculation (for purposes of an Authority Pledged Taxes Sufficiency Certificate, the “Base Parity Period”) were not less than 1.5 times Maximum Annual Prior Bond Debt Service on all Prior Bonds outstanding on the date such certification is made (the “Prior Bonds Coverage Requirement”);
- (ii) ***Parity Bonds Coverage Test for Period While Motor Vehicle Tax is Not Included as Pledged Taxes.*** Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement (and after all the Motor Vehicle Tax has been applied for that purpose) were not less than 1.5 times Maximum Annual Parity Bond Debt Service during the period that the Motor Vehicle Tax will not be included as Pledged Taxes to secure Parity Bonds Outstanding on the date such certification is made; and
- (iii) ***Parity Bonds Coverage Test for Period While Motor Vehicle Tax and/or Additional Taxes Are Included as Pledged Taxes.*** Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement were not less than 1.5 times Maximum Annual Parity Bond Debt Service during the period that the Motor Vehicle Tax and/or Additional Taxes will be included as Pledged Taxes to secure Parity Bonds Outstanding on the date such certification is made.

The Parity Bond Resolutions provide that in preparing an Authority Pledged Taxes Sufficiency Certificate:

- (1) the Local Option Taxes and/or Pledged Taxes during the Base Parity Period may be only those shown in audited or unaudited financial statements of Sound Transit; provided,
- (2) in calculating amounts received during the Base Parity Period, Sound Transit must take into account any Adopted Parity Rate Adjustment, Additional Taxes and Motor Vehicle Tax included as Pledged Taxes and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Parity Period;
- (3) the Sales Tax received during the Base Parity Period is to be adjusted to reflect the reduced rate of less than 0.9%;
- (4) the Motor Vehicle Tax and/or Additional Taxes may not be taken into account to meet the requirements described in clause (iii) above unless Sound Transit receives an opinion of Bond Counsel to the effect that the pledge of such Motor Vehicle Tax and/or Additional Taxes to Parity Bonds is in full force and effect for the period in which they are included as Pledged Taxes; and
- (5) any Adopted Parity Rate Adjustment, Additional Taxes and/or extension of an existing tax may be taken into account only if a certified public accountant, economic consultant or financial advisor experienced with state or local taxation or municipal bonds certifies that it is reasonable to expect that such adjusted, new or extended taxes will be received in the amounts assumed for purposes of the Authority Pledged Taxes Sufficiency Certificate.

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

Sound Transit has covenanted in the Parity Bond Resolutions that, if Sound Transit is imposing the Sales Tax at a rate less than 0.9% and if Sound Transit is unable to deliver an Authority Pledged Taxes Sufficiency Certificate as described above within 30 days after the end of any Fiscal Year, it will, within 90 days after the end of that Fiscal Year, take all action required on its part to increase the rate of that Sales Tax imposed, but not to exceed the rate of 0.9%, for the purpose of being able to deliver that Authority Pledged Taxes Sufficiency Certificate.

The Master Prior Bond Resolution imposes additional restrictions on any reduction in the rate of the Sales Tax to as low as 0.8%. The 2015 Parity Bonds are not secured by any provisions of the Master Prior Bond Resolution.

Pledge of Additional Taxes. In the Parity Bond Resolutions, Sound Transit has reserved the right (but is not obligated) to include and pledge Additional Taxes, the Motor Vehicle Tax, and/or receipts resulting from an Adopted Parity Rate Adjustment, as “Pledged Taxes.” Any taxes other than Local Option Taxes that in the future Sound Transit includes as Pledged Taxes and pledges to the payment of Parity Bonds and Second Tier Junior Obligations (and to the payment of First Tier Junior Obligations if Sound Transit so determines) are referred to collectively as “Additional Taxes.” Sound Transit must use Additional Taxes deposited in Additional Taxes Accounts for the purposes and in the order of priority set forth in the “Flow of Funds” under this heading, beginning with the paragraph “Third.”

Increases in Tax Rates. Sound Transit currently is imposing the Sales Tax at a rate of 0.9%, which is the maximum currently permitted under State law. Sound Transit is currently imposing the Rental Car Tax at a rate of 0.8%, and the Board is authorized by statute to increase the rate to up to 2.172% upon satisfaction of certain conditions. The additional tax revenue attributable to any such increase will not, automatically, be pledged to the payment of the Parity Bonds. However, Sound Transit has reserved the right to pledge such additional tax revenue, if any, to the payment of the Parity Bonds. In July 2015, the State Legislature authorized Sound Transit to seek voter approval to

impose certain additional taxes. The proceeds of any such taxes approved by the voters may, but are not required to, be pledged to the payment of the Parity Bonds. See “SOUND TRANSIT – System Plan – Sound Transit 3.”

Federal Credit Payments. The 2009S-2T Parity Bonds were issued as “Build America Bonds” under the Code. Sound Transit is allowed a credit payable by the United States Treasury to Sound Transit in an amount equal to 35% of the interest payable on the 2009S-2T Parity Bonds on each interest payment date, subject to federal sequestration. See “SOUND TRANSIT – Federal Sequestration.” The federal credit payments received and expected to be received by Sound Transit in respect of the 2009S-2T Parity Bonds are required to be deposited in the Parity Bond Account (which reduces the amount of Pledged Taxes required to be deposited into the Parity Bond Account) and are required to be taken into account as “Receipts” under a “Parity Payment Agreement” in calculating Annual Parity Bond Debt Service (which reduces the amount of Annual Parity Bond Debt Service in satisfying certain conditions for reducing the Sales Tax rate and for issuing Future Parity Bonds).

No Pledge of Other Revenues. Sound Transit’s operating and non-operating revenues (other than Pledged Taxes) are not pledged to the payment of the Parity Bonds.

Tax Stabilization Subaccount. The Master Prior Bond Resolution authorizes Sound Transit to create a Tax Stabilization Subaccount within the Local Option Tax Accounts. The Parity Bond Resolutions also authorize Sound Transit to create a Tax Stabilization Subaccount, if not created under the Master Prior Bond Resolution. Sound Transit may deposit Pledged Taxes into and withdraw Pledged Taxes from the Tax Stabilization Subaccount for any lawful purposes in accordance with the “Flow of Funds” described under this heading, including for the purpose of satisfying the conditions for reducing the Sales Tax rate as described above in “Permitted Reduction of Sales Tax Rate.” Deposits into and withdrawals from the Tax Stabilization Subaccount may not be taken into account in calculating Annual Parity Bond Debt Service for purposes of satisfying conditions to issuing Future Parity Bonds. See “Future Parity Bonds” under this heading.

Local Option Taxes in the Tax Stabilization Subaccount are pledged in the Master Prior Bond Resolutions to the payment of the Prior Bonds. Such amounts, to the extent they represent revenues from Pledged Taxes, are also pledged in the Parity Bond Resolutions to the payment of the Parity Bonds, subordinate to the pledge thereof to the payment of the Prior Bonds.

The Parity Bond Resolutions also authorize Sound Transit to create separate tax stabilization subaccounts in connection with Additional Taxes Accounts.

There currently is no Tax Stabilization Subaccount or Additional Taxes Accounts, and there is no guarantee that Sound Transit will create or fund the Tax Stabilization Subaccount at any time while the 2015 Parity Bonds are Outstanding.

Parity Bond Account. The Parity Bond Account was created pursuant to the Resolution No. R2005-02. Sound Transit is required to make monthly deposits into the Parity Bond Account from Pledged Taxes, subject to the “Flow of Funds” described under this heading, so that the balance therein will be sufficient to pay (i) the interest, or principal and interest, next coming due on the Parity Bonds and (ii) regularly scheduled Payments under Parity Payment Agreements.

Parity Reserve Account. The Parity Bond Master Resolution provides for a Parity Reserve Account that secures only Future Parity Bonds for which Sound Transit establishes a Parity Reserve Account Requirement greater than zero. The Parity Reserve Account Requirement for the 2015 Parity Bonds and the Outstanding Parity Bonds is zero. The 2015 Parity Bonds and the Outstanding Parity Bonds are not secured by the Parity Reserve Account. The Parity Reserve Account is not currently funded

The Parity Reserve Account Requirement for Future Parity Bonds that are Covered Parity Bonds secured by the Parity Reserve Account is the lesser of (i) Maximum Annual Parity Bond Debt Service on the Covered Parity Bonds or (ii) 125% of Average Annual Parity Bond Debt Service on the Covered Parity Bonds, provided that upon the issuance of any series of Covered Parity Bonds, the Parity Reserve Account Requirement is not required to be funded or increased by an amount greater than 10% of the proceeds of that series of Covered Parity Bonds. The

Parity Reserve Account Requirement for Future Parity Bonds that are not Covered Parity Bonds is the amount (which may be zero) specified in a Series Resolution as the Parity Reserve Account Requirement for the Parity Bonds of such Series.

Sound Transit has reserved the right to satisfy the Parity Reserve Account Requirement by deposits of cash, investments, one or more Credit Facilities or a combination of the foregoing. Each Credit Facility to satisfy all or any portion of the Parity Reserve Account Requirement must be issued by an insurance company or financial institution which, as of the time of issuance of such Credit Facility, is rated by the Rating Agencies in one of the two highest Rating Categories (without regard to numerical modifier or otherwise) for unsecured debt or insurance underwriting or claims-paying ability.

Future Parity Bonds. Sound Transit has reserved the right to issue Future Parity Bonds secured by a pledge of Pledged Taxes on a parity with the pledge to the payment of the Parity Bonds upon compliance with the following conditions:

- (1) There is no deficiency in the Parity Bond Account;
- (2) An amount equal to the Parity Reserve Account Requirement, if any, for the Future Parity Bonds to be issued is on deposit or is otherwise provided for on or prior to the date of issuance of such Future Parity Bonds;
- (3) No Default has occurred and is continuing; and
- (4) Sound Transit certifies in an Authority Parity Bond Certificate that, upon the issuance of the Future Parity Bonds:
 - (i) *Prior Bonds Coverage Test.* Local Option Taxes received during any consecutive 12-month period selected by Sound Transit out of the 24-month period immediately preceding the date of calculation (for purposes of an Authority Parity Bond Certificate, the “Base Parity Period”) were not less than 1.5 times Maximum Annual Prior Bond Debt Service on all Prior Bonds that will be outstanding upon the issuance of such series of Future Parity Bonds (the “Prior Bonds Coverage Requirement”); and
 - (ii) *Parity Bond Coverage Test for Period While Motor Vehicle Tax is Not Included as Pledged Taxes.* Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement (and after all Motor Vehicle Tax has been applied for that purpose) were not less than 1.5 times Maximum Annual Parity Bond Debt Service during the period that the Motor Vehicle Tax will not be included as Pledged Taxes to secure the Future Parity Bonds; and
 - (iii) *Parity Bond Coverage Test for Period While Motor Vehicle Tax and/or Additional Taxes Are Included as Pledged Taxes.* Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement were not less than 1.5 times Maximum Annual Parity Bond Debt Service during the period that the Motor Vehicle Tax and/or Additional Taxes will be included as Pledged Taxes to secure the Future Parity Bonds.

The Parity Bond Resolutions provide that in preparing an Authority Parity Bond Certificate:

- (1) the Local Option Taxes and/or Pledged Taxes during the Base Parity Period may be only those shown in audited or unaudited financial statements of Sound Transit; *provided*, that:
- (2) in calculating amounts received during the Base Parity Period, Sound Transit must take into account any Adopted Parity Rate Adjustment, Additional Taxes and Motor Vehicle Tax included

as Pledged Taxes and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Parity Period;

- (3) the Motor Vehicle Tax and/or Additional Taxes may not be taken into account to meet the requirements described in clause 4(iii) above unless Sound Transit receives an opinion of Bond Counsel to the effect that the pledge of such Motor Vehicle Tax and/or Additional Taxes to such Future Parity Bonds is in full force and effect for the period in which they are included as Pledged Taxes;
- (4) any Adopted Parity Rate Adjustment, Additional Taxes and/or extension of an existing tax included as part of Pledged Taxes may be taken into account only if a certified public accountant, economic consultant or financial advisor experienced with state or local taxation or municipal bonds certifies that it is reasonable to expect that such adjusted, new or extended taxes will be received in the amounts assumed for purposes of the Authority Parity Bond Certificate; and
- (5) deposits into and withdrawals from the Tax Stabilization Subaccount during the Base Parity Period may not be taken into account.

The TIFIA Loan Agreement imposes additional conditions precedent to the issuance of Future Parity Bonds. See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bond – Additional Bonds.”

Refunding Parity Bonds. Upon delivery of an Authority Parity Bond Certificate, Sound Transit may issue Parity Bonds at any time for the purpose of refunding (including by purchase) Sound Transit obligations, providing for the Parity Reserve Account Requirement, making payment to a provider of a Credit Facility and/or Liquidity Facility, making any settlement payment in connection with the termination of a hedging instrument relating to the Refunding Parity Bonds or other Sound Transit obligations to be refunded and paying the expenses of issuing such Refunding Parity Bonds and of effecting such refunding.

Sound Transit may issue Refunding Parity Bonds to refund Parity Bonds without an Authority Parity Bond Certificate described above if, in any Fiscal Year, the Annual Parity Bond Debt Service on the Refunding Parity Bonds will not exceed the Annual Parity Bond Debt Service by more than \$5,000 on the Parity Bonds to be refunded were the refunding not to occur.

Sound Transit may also issue Refunding Parity Bonds without regard to any of the conditions for issuing Future Parity Bonds for the purpose of refunding (including by purchase) any Sound Transit obligations (other than Junior Obligations) for the payment of which sufficient funds are not available, or are forecasted by Sound Transit to be unavailable, in the future.

Sound Transit expects to deliver an Authority Parity Bond Certificate in connection with the issuance of the 2015 Parity Bonds.

Parity Payment Agreements. Sound Transit has reserved the right to make Payments under Payment Agreements secured by a pledge of Pledged Taxes equal to the pledge to the payment of the Parity Bonds (“Parity Payment Agreements”) if the Payment Agreement satisfies the requirements for issuing Future Parity Bonds described above. “Payment Agreement” means a written agreement, such as an interest rate swap, 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, investment, asset or liability management purposes, entered into on either a current or forward basis by Sound Transit 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. See Appendix B – “FORMS OF THE 2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution – Parity Payment Agreements.” The federal credit payments received by Sound Transit in respect of the 2009S-2T Parity Bonds are required to be taken into account as “Receipts” under a “Parity Payment Agreement” in calculating Annual Parity Bond Debt Service.

Defaults and Remedies. The following events constitute a Default under the Parity Bond Resolutions: (i) if any “Default” has occurred and is continuing as described in the Master Prior Bond Resolution; (ii) if default is made in

the due and punctual payments of the principal of and premium, if any, on any of the Parity Bonds when the same become due and payable, either at maturity or by proceedings for redemption or otherwise; (iii) if default is made in the due and punctual payment of any installment of interest on any Parity Bond; (iv) if Sound Transit fails to purchase or redeem Term Parity Bonds in an aggregate principal amount at least equal to the mandatory sinking fund requirements for the applicable Fiscal Year; (v) if Sound Transit materially defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of Sound Transit contained in the Parity Bond Resolutions and such default has continued for a period of 90 days after discovery by Sound Transit or written notice to Sound Transit; provided, that if such failure can be remedied, but not within such 90-day period, and if Sound Transit has taken all action reasonably possible to remedy such failure within such 90-day period, such failure will not become a Default for so long as Sound Transit diligently proceeds to remedy the Default; or (vi) if during any period in which the TIFIA Bond is outstanding, a Bankruptcy Related Event (as defined in the TIFIA Loan Agreement, including any amendment thereto) occurs with respect to Sound Transit. See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – Prior Bonds – Defaults” under this heading for a summary of events that constitute a “Default” under the Master Prior Bond Resolution and “– TIFIA Bond” for a summary of events that constitute an “Event of Default” under the TIFIA Loan Agreement. See also Appendix B – “FORMS OF THE 2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution – Defaults” and “– Remedies Upon Default.”

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

So long as a Default has not been remedied, the Owners of at least 50% in aggregate principal amount or Accreted Value of Parity Bonds then Outstanding may appoint a Parity Bondowners’ Trustee to exercise the rights of the Owners of the Parity Bonds, all as described in the Parity Bond Resolutions. See “No Acceleration Upon Default” under this heading and Appendix B – “FORMS OF THE 2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution – Remedies Upon Default.” If a Parity Bondowners’ Trustee has been appointed, certain of the Owners’ remedies may not be exercised individually by the Owners without the consent of the Parity Bondowners’ Trustee.

Supplemental Resolutions. Sound Transit may adopt Series Resolutions and Supplemental Resolutions, in certain cases without the consent of the Owners of the Parity Bonds, under the circumstances described in Appendix B – “FORMS OF THE 2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution – Supplements and Amendments.”

Special Amendments. The Owners of the 2009S-2T Parity Bonds and the 2012S-1 Parity Bonds have been, and the Owners of the 2015 Parity Bonds and any Future Parity Bonds will be, deemed to have consented to the adoption by Sound Transit of a resolution supplementing or amending the Parity Bond Resolutions for any one or more of the following purposes:

- (1) To permit federal credit payments received in respect of Outstanding Build America Parity Bonds (other than federal credit payments received under a Payment Agreement) to be deposited into the Parity Bond Account and credited against the Pledged Taxes otherwise required to be deposited into the Parity Bond Account; or
- (2) To permit federal credit payments scheduled to be received in any Fiscal Year in respect of Outstanding Build America Parity Bonds (other than federal credit payments received under a Payment Agreement) to be credited against Parity Bond Debt Service in calculating Annual Parity Bond Debt Service for that Fiscal Year.

Defeasance

Sound Transit has reserved the right to defease the 2015 Parity Bonds by depositing irrevocably with an escrow agent money and/or noncallable Defeasance Obligations which, together with the earnings thereon and without any reinvestment thereof, are sufficient to pay the principal of any particular 2015 Parity Bonds or portions thereof (the “Defeased Bonds”) as the same become due, together with all interest accruing thereon to the maturity date or date fixed for redemption, and in the case of Defeased Bonds to be redeemed prior to maturity, irrevocably calling the Defeased Bonds for redemption or delivering to the escrow agent irrevocable instructions to call such Defeased

Bonds for redemption on the date fixed for redemption, and paying or making provision for payment of all fees, costs and expenses of that escrow agent due or to become due with respect to the Defeased Bonds, at which time all liability of Sound Transit with respect to the Defeased Bonds will cease, the Defeased Bonds will be deemed not to be Outstanding and the Owners of the Defeased Bonds will be restricted exclusively to the money or Defeasance Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds.

“Defeasance Obligations” means non-callable direct and general obligations of the United States of America or non-callable obligations that are unconditionally guaranteed as to payment of principal and interest by the United States of America, or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America, including any stripped interest or principal portions of non-callable United States of America obligations or of Resolution Trust Corporation securities.

In connection with a defeasance, Sound Transit is required to cause to be delivered (i) a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm, (ii) an opinion of nationally recognized bond counsel to the effect that the defeasance is permitted under the laws of the State and the Parity Bond Master Resolution and (iii) in the case of Defeased Bonds that are Tax-Exempt Parity Bonds, an opinion of nationally recognized tax counsel that such defeasance will not, in and of itself, adversely affect the exclusion of interest on the Defeased Bonds from gross income for federal income tax purposes. See Appendix B – “FORMS OF THE 2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution – Defeasance.”

Other Covenants

Sound Transit has made various covenants in the Parity Bond Resolutions. These include, among others, covenants 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 in the manner determined by the Board; to maintain insurance or institute a self-insurance program, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks as the Board of Directors deems prudent for the protection of Sound Transit; and to keep books of account and accurate records of all of its revenue and its expenses that are in accordance with applicable accounting principles as in effect from time to time. See Appendix B – “FORMS OF THE 2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution – Covenants.”

No Lien

The Owners of the 2015 Parity Bonds are not secured by a lien on the Pledged Taxes or on any money in any account held by Sound Transit. Sound Transit may be able to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”). See “LIMITATIONS ON REMEDIES.”

No Acceleration Upon Default

Upon the occurrence and continuance of a Default under the Parity Bond Master Resolution, payment of the principal amount of the Parity Bonds is not subject to acceleration. Sound Transit is liable for principal and interest payments only 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. See “LIMITATIONS ON REMEDIES.” 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.

SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS

Prior Bonds

The 2015 Parity Bonds are not secured by any provisions of the Prior Bond Resolutions, which may be altered, modified or amended at any time in accordance with their terms. The registered owners of Prior Bonds may waive

any required action or event of default under the Prior Bond Resolutions or forebear from exercising any remedies granted.

Pledge of Local Option Taxes. The Prior Bonds are special limited obligations of Sound Transit payable from and secured solely by a pledge of Local Option Taxes and amounts, if any, in the Local Option Tax Accounts, the Prior Bond Account, the Prior Reserve Account and any project account created for the deposit of Prior Bond proceeds. See “SOUND TRANSIT TAXES” for information regarding the Local Option Taxes.

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

Sales Tax Rate. Sound Transit currently is imposing the Sales Tax at a rate of 0.9%, which is the maximum currently permitted under State law. Sound Transit has reserved the right, to the extent permitted by law and approved by the voters (if a vote is required), to pledge to the payment of the Prior Bonds any Sales Tax imposed at a rate in excess of 0.9%. In July 2015, the State Legislature authorized additional funding authority for Sound Transit, including the authority to seek voter approval to impose an additional sales and use tax of up to 0.5%, for a total of 1.4%. See “SOUND TRANSIT – System Plan – Sound Transit 3.”

Federal Credit Payments. The 2009P-2T Prior Bonds were issued as “Build America Bonds” under the Code. Sound Transit is allowed a credit payable by the United States Treasury to Sound Transit in an amount equal to 35% of the interest payable on the 2009P-2T Prior Bonds on each interest payment date, subject to federal sequestration. See “SOUND TRANSIT – Federal Sequestration.” The federal credit payments received and expected to be received by Sound Transit in respect of the 2009P-2T Prior Bonds are required to be deposited in the Prior Bond Account (which reduces the amount of Local Option Taxes required to be deposited into the Prior Bond Account) and are required to be taken into account as “Receipts” under a “Prior Payment Agreement” in calculating Annual Prior Bond Debt Service (which reduces the amount of Annual Prior Bond Debt Service in calculating the Prior Reserve Account Requirement and satisfying the Sufficiency Test for reducing the Sales Tax rate and certain conditions for issuing Future Prior Bonds).

No Pledge of Other Revenues. Sound Transit’s operating and non-operating revenues (other than Local Option Taxes) are not pledged to the payment of the Prior Bonds.

Tax Stabilization Subaccount. The Master Prior Bond Resolution authorizes Sound Transit to create a Tax Stabilization Subaccount within the Local Option Tax Accounts. Sound Transit may deposit Local Option Taxes collected in such Fiscal Year into the Tax Stabilization Subaccount or withdraw Local Option Taxes on deposit therein from the Tax Stabilization Subaccount and use amounts in the Tax Stabilization Subaccount for any lawful purposes in accordance with the provisions described in “SECURITY FOR THE PARITY BONDS – Flow of Funds.”

Local Option Taxes in the Tax Stabilization Subaccount are pledged in the Master Prior Bond Resolution to the payment of the Prior Bonds. Such amounts, to the extent they represent revenues from Pledged Taxes, are also pledged in the Parity Bond Resolutions to the payment of the Parity Bonds, subordinate to the pledge thereof to the payment of the Prior Bonds.

There currently is no Tax Stabilization Subaccount, and there is no guarantee that Sound Transit will create or fund the Tax Stabilization Subaccount.

Prior Bond Account. Sound Transit’s “Sales Tax and Motor Vehicle Excise Tax Bond Account” (the “Prior Bond Account”) is held by Sound Transit as a trust account for the owners of the Prior Bonds. Sound Transit is required to make monthly deposits into the Prior Bond Account from Local Option Taxes so that the balance therein will be sufficient to pay (i) the interest, or principal and interest, next coming due on the Prior Bonds and (ii) regularly scheduled Payments under Prior Payment Agreements.

Prior Reserve Account. Sound Transit’s “Sales Tax and Motor Vehicle Excise Tax Bond Reserve Account” (the “Prior Reserve Account”) is used solely to secure the payment of debt service on the Prior Bonds and is held by Sound Transit as a trust account for the owners of the Prior Bonds. Sound Transit has covenanted in the Master Prior Bond Resolution to maintain on hand in the Prior Reserve Account an amount equal to the lesser of (i) 125% of Average Annual Prior Bond Debt Service with respect to all outstanding Prior Bonds or (ii) the sum of (A) 100% of the Annual Prior Bond Debt Service with respect to the outstanding 1999 Prior Bonds and (B) 50% of the Annual Prior Bond Debt Service with respect to all other outstanding Prior Bonds, in each case in the Fiscal Year in which Maximum Annual Prior Bond Debt Service with respect to all outstanding Prior Bonds occurs; provided, that at the time of issuance of any series of Prior Bonds, the Prior Reserve Account Requirement allocable to a series of Prior Bonds shall not exceed 10% of the initial principal amount of that series of Prior Bonds. Notwithstanding the foregoing, so long as the municipal bond insurance policy or the municipal bond debt service reserve fund policy for the 1999 Prior Bonds is in effect, if in any Fiscal Year the Local Option Taxes received are less than 2.5 times Maximum Annual Prior Bond Debt Service, the foregoing clause (ii) above is to be adjusted to read “100% of Maximum Annual Prior Bond Debt Service with respect to all outstanding Prior Bonds,” and any additional amount required to be on deposit in the Prior Reserve Account is to be provided within one year by 12 approximately equal monthly installments; and provided further, that the foregoing clause (ii) is to be so adjusted until after two consecutive Fiscal Years in which Local Option Taxes received are not less than 2.5 times Maximum Annual Prior Bond Debt Service (the “Prior Reserve Account Requirement”).

Sound Transit has reserved the right to satisfy the Prior Reserve Account Requirement by deposits of cash, investments, a Qualified Prior Letter of Credit, or Qualified Prior Insurance, or a combination of the foregoing. Sound Transit satisfied the Prior Reserve Account Requirement for the 1999 Prior Bonds by obtaining Qualified Prior Insurance in the form of two municipal bond debt service reserve fund policies with an aggregate face amount of \$31,661,180 issued by Financial Guaranty Insurance Company and later reinsured by National Public Finance Guarantee Corporation.

The Master Prior Bond Resolution provides that in computing the amount on hand in the Prior Reserve Account, Qualified Prior Insurance and/or a Qualified Prior Letter of Credit are to be valued at the face amount thereof and all other obligations purchased as an investment of money therein are to be valued at market at least annually. Any deficiency created in the Prior Reserve Account upon such valuation must be made up in equal monthly installments within six months after the date of such valuation. Any deficiency created in the Prior Reserve Account upon a withdrawal to make up a deficiency in the Prior Bond Account must be made up from the next available Local Option Taxes, but in no event later than within one year from Qualified Prior Insurance or a Qualified Prior Letter of Credit or out of Local Option Taxes after making necessary provision for the payments required to be made into the Prior Bond Account within such year.

As of June 1, 2015, there was \$51,081,382 credited to the Prior Reserve Account, including the two municipal bond debt service reserve fund policies.

Future Prior Bonds. Sound Transit has reserved the right to issue Future Prior Bonds, including Refunding Prior Bonds, secured by a pledge of Local Option Taxes on a parity with the pledge to the payment of the outstanding Prior Bonds. The issuance of Future Prior Bonds is subject to the following conditions:

- (1) There is no deficiency in the Prior Bond Account, and an amount equal to the Prior Reserve Account Requirement (including for the Future Prior Bonds to be issued) will be on deposit in the Prior Reserve Account.
- (2) No Default (as defined in the Master Prior Bond Resolution) has occurred and is continuing.
- (3) Sound Transit certifies (by an “Authority Prior Bond 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 Prior Bonds were not less than three times Maximum Annual Prior Bond Debt Service on all Prior Bonds that will be outstanding upon the issuance of the Future Prior 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.

The TIFIA Loan Agreement imposes additional conditions precedent to the issuance of Future Prior Bonds. See “TIFIA Bond – Additional Bonds” under this heading.

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

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

Prior Payment Agreements. Sound Transit has reserved the right to make Payments under Payment Agreements secured by a pledge of Local Option Taxes on a parity with the pledge to the payment of the Prior Bonds (“Prior Payment Agreements”) if the Payment Agreement satisfies the requirements for Future Prior Bonds described above. “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, investment, asset or liability management purposes, entered into on either a current or forward basis by Sound Transit 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. The Master Prior Bond Resolution requires that the federal credit payments received by Sound Transit in respect of the 2009P-2T Prior Bonds be taken into account as “Receipts” under a “Prior Payment Agreement” in calculating Annual Prior Bond Debt Service.

Defaults. The following events constitute a Default under the Master Prior Bond Resolution: (i) if Sound Transit defaults in the performance of any obligation with respect to payments into the Prior Bond Account or Prior Reserve Account and such default is not remedied; (ii) if default is made in the due and punctual payments of the principal of and premium, if any, on any of the Prior Bonds when the same become due and payable, either at maturity or by proceedings for redemption or otherwise; (iii) if default is made in the due and punctual payment of any installment of interest on any Prior Bond; (iv) if Sound Transit fails to purchase or redeem Term Prior Bonds in an aggregate principal amount at least equal to the sinking fund requirements for the applicable Fiscal Year; (v) if Sound Transit defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of Sound Transit contained in any of the Prior Bond Resolutions and such default or defaults have continued for a period of 90 days after discovery by Sound Transit or written notice to Sound Transit; provided, that if such failure can be remedied, but not within such 90-day period, and if Sound Transit has taken all action reasonably possible to remedy such failure within such 90-day period, such failure will not become a Default for so long as Sound Transit diligently proceeds to remedy the Default; or (vi) if during any period in which the TIFIA Bond is outstanding, a Bankruptcy Related Event (as defined in the TIFIA Loan Agreement, including any amendment thereto) occurs with respect to Sound Transit. See “TIFIA Bond” under this heading for a summary of events that constitute an “Event of Default” under the TIFIA Loan Agreement.

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

Special Amendments. The owners of the outstanding Prior Bonds (other than the 1999 Prior Bonds, whose consent is required consistent with the Master Prior Bond Resolution), are deemed to have consented to the adoption by Sound Transit of any resolutions amendatory or supplemental to the Master Prior Bond Resolution for any one or more of the following purposes:

- (1) After the 1999 Prior Bonds are no longer outstanding, to delete the Motor Vehicle Tax from the definition of “Local Option Taxes”;

- (2) After the 1999 Prior Bonds are no longer outstanding, to impose the Motor Vehicle Tax at a rate of less than three-tenths of one percent (which rate may be zero);
- (3) To delete from the Master Prior Bond Resolution the Default described in clause (i) in “Defaults” above;
- (4) To establish for any one or more series of Future Prior Bonds a separate reserve account requirement for such series (which may be zero) and, if applicable, a separate reserve account or accounts to secure such series, which series shall not be secured by the Prior Reserve Account, and which separate reserve account or accounts shall not secure the Prior Bonds secured by the Prior Reserve Account, and in satisfying the conditions to the issuance of Future Prior Bonds that will not be secured by the Prior Reserve Account, to disregard the requirement that an amount equal to the Prior Reserve Account Requirement (including for the Future Prior Bonds to be issued) be on deposit or otherwise provided for in the Prior Reserve Account on or prior to the date of issuance of such Future Prior Bonds;
- (5) To permit federal credit payments received in respect of outstanding Build America Prior Bonds (other than federal credit payments received under a Payment Agreement) to be deposited into the Prior Bond Account and credited against the Local Option Taxes otherwise required to be deposited into the Prior Bond Account; or
- (6) To permit federal credit payments scheduled to be received in any Fiscal Year in respect of outstanding Build America Prior Bonds (other than federal credit payments received under a Payment Agreement) to be credited against Prior Bond Debt Service in calculating Annual Prior Bond Debt Service for that Fiscal Year.

Junior Obligations and Other Obligations

Sound Transit has reserved the right to issue obligations secured by a pledge of the Pledged Taxes subordinate to that of the Prior Bonds and the Parity Bonds (“Junior Obligations,” which may be either First Tier Junior Obligations or Second Tier Junior Obligations) for any lawful purpose of Sound Transit. The maturity date of Junior Obligations may not be accelerated (not including any indirect acceleration of the maturity thereof through reimbursement obligations to the provider of a Credit Facility occurring as a result of the mandatory tender for purchase of Junior Obligations or as a result of revised amortization requirements and/or increased interest rates following an optional or mandatory tender for purchase thereof). Following the occurrence of a Default, Pledged Taxes may not be used to pay the principal of or interest on Junior Obligations unless all deposits and payments required to be made with respect to the Prior Bonds and the Parity Bonds have been fully made or paid.

The TIFIA Bond is a Second Tier Junior Obligation. See “TIFIA Bond” under this heading. The payment obligations of Sound Transit under the Capital Lease are subject and subordinate to the Prior Bonds, the Parity Bonds, the First Tier Junior Obligations and the Second Tier Junior Obligations. See “Capital Lease” under this heading.

Sound Transit has also reserved the right to issue obligations payable from revenues of Sound Transit other than Pledged Taxes.

TIFIA Bond

Sound Transit entered into the TIFIA Loan Agreement with the TIFIA Lender in January 2015. The obligations of Sound Transit under the TIFIA Loan Agreement are evidenced by the TIFIA Bond. The TIFIA Bond was issued to finance a portion of the East Link Light Rail and HOV Expansion Project (part of Sound Transit 2), which consists of 14.5 miles of light rail connecting the Cities of Seattle, Mercer Island, Bellevue and Redmond, Washington, including ten multimodal stations and eight miles of HOV lanes and ramps and fire/life/safety and seismic improvements on the I-90 floating bridge, tunnel and east channel bridge structures that connect Seattle and Bellevue, Washington.

Sound Transit and the TIFIA Lender may agree at any time to alter, modify or amend the terms of the TIFIA Loan Agreement and the TIFIA Bond without notice to or the consent of any other person. The TIFIA Lender may waive any required action or event of default under the TIFIA Loan Agreement or forebear from exercising any remedies granted.

Second Tier Junior Obligation. The TIFIA Bond is a Second Tier Junior Obligation payable from Pledged Taxes after payment of debt service on the Prior Bonds, the Parity Bonds and any First Tier Junior Obligations, and on a parity with any other Second Tier Junior Obligations. See “SECURITY FOR THE PARITY BONDS – Flow of Funds.”

Payment Terms. The principal amount that may be drawn on the TIFIA Bond may not exceed \$1.33 billion. Subject to certain conditions, Sound Transit may draw on the TIFIA Bond at any time until one year after substantial completion of the facilities to be financed, which is expected to occur in 2023. The TIFIA Bond matures no later than November 1, 2058, and bears interest at 2.38% per annum. Interest on the TIFIA Bond is capitalized until payable on each May 1 and November 1 commencing on the earlier to occur of (i) November 1, 2028, or (ii) the fifth anniversary of substantial completion of the facilities to be financed. Principal becomes payable on each May 1 and November 1 commencing May 1, 2030. Sound Transit currently expects to draw on the TIFIA Bond from 2019 through 2023.

Optional and Mandatory Prepayment. The TIFIA Bond is subject to optional prepayment in whole or in part at any time without penalty and is subject to mandatory prepayment following the occurrence of a Revenue Sharing Trigger Event, on each May 1 and November 1 while the Revenue Sharing Trigger Event remains in effect, in whole or in part, without penalty or premium, from amounts then on deposit in the Revenue Sharing Account. A “Revenue Sharing Trigger Event” occurs when (i) Sound Transit 2 has been completed, stopped or abandoned and (ii) Sound Transit 3 or other capital programs to build the regional transit system have not been approved by the voters and are not under active development. Upon the occurrence of a Revenue Sharing Trigger Event, Sound Transit is obligated to deposit into the Revenue Sharing Account one-half of the Pledged Taxes remaining after paying (i) debt service on Prior Bonds, Parity Bonds, First Tier Junior Obligations and Second Tier Junior Obligations, (ii) fees, administrative costs and other expenses of the TIFIA Lender, (iii) costs of operating and maintaining Sound Transit and its System, including all of its public transportation facilities and assets, in a state of good repair, and (iv) any termination payment in connection with a qualified hedge permitted under the TIFIA Loan Agreement. See “SECURITY FOR THE PARITY BONDS – Flow of Funds.”

Springing Debt Service Reserve Requirement. No debt service reserve is required for the TIFIA Bond unless the “Debt Service Coverage Ratio” for the immediately preceding semiannual calculation period falls below 1.50 to 1.00. Upon such an occurrence and during the continuance thereof, Sound Transit is required to fund a reserve account for the TIFIA Bond in an amount equal to 50% of maximum annual debt service on the TIFIA Bond (assuming that the TIFIA Bond is fully drawn). “Debt Service Coverage Ratio” is defined in the TIFIA Loan Agreement to mean, for any semiannual calculation period, the ratio of (a) Pledged Taxes received during such calculation period (minus any Pledged Taxes received during such calculation period that were applied, or deemed to be applied, to meet the coverage requirement for Prior Bonds specified in the Parity Bond Resolutions in the event that the amount of the Motor Vehicle Tax received during such calculation period was less than 150% of Prior Bond debt service during such calculation period) to (b) debt service on Parity Bonds and Junior Obligations for such calculation period. Sound Transit may transfer any balance in the TIFIA Reserve Account to the Local Option Tax Accounts for application in accordance with the priority described in “SECURITY FOR THE PARITY BONDS – Flow of Funds” if the Debt Service Coverage Ratio is not less than 1.50 to 1.00 for the longer of (i) four consecutive semiannual calculation periods and (ii) the number of consecutive semiannual calculation periods the Debt Service Coverage Ratio was less than 1.50 to 1.00.

Revenue Coverage Ratio. Under the TIFIA Loan Agreement, Sound Transit is required at all times to maintain a Revenue Coverage Ratio of at least 1.00 to 1.00. “Revenue Coverage Ratio” means, for each semiannual calculation period, the ratio of “Net Revenues” to “Total Debt Service.” “Net Revenues” is defined in the TIFIA Loan Agreement to mean, for any period, (a) all cash revenues and all money secured or collected for the benefit of and received by or on behalf of Sound Transit, including taxes, charges, rentals, fees for services, franchises or licenses *less* (b) all expenses that do not constitute expenses for a capital project *less* (c) costs incurred in connection with the administration of Sound Transit. “Total Debt Service” is defined in the TIFIA Loan Agreement to mean the

aggregate amount of total debt service shown in Sound Transit's financial statements or in the current financial plan, as applicable, paid or payable in respect of any debt obligations of Sound Transit.

Additional Bonds. Under the TIFIA Loan Agreement, as a condition precedent to the issuance of any additional Prior Bonds, Parity Bonds, First Tier Junior Obligations or other Second Tier Junior Obligations, Sound Transit must certify that:

- (1) The following ratio is not less than 1.10 to 1:00: (a) Pledged Taxes received during any consecutive 12-month period out of the immediately preceding 18 calendar months (minus any Pledged Taxes received during such Base Period that were applied, or deemed to be applied, to meet the coverage requirement for Prior Bonds specified in the Parity Bond Resolutions in the event that the amount of the Motor Vehicle Tax received during such Base Period was less than 150% of Prior Bond debt service during such period) to (b) maximum annual debt service on Parity Bonds and Junior Obligations that will be outstanding, after giving effect to the bonds proposed to be issued;
- (2) The following ratio is projected to be not less than 1.00 to 1.00 in each of the three consecutive years commencing with the calendar year immediately succeeding the date of issuance of the bonds proposed to be issued: (a) projected Pledged Taxes for such calendar year (minus any projected Pledged Taxes that are projected to be applied, or deemed to be applied, during such calendar year to meet the coverage requirement for Prior Bonds specified in the Parity Bond Resolutions in the event that the amount of the Motor Vehicle Tax projected to be received during such calendar year is less than 150% of Prior Bond debt service during such calendar year) to (b) maximum annual debt service on Parity Bonds and Junior Obligations that will be outstanding, after giving effect to the bonds proposed to be issued;
- (3) The Revenue Coverage Ratio described above, after giving effect to the bonds proposed to be issued, is projected to be not less than 1.00 to 1.00 in each calendar year while the TIFIA Bond is scheduled to be outstanding; and
- (4) Unless waived by the TIFIA Lender, the then-existing credit rating of the TIFIA Bond will not be downgraded below "A-" or "A3."

No Acceleration. Upon the occurrence of an event of default under the TIFIA Loan Agreement, payment of the TIFIA Bond and other Second Tier Junior Obligations is not subject to acceleration unless, as to the TIFIA Bond, Sound Transit provides any party with rights to accelerate any bonds or other obligations in violation of the TIFIA Loan Agreement.

No "Springing Lien." Consistent with the provisions of the MAP-21 amendments to TIFIA, the order of priority of the payment obligations of Sound Transit under the TIFIA Loan Agreement is not subject to change upon occurrence of an event of bankruptcy, insolvency or liquidation of Sound Transit. See "SECURITY FOR THE PARITY BONDS – Flow of Funds."

Events of Default. The TIFIA Loan Agreement provides that the occurrence of any one of several events constitutes an "Event of Default," including: (i) payment default under the TIFIA Bond; (ii) with certain exceptions, default under any covenant made by Sound Transit under the TIFIA Loan Agreement that is not cured within 30 days; (iii) failure to diligently prosecute or complete the work related to the facilities to be financed; (iv) making a materially misleading representation, warranty or certification in the TIFIA Loan Agreement or other documents relating to material indebtedness; (v) acceleration occurs of the maturity of any Prior Bonds, Parity Bonds, First Tier Junior Obligations or any indebtedness or other payment obligations of Sound Transit secured by Pledged Taxes in an aggregate principal amount equal to or greater than \$1,000,000 that is senior to, or in parity with, the TIFIA Loan in right of payment or in right of security, or any other indebtedness is not paid in full upon the final maturity thereof; (vi) failure to timely perform any covenant, agreement or obligation under the TIFIA Loan Agreement or other documents relating to material indebtedness or any principal project contract; (vii) failure to discharge aggregate uninsured judgments in excess of \$2 million after 30 days, or action is legally taken by a judgment creditor to attach or levy upon any assets of Sound Transit to enforce any such judgment; (viii) a "Bankruptcy

Related Event” occurs with respect to Sound Transit or certain principal project parties; (ix) project abandonment; (x) with certain exceptions, cessation of operations of the facilities to be financed for 30 days or more; and (xi) failure to maintain required levels of service for the facilities to be financed for five years after opening to the public.

Under the TIFIA Loan Agreement, a “Bankruptcy Related Event” with respect to Sound Transit means (a) an involuntary proceeding is commenced or an involuntary petition is filed seeking (i) liquidation, reorganization or other relief in respect of Sound Transit or any of its debts, or of a substantial part of its assets, under any insolvency laws, or (ii) the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator or similar official for Sound Transit or for a substantial part of its assets and, in any such case, such proceeding or petition continues undismissed for 60 days or an order or decree approving or ordering any of the foregoing is entered; (b) Sound Transit (i) applies for or consents to the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator or similar official therefor or for a substantial part of its assets, (ii) generally is not paying its debts as they become due unless such debts are the subject of a bona fide dispute, or becomes unable to pay its debts generally as they become due, (iii) fails to make two consecutive payments of TIFIA Debt Service in accordance with the provisions of the TIFIA Loan Agreement, (iv) makes a general assignment for the benefit of creditors, (v) consents to the institution of, or fails to contest in a timely and appropriate manner, any proceeding or petition with respect to it described in clause (a), (vi) commences a voluntary proceeding under any insolvency law, or files a voluntary petition seeking liquidation, reorganization, an arrangement with creditors or an order for relief under any insolvency law, (vii) files an answer admitting the material allegations of a petition filed against it in any proceeding referred to in the foregoing subclauses (i) through (vi), or (viii) takes any action for the purpose of effecting any of the foregoing, including seeking approval or legislative enactment by any governmental authority to authorize commencement of a voluntary proceeding under any insolvency law, or (c) the transfer of funds on deposit in the Construction Account established under the TIFIA Loan Agreement upon the occurrence and during the continuation of an Event of Default with respect to the Prior Bonds, the Parity Bonds or the First Tier Junior Obligations for application to the prepayment or repayment of any principal amount of the Prior Bonds, the Parity Bonds or the First Tier Junior Obligations other than in accordance with the provisions of the resolution authorizing the issuance of the TIFIA Bond.

Remedies Upon Event of Default. Upon the occurrence of an Event of Default under the TIFIA Loan Agreement, the TIFIA Lender may exercise various remedies, including: (i) suspending further disbursements; (ii) suspending or debarring Sound Transit from further participation in any program administered by the TIFIA Lender or the Federal Transit Administration; (iii) pursuing all rights and remedies of a secured creditor under the Uniform Commercial Code; (iv) taking such other actions at law or in equity as may appear necessary; and (v) appointing a trustee to exercise the rights of the TIFIA Lender.

Sale of TIFIA Bond. The TIFIA Lender has reserved the right to sell the TIFIA Bond after substantial completion of the facilities to be financed.

Capital Lease

In 2001, Sound Transit entered into a transaction to lease 22 rail passenger cab and coach cars and five locomotives to an investor and simultaneously subleased the vehicles from the investor pursuant to the Capital Lease. Under these transactions, Sound Transit maintains the right to continued use and control of the vehicles through the end of the leases and is required to insure and maintain the assets. As of December 31, 2014, the present value of Sound Transit’s future payments under the Capital Lease was \$60.3 million. Sound Transit expects that its payment obligations under the Capital Lease will be fully satisfied from investment earnings on amounts deposited with AIG-FP Special Finance Ltd. and AIG Matched Funding Corp. (“AIG Matched Funding”) pursuant to repurchase agreements with such parties. Such payments, however, may be made from Local Option Taxes, if necessary. The payment obligations of Sound Transit under the Capital Lease are (except for the lien and right of first payment from the collateral under the Capital Lease) unsecured claims against the general credit of Sound Transit, subject and subordinate to the rights of holders of debt issued by Sound Transit that is payable from and secured by sales taxes, and/or motor vehicle excise taxes and/or rental car tax revenues as established and granted by Sound Transit from time to time, including the Prior Bonds, the Parity Bonds, the First Tier Junior Obligations and the Second Tier Junior Obligations.

Sound Transit is required to make an additional, lump sum payment if it defaults or prematurely terminates any of these transactions. Sound Transit also may be subject to certain payment obligations if the counterparty to these transactions experiences financial difficulties. The Capital Lease established minimum credit levels for AIG Matched Funding, and as of December 31, 2014, AIG Matched Funding was rated below the minimum levels. As a result, Sound Transit was required to replace AIG Matched Funding or to amend the documents. Sound Transit entered into a waiver agreement with the transaction parties in 2009 that has been extended through September 30, 2016. If a further extension is not granted, the investor could demand a termination payment valued as of December 31, 2014, at \$15.6 million. See Note 6 in Appendix A – “AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013.”

SOUND TRANSIT

Introduction

Sound Transit is a regional transit authority created in 1993 pursuant to chapter 81.112 RCW. Sound Transit is not a general purpose municipal government. The primary statutory purpose of Sound Transit is to develop and operate a “high capacity transportation system” within its boundaries. 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 HOV 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.

Sound Transit’s administrative and principal business office is located in Seattle, Washington, at the address shown on page i of this Official Statement.

Corporate Powers

Sound Transit’s corporate powers include 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, issue debt, impose specified taxes and fix rates and charges. Sound Transit’s corporate powers are, for the most part, set forth in the Act.

District Boundaries and Service Area

The District 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. A map of the District is set forth on page vi of this Official Statement. The District includes, among other cities, Seattle, Tacoma, Bellevue and Everett. The estimated 2014 population within the District is 2.8 million. (The city of Covington, with an estimated 2015 population of 18,520, is not within the District boundaries even though it is included within “urban growth boundaries” designated by King County.) Sound Transit may annex adjacent areas, subject to certain conditions contained in the Act, including in certain cases approval by voters within the area to be annexed. Sound Transit’s service area generally encompasses the District.

Governance and Organizational Structure

Sound Transit is governed by an 18-member Board of Directors (the “Board”) 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. A number of the Board members also are members of the governing boards of local transit agencies. The State Secretary of Transportation also serves on the Board. The local

elected officials include County executives, County councilmembers, mayors and city councilmembers from within the District. Board membership with regard to the number of representatives from each County is based on population from that portion of each County that is within the District. Board membership is reconstituted on a population basis, using official State Office of Financial Management population estimates in the year following each federal census. The names and affiliations of the current Board members are set forth on page i of this Official Statement.

None of the Board members or other officers of Sound Transit has any interest in the issuance of the 2015 Parity Bonds that is prohibited by law.

Key Staff Biographies

Joni Earl, Chief Executive Officer. Ms. Earl was appointed unanimously by the Board as Chief Executive Officer in 2001, after having served as Acting Executive Director and as Chief Operating Officer. In May 2015, Ms. Earl announced that she will retire in early 2016. The Board has started a process to hire her replacement.

Michael Harbour, Acting Chief Executive Officer. Mr. Harbour joined Sound Transit in 2012 from Intercity Transit in Olympia, Washington, where he served over 17 years as General Manager. During his leadership, the agency won the American Public Transportation Association (“APTA”) Outstanding Public Transportation System Award and achieved Gold Status in the APTA Sustainability Commitment program. Prior to Intercity Transit, Mr. Harbour served over eight years as General Manager of Chatham Area Transit in Savannah, Georgia. He is a graduate of Vanderbilt University with a Bachelor of Engineering degree.

Brian McCartan, Executive Director, Finance and Information Technology. With over 26 years of experience in financial management, Mr. McCartan oversees the accounting, financial planning, treasury, grants, risk management and information technology divisions of Sound Transit. Prior to joining Sound Transit, he served as Debt Manager for the City of Seattle, where he worked on financing capital projects, including the issuance of over \$800 million in revenue bonds, bond anticipation notes and certificates of participation, including taxable, tax-exempt, fixed and variable rate obligations. As an International Economist for the U.S. Treasury in Washington D.C., he served in the Office of Foreign Exchange Operations, which managed the \$32 billion Exchange Stabilization Fund, a multi-currency enterprise fund used to finance U.S. international monetary operations. Mr. McCartan holds a Master of Arts from Yale University in International Finance & Economics and a Bachelor of Arts from the University of Washington.

Desmond Brown, Executive Director, General Counsel. Mr. Brown joined Sound Transit in 1997 after 11 years as a real estate attorney with the Seattle law firm Preston Gates & Ellis LLP (now K&L Gates LLP) 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.

Ahmad Fazel, Executive Director, Design, Engineering and Construction Management. Mr. Fazel joined Sound Transit in 2000 as the Systems Engineering Manager, became the Director of Link Light Rail a year later, and became the Director of Design, Engineering and Construction Management in 2010. With over 29 years of experience in transportation, he has specialized in approaches and management structures, engineering techniques, and procedures for implementing light rail transit projects in complex urban and urbanizing areas. Prior to joining Sound Transit, he served as the Director of Planning and Development for the Regional Transportation District in Denver, where he managed the buildout of Denver’s first two segments of light rail. Mr. Fazel also has served as Systems Engineer for the Tri-County Metropolitan Transportation District of Oregon (Tri-Met). He holds a Bachelor of Science in Mechanical Engineering from Washington State University.

Ric Ilgenfritz, Executive Director, Planning, Environment and Project Development. Mr. Ilgenfritz joined Sound Transit in 2001 from the National Marine Fisheries Service (now NOAA Fisheries), where he served as point-person for implementing the Endangered Species Act within the Columbia/Snake River basin. He chaired a nine-member interagency team charged with developing federal salmon recovery strategy. He has served as External Relations Director of the National Marine Fisheries Service, where he was responsible for external relations in the Northwest

Regional Office. Mr. Ilgenfritz was Legislative Director for U.S. Senator Patty Murray from 1995 to 1998 and has served as staff member on the subcommittee on Transportation in the U.S. House of Representatives. He holds a Bachelor of Arts in Journalism from the University of Oregon.

Craig Davison, Executive Director, Communications and External Affairs. Mr. Davison joined Sound Transit in 2014 from Microsoft, where he was a Senior Director of Marketing for 13 years. His responsibilities include overseeing marketing, creative services, customer outreach, media relations and public information. Mr. Davison brings 18 years of integrated and strategic marketing experience to Sound Transit. He previously worked as Brand Director for Sierra Entertainment, a video game developer, and for Weber Shandwick, a global public relations agency. Mr. Davison is a graduate of the University of Washington School of Business and a U.S. Army veteran who served in the 1990 Gulf War.

Bonnie Todd, Executive Director, Operations. Ms. Todd joined the staff of Sound Transit as Director of Operations in 2007. Ms. Todd manages Sound Transit service operations that include ST Express regional buses, Sounder Commuter Rail and Link Light Rail in Seattle and Tacoma, as well as Sound Transit service planning, customer service, accessibility, facilities maintenance, fleet, equipment, signage, parking and customer facilities across all transportation modes. Ms. Todd worked in Washington, D.C. at the Washington Metropolitan Area Transit Authority and at APTA. While serving as Director, System Safety Programs at APTA, she developed the Bus Safety Management Program Standards for the APTA Safety Audit Program. She then moved to Miami and served as Chief Miami-Dade Transit Safety and Security where she achieved a 78% reduction in serious crime in the Miami-Dade Transit System. She later served as Chief of Quality Assurance and earned a special recognition award from the National Association of Counties for the design and development of the Miami-Dade Transit Hurricane Preparedness Manual in 2006. Ms. Todd earned a Masters Degree in Business Administration from Florida International University in Miami and a Bachelor of Science Degree in Management from the University of Maryland, University College.

Tracy Butler, Treasurer. Ms. Butler joined Sound Transit in 2007. She oversees cash, investment, debt management and financial management functions of the fare collection systems. Prior to joining Sound Transit, Ms. Butler served as the Treasurer at Salem Hospital in Salem, Oregon, where she managed the investment of the general operating fund, construction fund, endowment fund and retirement fund and worked on the issuance of variable rate, fixed-rate and synthetic fixed-rate bonds. She also served as Management Consultant at Optima Management and Consultant of the Guaranteed Fund project at the International Labor Organization in Geneva, Switzerland prior to coming to the United States in 2000. Ms. Butler is a Certified Treasury Professional. She holds a Masters Degree in Public and Business Administration from Willamette University in Oregon and a Bachelor of Arts in Business Administration from the American Graduate School of Business in Switzerland.

Valentina Zackrone, Chief Human Resources Officer. Ms. Zackrone joined Sound Transit in 2011. Prior to that she served as Human Resources Director for Pacific Medical Centers, a multi-specialty physician practice, where she deployed a variety of innovative human resources programs that earned the company recognition as one of “100 Best Places to Work” for several years in a row. With over 20 years of experience in human resources in private, non-profit and public sectors, Ms. Zackrone oversees all human resources services and programs, including employee and labor relations, recruitment and retention, total rewards, human resources information systems, training and organizational development. She is an active member of the Society for Human Resource Management and the Western Pension and Benefits Council (“WP&BC”) and holds an SPHR certification and a dual Masters degree in Teaching and Philology from the University of St. Petersburg. She serves on the Board of Directors for WP&BC and Treehouse for Kids.

System Plan

Adoption of System Plan. Sound Transit was created primarily to implement high-capacity transportation services within the District. The specific System Plan currently being implemented is the result of a planning process that commenced under chapter 81.104 RCW before Sound Transit was created. This law required that a joint regional policy committee be formed to prepare and adopt a regional high-capacity transportation implementation program. The committee consisted of locally-elected officials from within the Counties and a representative from the State Department of Transportation (“WSDOT”).

The regional high-capacity transportation implementation program was required to include a system plan, project plans and a financing plan. The Act required that the system plan address various criteria, including the degree to which revenues generated within each County will benefit that County's residents, and when such benefits will accrue. 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.

Based on the joint regional policy committee's adopted plan for regional transit, the legislative authorities of the Counties, each by resolution, decided to participate in Sound Transit and appointed its Board members. Upon formation of Sound Transit, the joint regional policy committee ceased to exist.

Sound Transit has adopted its "System Plan," which incorporates commuter rail, light rail, express bus, community connections (such as transit centers, park-and-ride lots and transit access improvements) and HOV facilities and other improvements. The System Plan consists of three primary programs: HOV access improvements, transit centers and park-and-ride lots to support a system of regional express buses ("ST Express"); commuter rail ("Sounder"); and electric light rail ("Link"). The initial phase of the System Plan ("Sound Move") was approved by voters in 1996. The second phase of the System Plan ("Sound Transit 2") was approved by voters in 2008. In the 2008 election, as in the 1996 election, approximately 57% of voters approved the proposition. In December 2014, the Board adopted an updated Long-Range Plan to plan for the expansion of regional mass transit after Sound Transit 2 is complete.

The Board's policy decisions as to services, equipment, route alignment, fares and other matters may affect the cost and timing of System Plan implementation. Implementation of the remaining portions of the System Plan also depends on circumstances beyond the control of Sound Transit, including economic conditions, weather, soil conditions, environmental conditions, local jurisdiction permitting, the presence of archaeologically significant artifacts, natural disasters, earthquakes, volcanic eruptions, legal challenges, changes in law and other circumstances. Any of these circumstances, among others, could delay the implementation or increase costs of the remainder of the System Plan, increase operating expenses or result in the need to revise the System Plan. The ability of Sound Transit to issue debt is subject, among other things, to (i) market conditions, (ii) Sound Transit's debt capacity, which is based on the assessed value of property within the District, as described under "DEBT CAPACITY," and (iii) the ratings requirement for the TIFIA Bond (unless waived by the TIFIA Lender) under the TIFIA Loan Agreement, as described under "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bond." The 2015 Parity Bonds are secured by a gross pledge of the Pledged Taxes and, therefore, the security for the 2015 Parity Bonds does not depend on implementation of the System Plan.

Sound Move. In 1996, central Puget Sound voters approved implementation of the Sound Move plan to build a high-capacity public transit system. Sound Move was expected to cost approximately \$3.9 billion (in 1995 dollars). Since then, Sound Transit has built and now operates 26 ST Express bus routes, 83 miles of Sounder Commuter Rail from Everett to Lakewood, 14 miles of Link Light Rail from downtown Seattle to Seattle-Tacoma International Airport (the "Airport") and 1.6 miles of Link Light Rail connecting downtown Tacoma with a regional transit center at the Tacoma Dome Station ("Tacoma Link Light Rail"). Sound Transit is working on completing other elements of the Sound Move plan, including extending Link Light Rail north from downtown Seattle to the University of Washington.

Sound Transit 2. In 2008, voters approved Sound Transit 2 as a second phase of the System Plan to finance the expansion of light rail, commuter rail and express bus service. Sound Transit 2 was expected to cost approximately \$17.9 billion at the time of approval. Sound Transit 2 also included improved access to transit through expanded bike facilities, better pedestrian access and additional parking in certain locations. ST Express began increased service in 2009. Several additional Light Rail segments are under design or construction and are scheduled to begin service in 2021 and 2023, including an additional 2.4 mile Light Rail extension in Tacoma.

Long-Range Plan. In 2013 and 2014, Sound Transit solicited comments from the public to plan for the expansion of regional mass transit after Sound Transit 2 is complete. Based on feedback received, Sound Transit developed the following goals for the Long-Range Plan: (i) to provide a public high capacity transit system that helps ensure long-term mobility, connectivity and convenience; (ii) to strengthen the communities' use of the regional transit system; (iii) to create a financially feasible system; (iv) to improve the economic vitality of the region; and (v) to preserve and promote a healthy and sustainable environment. The Board adopted the Long-Range Plan in December 2014.

Transit Improvement Plan. The Board adopted a 2015 Transit Improvement Plan that includes projected capital and operating expenditures for the construction and operation of the Sound Transit system. The 2015 Transit Improvement Plan projected that the total cost of the capital program during the period 2015 through 2020 would be approximately \$5.757 billion, as set forth in Table 8, to be financed by future bond proceeds and revenues of Sound Transit. “Service Delivery” includes the forecast of operating expenses, including contingency; “Project Delivery” includes budget information for projects; and “Administration” includes administrative costs that support Sound Transit’s capital and service delivery programs.

TABLE 8
2015-2020 TRANSIT IMPROVEMENT PLAN
(\$ millions) ⁽¹⁾

	<u>Life to Date</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Future</u>	<u>Total</u>
Service Delivery									
Link	–	\$ 68	\$ 83	\$ 89	\$ 92	\$ 95	\$ 103	–	\$ 531
Souder	–	44	48	52	54	56	58	–	312
ST Express	–	117	123	123	127	130	127	–	746
Total	–	228	255	264	273	280	288	–	1,589
Project Delivery									
Link	\$4,788	622	520	476	463	294	231	399	7,793
Souder	560	123	131	30	3	–	–	–	846
ST Express	297	96	118	37	68	1	8	–	625
Other	64	34	25	29	18	13	10	48	241
Total	5,709	874	794	572	551	308	250	447	9,506
Administration	500	106	138	142	149	146	139	438	1,757
Total	\$6,209	\$1,208	\$1,186	\$ 978	\$ 973	\$ 735	\$ 677	\$ 885	\$12,851

(1) Rounded to the nearest million.
Source: Sound Transit.

Financial Plan. Sound Transit maintains a long-term (1997-2040) Financial Plan in accordance with the “Guidance for Transit Financial Plans” of the Federal Transit Administration (“FTA”). The Financial Plan is updated annually to reflect current forecasts of all Sound Transit sources and uses of funds, and was most recently updated in June 2015.

The June 2015 Financial Plan projects \$11.3 billion in Local Option Tax revenues in the years 2009-2023, which is approximately \$4.5 billion, or 28.5%, below the revenue forecast included as part of Sound Transit 2. As a result of the lower revenue forecast, Sound Transit no longer expects to be able to complete all of Sound Transit 2 within the original 15-year time period and has suspended certain projects until additional revenues become available. The June 2015 Financial Plan projects receipt of \$2.4 billion in grant funds in the years 2009-2023: \$1.4 billion from two discretionary FTA grants and the remainder from FTA formula grants and other competitive grant programs.

Sound Transit uses a financial forecasting model that incorporates financial policies, assumptions, revenue forecasts and program cost estimates needed to calculate cash flow, bond issues and key performance indicators such as cash balances and debt service coverage ratios. Assumptions used in the financing forecasting model include the following average annual growth rates in the years 2009-2023: Sales Tax revenues, 4.0%; Rental Car Tax revenues, 1.1%; Motor Vehicle Tax revenues, 2.7%; and consumer price index, 2.0%.

The sources and uses of funds included in the 2015 Financial Plan are set forth in Table 9.

TABLE 9
2015 FINANCIAL PLAN
SOURCES AND USES OF FUNDS, 2009-2023
(millions of year of expenditure dollars)

Sources of Funds	
Sound Transit Tax Revenues	\$11,278
Grant Revenue – Federal / Local	2,412
Bond Proceeds	5,729
TIFIA Bond Proceeds	1,330
Fares & Other Revenues	1,499
Interest Earnings	167
Total Sources	<u><u>\$22,415</u></u>
Uses of Funds	
Capital Expenditures	
Sounder	\$ 1,273
ST Express	506
Link	11,228
Service Delivery	313
Agency Administration	40
System-wide Activities	183
Total Capital Expenditures	<u>13,543</u>
O&M Expenditures	
Sounder	770
ST Express	1,820
Link	1,399
System-wide Activities	874
Total O&M Expenditures	<u>4,863</u>
Debt Service	2,754
TIFIA Debt Service	–
Bond Reserve Deposits	368
O&M Reserve Contributions	60
Capital Reserve Contributions	1,176
System-wide Activities	–
Change in Cash	(349)
Total Uses	<u><u>\$22,415</u></u>

Source: Sound Transit.

The map on the following page shows completed and proposed Sound Move and Sound Transit 2 projects.

SOUND TRANSIT: CURRENT SERVICE AND APPROVED PROJECTS



Sound Transit 3. In July 2015, the State Legislature authorized additional funding authority for Sound Transit, which allows Sound Transit to submit a ballot measure currently being referred to as “Sound Transit 3” to the voters as early as 2016 to further expand its high capacity transportation system. The additional funding authority includes the authority to seek voter approval to impose: (i) a property tax of up to 25 cents for each \$1,000 of assessed valuation of property, (ii) an additional sales and use tax of up to 0.5%, for a total of 1.4%, and (iii) a motor vehicle excise tax of up to 0.8%. See “SOUND TRANSIT TAXES – Sales Tax” and “– Motor Vehicle Tax.” The proceeds of any such taxes approved by the voters may, but are not required to, be pledged to the payment of the Parity Bonds.

If the Sound Transit 3 plan is approved by voters, beginning January 1, 2017, the Sound Transit 3 legislation requires Sound Transit to pay a sales and use tax offset fee into a Puget Sound taxpayer accountability account. This offset fee will be in the amount of 3.25% of the total payments made by Sound Transit to contractors for new projects included in Sound Transit 3 and any other system plan approved after January 1, 2015, and will continue until Sound Transit has paid \$518 million into such account. DOR will oversee the Puget Sound taxpayer accountability account, and after September 1, 2017, the money in that account is to be used for educational services within the Counties.

In June 2015, as part of the planning process to determine how and where the Sound Transit system should be expanded, Sound Transit identified a draft priority projects list. Sound Transit is currently requesting and receiving public feedback on these potential projects, and starting in fall 2015, expects to narrow the options to be included in the Sound Transit 3 ballot measure. Sound Transit expects to release a draft plan for Sound Transit 3 in early 2016 for public review and comment before advancing a possible ballot measure for public vote in late 2016 or afterward.

Transit Operations

Introduction. Sound Transit makes service available to 80% of the population of the Counties and had nearly 33 million passenger boardings in 2014. ST Express bus service began in 1999 and currently has 26 routes. Sounder began operations in 2000 and now operates 83 miles of commuter rail. Link began with the 1.6 mile Tacoma Link Light Rail in 2003, and the Central Link Light Rail, connecting downtown Seattle to the Airport, began service in 2009.

Partner Agencies. Sound Transit purchases buses and trains that are operated and maintained by its partner agencies—King County Metro, Community Transit, Pierce Transit, BNSF Railway Company (“BNSF”) and the National Railroad Passenger Corporation (“Amtrak”)—with the exception of Tacoma Link Light Rail, which is operated directly by Sound Transit. In 2000, Sound Transit entered into a 40-year agreement with BNSF for the operation of the Sounder commuter trains by BNSF between Seattle and Tacoma. In 2003, Sound Transit entered into another agreement with BNSF for the operation of the Sounder commuter trains by BNSF between Seattle and Everett. In 2012, an additional agreement with BNSF allowed for an extension of service from Tacoma south to Lakewood, on railway owned by Sound Transit. The term of this agreement is for 12 years, with an option of five additional years that must be agreed to by both parties. Effective in 2010, Sound Transit entered into a five-year agreement with Amtrak for the maintenance of its Sounder Commuter Rail rolling stock. This agreement has one two-year renewal option at Sound Transit’s request and three additional one-year renewal options at the mutual consent of both parties. Sound Transit’s current operations contracts for ST Express buses with Community Transit, King County Metro and Pierce Transit expire on December 31, 2017, with two one-year options. Effective in 2009, Sound Transit entered into an operations contract for King County Metro to operate Link Light Rail in King County for five years. Sound Transit has entered into an agreement with the King County Department of Transportation to share the downtown Seattle transit tunnel for light rail operations. The agreement was in effect until 2014, at which time Sound Transit was required to purchase the tunnel or Sound Transit and the King County Department of Transportation were required to enter into another operating agreement for joint use. Negotiations are currently underway related to ownership of the downtown Seattle transit tunnel.

ST Express. Through its partner agencies, Sound Transit currently operates 26 ST Express bus routes in the Counties. ST Express bus ridership in 2014 was almost 17.7 million, compared to 16.6 million in 2013. ST Express buses currently carry almost 61,000 passengers each weekday. The ST Express capital program is focused on providing two types of transportation improvements: community connection facilities and HOV improvements. Community connection facilities include transit centers, park-and-ride lots and transit access improvements. These community connection facilities improve access to the regional transit system and connections to local transit

services. The HOV improvements are designed to allow quick and reliable express bus service throughout Sound Transit's service area. The HOV access projects were implemented through a partnership between Sound Transit and WSDOT. Sound Transit has constructed special access ramps to make it easier for transit and vanpools to use HOV lanes at some of the region's most congested freeway intersections. These improvements are intended to expand and improve the existing HOV network within the District. Sound Transit expects to increase ST Express bus service in the highest-need corridors by improving service frequency, expanding hours of operation and adding trips to relieve overloads.

Sound Transit 2 includes funding for additional improvements to ST Express bus facilities and service and to construct new maintenance and operations facilities to support existing and future ST Express services through at least 2020. Sound Transit increased service levels by improving service frequency, expanding hours of operation and adding trips to relieve overloads in the following corridors: I-5 (Everett/Lynnwood to Seattle and Tacoma to the Airport), I-90 (Issaquah to Bellevue and Seattle), I-405 (Everett to Bellevue), SR 167 (Puyallup, Sumner and Auburn to Seattle) and SR 522 (Woodinville and Bothell to Seattle). In addition, new service was added to the SR 520 corridor to further develop bus rapid transit connecting Redmond and Bellevue and Redmond and the University of Washington.

Sounder Commuter Rail. The Sounder Commuter Rail capital program has delivered 83 miles of peak-period train service, primarily using existing BNSF railroad tracks between Everett, Seattle, Tacoma and Lakewood. The Sounder Commuter Rail system uses conventional railroad locomotives and passenger coaches. The goal of the Sounder Commuter Rail is to increase the people-moving capacity of the regional transportation system while not impeding the flow of freight.

The Sounder Commuter Rail system includes 13 stations on two lines that span the three Counties. The North Line runs from Seattle to Everett; the South Line runs from Seattle to Lakewood. Sounder Commuter Rail service between Tacoma and Seattle began in 2000 with two round trips on weekdays and weekend event service. Service has gradually been expanded, and there are now ten round trips between Tacoma and Seattle and four round trips (with two more trips provided by Amtrak) between Everett and Seattle on weekdays, as well as event service on weekends. Sounder service between Tacoma and Lakewood began in 2012. Sound Transit also expects to construct an expanded Sounder station in Tukwila and access improvements for Sounder Commuter Rail and bus riders at seven stations.

Sounder Commuter Rail ridership in 2014 was 3.4 million, compared to 3.0 million in 2013. Sounder trains currently carry approximately 12,700 passengers each weekday.

Sound Transit and BNSF have entered into agreements that allow Sound Transit to operate the Sounder service on the entire 83-mile BNSF corridor from Lakewood to Everett. Sound Transit's contract with BNSF requires the completion of specific track and signal improvements to accommodate passenger service along BNSF's right-of-way and the payment of certain amounts to acquire easements from BNSF. See Note 12 in Appendix A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013."

Link Light Rail. The System Plan initially envisioned a 21-mile light rail system running from the University District in Seattle, through downtown Seattle, to just south of the Airport in the city of SeaTac. Sound Transit is building these projects in phases. The first phase is the 14-mile "initial segment" line with 12 stations running from downtown Seattle to Tukwila. Sound Transit received a \$500 million "Full Funding Grant" from the FTA to pay a portion of the costs of the Seattle to Airport segment. Service on the Seattle to Tukwila segment began in July 2009. The second phase, Tukwila to the Airport, opened in December 2009.

Link Light Rail ridership in 2014 was nearly 11 million, compared to approximately 9.7 million in 2013. Link Light Rail currently carries approximately 32,900 passengers each weekday.

The last phase of the original System Plan is University Link, a three-mile light rail extension that includes a tunnel east from the Downtown Seattle Transit Tunnel, crossing under Interstate 5 and proceeding east and then north to the Capitol Hill Station serving the First Hill/Capitol Hill urban center. The tunnel route then crosses under the ship canal to an interim terminus at the University of Washington station at Husky Stadium, serving the University of Washington campus and the surrounding neighborhoods. The University Link project received \$813 million in

grants from the FTA, which is expected to fund approximately 40% of the \$1.9 billion cost of building the line. Construction began in 2009, and operations are expected to begin in 2016. By 2030, the Capitol Hill Station of the Link Light Rail is expected to serve 14,000 riders daily, and 25,000 riders are expected to board Link Light Rail at the University of Washington station daily.

Sound Transit 2 includes 36 new miles of light rail service to the north, east and south. Sound Transit 2 includes extension of service from the University of Washington north to Northgate and then to Lynnwood, with seven stations (“North Link”). Service to Northgate is expected to begin 2021, with service to Lynnwood beginning in 2023.

Light rail service from downtown Seattle across Interstate 90 to Bellevue and downtown Redmond (“East Link”) is planned, with service to Bellevue and Overlake in Redmond by 2023. East Link is expected to serve 50,000 daily riders by 2030. The TIFIA Bond was issued to finance a portion of the East Link Light Rail and HOV Expansion Project.

Link Light Rail also is planned to continue south from the Airport to northern Federal Way (“South Link”). Service to South 200th Street has been accelerated, and is expected to open by 2016 with service to the Kent-Des Moines Road area by 2023. Sound Transit expects 4,500 daily boardings at this South Link station.

Tacoma Link Light Rail is free and connects downtown Tacoma with a regional transit center at the Tacoma Dome Station, where riders can transfer to Sounder Commuter Rail, ST Express regional buses and local Pierce Transit buses. Tacoma Link began service in August 2003. Ridership in 2014 was approximately 960,000, compared to 1,000,000 in 2013. Tacoma Link Light Rail trains currently carry more than 3,200 passengers each weekday. Sound Transit 2 also included funding to extend the Tacoma Link Light Rail another 2.4 miles, which is currently in the environmental review and preliminary engineering stage.

Environmental and Sustainability Management

Sound Transit manages its sustainability efforts through a long-term Sustainability Plan, first adopted in 2011 and updated in 2015, to provide a policy framework for Sound Transit’s day-to-day work. That policy is implemented via an ISO 14001 certified Environmental and Sustainability Management System, as well as multiple sustainability policies, procedures, and initiatives.

Sound Transit carries out a wide range of projects, with increasing focus on integrating sustainable design into early planning processes, final design and construction. Some of Sound Transit’s recent accomplishments include:

- Achieving recertification for the third time to the ISO 14001 Standard for Environmental Management.
- Receiving Platinum Recognition (the highest ranking) from the APTA Sustainability Commitment. This recognizes the degree to which the program is institutionalized at Sound Transit, the number of short-term and long-term goals achieved and continual improvements in resource efficiency.
- Maintaining a clean environmental record (no permit violations across construction projects) for a third straight year.
- Integrating sustainable infrastructure and design principles into the remaining Sound Transit 2 program.
- Incorporating sustainability principles into the Long-Range Plan.
- Adopting two new policies to promote green purchasing and lifecycle costing.

Sound Transit works to reduce the region’s environmental footprint by increasing transit ridership and efficiency, providing nearly 33 million rides each year, using fewer natural resources to move each passenger. Sound Transit saved greenhouse gas emissions throughout the region estimated from 76,104 to 329,722 tons of greenhouse gas

emissions annually. (The numbers range due to crediting Sound Transit with, on the low end, changes in modes of travel and, on the high end, savings from changes in land use).

Labor Relations

As of July 1, 2015, Sound Transit employed 657 permanent employees. Sound Transit currently has eight employees represented by the Amalgamated Transit Union, Local 758 AFL-CIO. This contract was renegotiated in 2014 and is effective through September 30, 2017. In addition, Sound Transit currently has 13 employees represented by the International Brotherhood of Electrical Workers, Local 46. This contract is effective through June 30, 2017. Sound Transit management believes that employee relations are satisfactory.

Employee Benefits

Sound Transit provides a defined contribution money purchase plan and trust (the “401(a) Plan”) that is administered by Great West Retirement Services. The 401(a) Plan is a fixed employer system, and membership includes all full-time Sound Transit employees and members of the Board eligible for compensation. Eligible employees are required to participate in the 401(a) Plan on the first day of employment. A member of the plan is vested at 20% immediately upon employment, 40% after one year of service, 60% after two years, 80% after three years and 100% after four years. Employees are responsible for directing the investment of employee and employer contributions to the 401(a) Plan.

Sound Transit’s actual contribution rates, which were the required contribution rates, are expressed as a percentage of covered payrolls. In 2014, the employer contribution rate was 12% (\$6.7 million) and the employee contribution rate was 10% (\$5.6 million) on covered payroll of \$56.2 million. In 2013, the employer contribution rate was 12% (\$6.2 million) and the employee contribution rate was 10% (\$5.2 million) on covered payroll of \$51.7 million.

See Note 11 in Appendix A – “Audited Financial Statements for the Years Ended December 31, 2014 and 2013.”

Sound Transit does not participate in the federal Social Security System.

Sound Transit provides no other post-employment benefits (“OPEB”) to employees, other than free transit passes.

Risk Management

In the ordinary course of planning, building, and operating its regional transit systems and services to improve mobility for the Central Puget Sound, which includes construction projects and agency and rail operations, Sound Transit is exposed to various types of risks and exposures of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to persons; and natural disasters. Sound Transit has established a comprehensive risk management and insurance program. Sound Transit has implemented a commercial insurance program for its agency and railroad operation that provides first-level coverage for property, primary and excess liability, commercial auto liability, premises pollution liability, public officials and employment practices liability, crime and fidelity, and fiduciary liability to provide protections from these risks and exposures.

For ST Express bus operations, under Sound Transit’s agreements, insurance coverage is provided by its bus transit partner agencies, which is included in the pro-rata transit operations cost rate established by Sound Transit and its bus transit partner agencies.

Sound Transit also utilizes three owner-controlled insurance programs for all general liability claims by third-party injuries and/or property damage related to project construction activities carried out by third-party contractors for selected light rail projects. On each of its policies, Sound Transit is responsible for deductibles or self-insurance retentions, with the trigger of coverage on a per occurrence or on a claims-made basis. Sound Transit engages an actuary annually to prepare an actuarial report to estimate its total claim exposure under all of its insurance and risk management programs. The reserve claim amount estimated to be paid within the next year are included in other current liabilities. See Note 9 in Appendix A – “AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013.”

Financial Policies

The Board has adopted an Asset Liability Management Policy that contains investment, debt management and swap policies. The objectives of the current investment policy are, in order of priority, safety, liquidity and return on investment. The policies provide that Sound Transit will maintain a minimum cash balance of two months' operating expenses and up to three months of forecasted capital expenditures and the amount budgeted annually for the system-wide emergency and contingency fund. The Prior Bonds and the Parity Bonds are secured by a gross pledge of certain taxes, but for planning purposes, under Sound Transit's current debt management policy, the debt service coverage ratio is to be set at an average coverage ratio of 2.0x for net revenues over annual debt service costs and the coverage ratio is not to fall below 1.5x in any single year. The debt management policy establishes that Sound Transit will manage its debt obligations to minimize its net debt service payments. Under the swap policy, Sound Transit may consider the use of swaps in connection with the issuance of debt obligations consistent with its overall Asset Liability Management Policy as a means of reducing exposure to interest rate fluctuations and/or lower net borrowing costs. Sound Transit has not entered into any swaps and has no current plans to do so. See "Payment Agreements" under this heading. **The Board may revise the Asset Liability Management Policy at any time.**

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, capital expenditures, reserves and revenues for the upcoming Fiscal Year. Sound Transit also prepares a multi-year capital plan. The capital plan contains project-by-project summaries of total cost estimates, known project risks and authorized capital budgets by phase, such as preliminary engineering, final design, construction and property acquisition. The Board-adopted budget policies require Board adoption before the start of each Fiscal Year and require a two-thirds affirmative vote of all Board members. The budget for 2015 was adopted by the Board on December 18, 2014.

Sound Transit's financial system and reporting tools allow management to monitor activity as needed. Monthly reports produced for internal distribution identify budgets, contract commitments and expenditures for programs at a detailed level. Sound Transit produces quarterly financial reports and progress reports for external distribution. Both of these reports provide budget versus actual information. Under the Board's adopted budget policies, budget amendments that increase budget authority require adoption by a two-thirds affirmative vote of all Board members.

Accounting and Auditing

Method of Accounting. Sound Transit's accounts are maintained and financial statements prepared using the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and methods prescribed by the State Auditor under the authority of chapter 43.09 RCW for proprietary funds. See Note 2 in Appendix A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013" for a summary of Sound Transit's significant accounting policies.

Audit and Reporting Committee. Sound Transit's Audit and Reporting Committee meets quarterly to review Sound Transit's financial performance and pending and active audit activities.

Financial Statements. Sound Transit's financial statements are audited annually by an independent auditor. Sound Transit's audited financial statements for the years ended December 31, 2014 and 2013, including the accompanying notes, are set forth in Appendix A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013." Sound Transit has not requested that its independent auditor provide consent for inclusion in this Official Statement of its report set forth in Appendix A. Sound Transit's independent auditor has not been engaged to perform and has not performed, since the date of its report set forth in Appendix A, any procedures on the financial statements addressed in that report, nor has Sound Transit's independent auditor performed any procedures relating to this Official Statement. Sound Transit's independent auditor also prepares an annual single audit of Sound Transit's financial statements for submission to the federal government. See "ADVISORS AND CONSULTANTS – Independent Auditor."

Internal Audit. Sound Transit has an independent internal audit function reporting to the deputy Chief Executive Officer and the Audit and Reporting Committee. This function provides audit services including compliance, incurred cost and performance audits based on an annual audit plan approved by the Audit and Reporting Committee and developed through a risk-based planning process. The Internal Audit Division is staffed with a Director (CPA), and two full-time senior internal auditors, one of whom is a Certified Internal Auditor, and the other a Certified Information Systems Auditor. The Internal Audit Division complies with the international professional practices framework promulgated by the Institute of Internal Auditors.

State Accountability Audits. The State Auditor’s Office performs an annual audit of Sound Transit’s accountability for public resources and compliance with State laws and regulations and Sound Transit policies and procedures. The most recent audit, for 2013, reported no findings.

Investments

Permitted Investments. Washington law provides that investments of municipalities, including Sound Transit, may be invested in U.S. Treasury bonds, notes, bills or other government obligations of the U.S. Government or agencies of the U.S. Government; Governmental Sponsored Enterprise agency securities; interest bearing demand or time deposits issued by certain banks, trust companies or savings and loan associations; fully-secured repurchase agreements; banker’s acceptances having a term of 180 days or less; taxable government money market portfolios restricted to obligations of one year or less issued and guaranteed by the full faith and credit of the U.S. government; and any other investments permitted under the laws of the State, such as obligations of the State and of any political subdivision of the State. In addition, Sound Transit invests in accordance with an investment policy approved by the Board. Permitted investments under the policy include obligations of the United States treasury and agency securities, bankers’ acceptances, certificates of deposit, commercial paper, general obligation municipal bonds and repurchase agreements. See Note 3 in Appendix A – “AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013.”

Local Government Investment Pool. The State Treasurer’s Office administers the Local Government Investment Pool (the “LGIP”), an approximately \$10.9 billion fund (as of June 2015) that invests money on behalf of more than 450 participants, including cities, counties and special purpose districts. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands. The State Treasurer’s Office reports that the LGIP is a highly liquid money market fund comparable to a Rule 2a-7 money market fund. The LGIP is restricted to investments with maturities of 397 days or less, and the average investment life typically is less than 60 days. Permissible investments include U.S. government and agency securities, bankers’ acceptances, repurchase and reverse repurchase agreements, bank deposits, NOW accounts and certificates of deposit issued by qualified Washington State depositories.

King County Investment Pool. The King County Investment Pool invests cash reserves for all King County agencies and approximately 100 special purpose districts and other public entities such as fire, school, sewer and water districts, and other public authorities. It is one of the largest investment pools in the State, with a market value as of June 1, 2015 of approximately \$5.7 billion.

As of May 1, 2015 Sound Transit funds were invested as follows:

TABLE 10
RESTRICTED AND UNRESTRICTED INVESTMENTS
(As of May 1, 2015)

Type	Amount (\$000s)
Cash and Cash Equivalents	
LGIP	\$ 91,018
Insured Bank Deposits	130
Cash on Hand	2,165
Restricted Assets – Current	
Deductible liability protection policy	1,002
Cash Equivalent	
King County Investment Pool	1,019
Health Reimbursement Account	140
Investments	
Undesignated	441,769
Capital Replacement	252,851
Restricted Assets – Non-current	
Cash Equivalent	
LGIP	53,118
Escrow Funds	8,009
Investments – Debt Service and Reserve	22,962
Investments – Other	68
Interest Receivable on Restricted Investments	164
Total ⁽¹⁾	\$874,415

(1) Totals may not foot due to rounding.

Source: Sound Transit.

Payment Agreements

Sound Transit is authorized by chapter 39.96 RCW and by the Parity Bond Master Resolution to enter into payment agreements, including interest rate swap agreements, agreements for interest rate caps and floors, and certain interest payment option agreements. Sound Transit has adopted a formal policy with respect to its potential use of payment agreements. Sound Transit may amend such policy at any time. Sound Transit has designated the federal credit payments in respect of the 2009P-2T Prior Bonds and the 2009S-2T Parity Bonds as “Receipts” under “Payment Agreements,” although such Payment Agreements are not “payment agreements” as defined in chapter 39.96 RCW.

For agreements that are “payment agreements” under State law, chapter 39.96 RCW imposes various requirements that must be satisfied before Sound Transit enters into a payment agreement. Among other requirements, Sound Transit would have to: (i) solicit and consider counterparty proposals from two or more entities that have ratings (or the payments by which are guaranteed by an entity that has ratings) within the three highest long-term investment grade rating categories of at least two nationally recognized credit rating agencies; (ii) determine that the payment agreement will reduce the amount or duration of its exposure to interest rate changes, or result in a lower net borrowing cost with respect to the underlying debt obligations; and (iii) obtain a written certification from a financial advisor that the terms of the payment agreement are commercially reasonable. The counterparty to the payment agreement may be required to post collateral with Sound Transit under certain circumstances.

To date, Sound Transit has not entered into any payment agreement of the type authorized by chapter 39.96 RCW, and has no current plans to do so. See “SECURITY FOR THE PARITY BONDS – Security for the Parity Bonds – Parity Payment Agreements” for a summary of requirements contained in the Parity Bond Master Resolution with respect to Payment Agreements.

Federal Sequestration

Under the Code, Sound Transit is allowed a credit payable by the United States Treasury to Sound Transit in an amount equal to 35% of the interest payable on the 2009P-2T Prior Bonds and the 2009S-2T Parity Bonds on each interest payment date. The sequestration provisions of the Budget Control Act of 2011 went into effect on March 1, 2013, and are currently scheduled to remain in effect through federal fiscal year 2024. As a result of sequestration, the credits payable in federal fiscal year 2014 were reduced by 7.2% (\$511,759), the credits payable in federal fiscal year 2015 were reduced by 7.3% (\$518,867), and payments in federal fiscal year 2016 are scheduled to be reduced by 6.8% (\$483,328). See “SECURITY FOR THE PARITY BONDS” and “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS.”

Operating Leases

Sound Transit has entered into non-cancelable operating leases in excess of one year for the use of the downtown Seattle transit tunnel, ground, office space, parking, land, storage at various locations and equipment with lease terms expiring between 2015 to 2035, with some containing options to renew. Minimum lease payments range between \$9.4 million in 2015 and 2016 to \$16,000 in 2035. Total rental expenses for 2014, which include non-cancelable leases as well as month-to-month rentals, were \$9.5 million, of which \$231,900 was capitalized for capital projects in progress. See Note 6 in Appendix A – “AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013.”

HISTORICAL FINANCIAL INFORMATION

Table 11 sets forth a summary of revenues, expenses and changes in net position, as reported in Sound Transit’s audited financial statements for the years 2010 through 2014, which are on an accrual basis.

TABLE 11
HISTORICAL REVENUES, EXPENSES AND CHANGES IN NET POSITION
(\$000s)

	2010	2011	2012	2013	2014
Operating revenues					
Passenger fares	\$ 37,589	\$ 46,116	\$ 54,068	\$ 56,944	\$ 60,180
Other operating revenue	2,547	5,814	3,887	7,051	5,951
Total operating revenues	40,136	51,930	57,955	63,995	\$66,131
Operating expenses					
Vehicle operations	107,092	112,511	117,384	123,336	123,740
Vehicle maintenance	46,757	45,598	44,869	46,540	48,006
Non-vehicle maintenance	24,869	23,997	29,015	27,524	35,676
General and administrative	34,165	29,542	23,080	22,147	23,636
Fare and regional planning	2,891	1,337	2,010	6,006	9,771
Depreciation, amortization and accretion	104,285	110,413	117,495	118,833	100,776
Total operating expenses	320,059	323,398	333,853	344,386	341,605
Loss from operations	(279,923)	(271,468)	(275,898)	(280,391)	(275,474)
Non-operating revenues (expenses)					
Sales Tax	504,101	528,022	551,898	594,022	639,890
Motor Vehicle Tax	65,788	65,893	65,844	69,096	74,166
Rental Car Tax	2,409	1,958	2,527	2,761	3,092
Investment income (loss)	14,122	20,875	12,176	(4,900)	14,758
Other revenues	10,678	8,676	7,365	6,848	6,593
Capital contributions to other governments ⁽¹⁾	(7,703)	(81,742)	(70,426)	(71,079)	(30,942)
Interest expense	(52,765)	(43,728)	(31,992)	(24,993)	(2,582)
Other expenses	–	–	(2,351)	(2,576)	(5,946)
Gain (loss) on disposal of assets	–	–	(134)	180	2
Impaired projects ⁽²⁾	(7,659)	(2,118)	(19)	–	(27)
Total non-operating revenues, net	528,971	497,836	534,888	569,358	699,004
Income before capital contributions	249,048	226,368	258,990	288,967	423,530
Federal capital contributions	151,824	168,671	127,682	146,718	184,595
State and local capital contributions	12,003	5,583	3,620	13,088	9,482
Total capital contributions	163,827	174,254	131,302	159,806	194,077
Change in net position	412,875	400,622	390,292	448,773	617,607
Total net position, beginning of year ⁽³⁾	3,621,415	4,034,290	4,425,610	4,815,902	5,264,675
Total net position, end of year	\$4,034,290	\$4,434,912	\$4,815,902	\$5,264,675	\$5,882,282

(1) Pursuant to capital funding agreements, Sound Transit provides funding to or constructed assets for various governments or their subsidiaries for transit-related capital improvements.

(2) 2010 and 2011 include expenses related to Beacon Hill Tunnel noise mitigation.

(3) In 2013, pursuant to GASB Statement No. 65, net position was restated at January 1, 2012. The deferred loss on debt refunding is reported as a deferred outflow of resources instead of as long-term debt, and bond issuance costs are expensed instead of amortized.

Source: Sound Transit.

Historical Debt Service Coverage on Prior Bonds. Table 12 sets forth historical debt service coverage for the Outstanding Prior Bonds. Sound Transit has reserved the right to issue Future Prior Bonds as described in “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – Prior Bonds – Future Prior Bonds.”

TABLE 12
HISTORICAL DEBT SERVICE COVERAGE ON PRIOR BONDS
(\$000s)

		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Sales Tax ⁽¹⁾	<i>A</i>	\$504,101	\$528,022	\$551,898	\$594,022	\$639,890
Rental Car Tax ⁽¹⁾	<i>B</i>	2,409	1,958	2,527	2,761	3,092
Motor Vehicle Tax ⁽¹⁾	<i>C</i>	65,788	65,893	65,844	69,096	74,166
Total Local Option Taxes	<i>D=A+B+C</i>	<u>\$572,298</u>	<u>\$595,873</u>	<u>\$620,269</u>	<u>\$665,879</u>	<u>\$717,148</u>
Prior Bonds debt service	<i>E</i>	\$24,237	\$24,788	\$24,778	\$47,419	\$48,642
Prior Bonds debt service coverage	<i>D÷E</i>	23.6x	24.0x	25.0x	14.0x	14.7x

(1) On an accrual basis.

Source: Sound Transit.

Historical Debt Service Coverage on Parity Bonds. Table 13 sets forth historical debt service coverage for the 2005A Parity Bonds (which are no longer Outstanding) and the Outstanding Parity Bonds. Sound Transit is issuing the 2015 Parity Bonds and expects to issue additional bonds to finance a portion of the System Plan. See “SOUND TRANSIT – System Plan.” Sound Transit has reserved the right to issue Future Parity Bonds as described in “SECURITY FOR THE PARITY BONDS – Security for the Parity Bonds – Future Parity Bonds.”

TABLE 13
HISTORICAL DEBT SERVICE COVERAGE ON PARITY BONDS
(\$000s)

		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Sales Tax ⁽¹⁾	<i>A</i>	\$504,101	\$528,022	\$551,898	\$594,022	\$639,890
Rental Car Tax ⁽¹⁾	<i>B</i>	2,409	1,958	2,527	2,761	3,092
Total Pledged Taxes	<i>C=A+B</i>	506,510	529,980	554,425	596,783	642,982
Motor Vehicle Tax ⁽¹⁾	<i>D</i>	65,788	65,893	65,844	69,096	74,166
Less: debt service on Prior Bonds	<i>E</i>	(24,237)	(24,788)	(24,778)	(47,419)	(48,642)
Remaining Motor Vehicle Tax ⁽²⁾	<i>F=D+E</i>	41,551	41,105	41,066	21,677	25,524
Local Option Taxes available for debt service on the Outstanding Parity Bonds	<i>G=C+F</i>	\$548,061	\$571,085	\$595,491	\$618,460	\$668,506
Parity Bonds debt service	<i>H</i>	\$55,288	\$64,361	\$56,422	\$51,761	\$50,272
Parity Bonds debt service coverage:						
by Pledged Taxes	<i>C÷H</i>	9.2x	8.2x	9.8x	11.5x	12.8x
by Local Option Taxes	<i>G÷H</i>	9.9x	8.9x	10.6x	11.9x	13.3x

(1) On an accrual basis.

(2) The Motor Vehicle Tax is a component of the Local Option Taxes pledged to the payment of the Prior Bonds, but the Motor Vehicle Tax is not a component of the Pledged Taxes pledged to the payment of the Parity Bonds. Under current law, Sound Transit does not have authority to impose the Motor Vehicle Tax after the 1999 Prior Bonds are retired or provision is made for their payment. The last scheduled maturity of the 1999 Prior Bonds is February 1, 2028. Sound Transit has covenanted in the Master Prior Bond Resolution to use the proceeds from all Local Option Taxes (including the Motor Vehicle Tax) for purposes and in priorities generally described in “First” through “Tenth” in “SECURITY FOR THE PARITY BONDS – Flow of Funds,” including for payment of debt service on Parity Bonds. The 2015 Parity Bonds are not secured by any provisions of the Master Prior Bond Resolution.

Source: Sound Transit.

INITIATIVES AND REFERENDA

Under the State Constitution, the State’s voters have the ability to initiate legislation and to modify existing statutes through the powers of initiative and referendum. Initiatives and referenda can be submitted to the voters each November upon receipt of a petition signed by at least 8% (initiatives) and 4% (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Regular gubernatorial elections occur every four years, with the next election to be held in November 2016.

An initiative or referendum measure will be enacted if it is approved by a majority of those voting on the measure. Laws enacted in this manner may not be amended or repealed by the State Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the State Legislature. After this two-year period, such laws can be amended or repealed by the State Legislature in the same manner as other laws.

In recent years, the State’s voters have approved numerous initiatives and referenda to limit taxation and revenue collection by the State and local governments in the State, including the Motor Vehicle Tax. See “SOUND TRANSIT TAXES – Motor Vehicle Tax.” Some of these initiatives and referenda have been ruled to be unconstitutional by the State Supreme Court. Others have been upheld.

Initiative petitions affecting taxation, revenue collection and other matters may be filed in the future. Sound Transit cannot predict whether any such initiatives will qualify to be submitted to the voters or, if submitted, will be approved. Likewise, Sound Transit cannot predict what actions the State Legislature or State courts may take, if any, regarding future initiatives approved by voters.

LITIGATION

In the ordinary course of business, Sound Transit has been named as a defendant in a number of lawsuits relating to personnel, commercial, environmental and condemnation matters. Although the ultimate effect, if any, of these matters is not presently determinable, Sound Transit's management believes that, collectively, they will not have a material effect on Sound Transit's ability to pay debt service on the 2015 Parity Bonds when due.

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance, sale, execution, or delivery of the 2015 Parity Bonds or in any way contesting the validity of the 2015 Parity 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 as described in this Official Statement.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2015 Parity Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the 2015 Parity Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F and will be delivered with the 2015 Parity Bonds.

To the extent the issue price of any maturity of the 2015 Parity Bonds is less than the amount to be paid at maturity of such 2015 Parity Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2015 Parity Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2015 Parity Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the 2015 Parity Bonds is the first price at which a substantial amount of such maturity of the 2015 Parity Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2015 Parity Bonds accrues daily over the term to maturity of such 2015 Parity Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2015 Parity Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2015 Parity Bonds. Beneficial Owners of the 2015 Parity Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2015 Parity Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2015 Parity Bonds in the original offering to the public at the first price at which a substantial amount of such 2015 Parity Bonds is sold to the public.

2015 Parity Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2015 Parity Bonds. Sound Transit has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2015 Parity Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2015 Parity Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2015 Parity Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2015 Parity Bonds may adversely affect the value of, or the tax status of interest on, the 2015 Parity Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2015 Parity Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2015 Parity Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2015 Parity Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the 2015 Parity Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2015 Parity Bonds. Prospective purchasers of the 2015 Parity Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2015 Parity Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of Sound Transit, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. Sound Transit has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2015 Parity Bonds ends with the issuance of the 2015 Parity Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend Sound Transit or the Beneficial Owners regarding the tax-exempt status of the 2015 Parity Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than Sound Transit and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which Sound Transit legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2015 Parity Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2015 Parity Bonds, and may cause Sound Transit or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission, Sound Transit will undertake for the benefit of holders of the 2015 Parity Bonds to provide certain financial information and operating data relating to Sound Transit by no later than nine months after the end of each Fiscal Year, commencing with the Fiscal Year ending on December 31, 2015 (the "Annual Financial Information"), and to provide notices of the occurrence of certain events.

The Annual Financial Information is required to be filed by or on behalf of Sound Transit with the Municipal Securities Rulemaking Board (the “MSRB”). Notices of certain events are required to be filed by or on behalf of Sound Transit with the MSRB. A form of Sound Transit’s proposed undertaking to provide continuing disclosure is set forth in Appendix C – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Sound Transit entered into written undertakings to provide continuing disclosure for the outstanding Prior Bonds and Parity Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2015 Parity Bonds by Sound Transit are subject to the approving legal opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Sound Transit. See “ADVISORS AND CONSULTANTS – Bond Counsel.” The form of approving opinion of Bond Counsel is set forth in Appendix F. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the 2015 Parity Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinions to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinions and does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the 2015 Parity Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for Sound Transit by its General Counsel and by Foster Pepper PLLC, which is serving as Disclosure Counsel. See “ADVISORS AND CONSULTANTS – Disclosure Counsel.” Certain legal matters will be passed upon for the Underwriters by their counsel, Pacifica Law Group LLP (“Underwriters’ Counsel”). Any opinion of Underwriters’ Counsel will be rendered solely to the Underwriters, will be limited in scope and cannot be relied upon by investors. From time to time Underwriters’ Counsel represents Sound Transit on matters other than the issuance and sale of the 2015 Parity Bonds.

LIMITATIONS ON REMEDIES

Any remedies available to the Owners of the 2015 Parity Bonds upon the occurrence of a Default under the Parity Bond Resolutions depend in many respects upon judicial actions, which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If Sound Transit fails to comply with its covenants under the Parity Bond Resolutions or to pay principal of or interest on the 2015 Parity Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the Owners of the 2015 Parity Bonds.

In addition to the limitations on remedies contained in the Parity Bond Master Resolution, the rights and obligations of the Owners under the 2015 Parity Bonds and the 2015 Parity Bond Resolutions may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinions to be delivered by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, concurrently with the issuance of the 2015 Parity Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors’ rights. The various other legal opinions to be delivered concurrently with the issuance of the 2015 Parity Bonds will be similarly qualified. The form of opinion of Bond Counsel is set forth in Appendix F.

A municipality such as Sound Transit must be specifically authorized under state law to seek relief under Chapter 9 of the Bankruptcy Code. Washington State law permits any municipality to voluntarily petition for relief under the predecessor to the Bankruptcy Code. A creditor cannot bring an involuntarily bankruptcy proceeding against a municipality under the Bankruptcy Code. Under Chapter 9, a federal bankruptcy court may not appoint a receiver for a municipality or order the dissolution or liquidation of the municipality. The federal bankruptcy courts have certain discretionary powers under the Bankruptcy Code.

Under Chapter 9, “special revenues” are granted special protection in cases brought by municipalities, including the right to continue to receive payments under legal documents. The definition of “special revenues” includes “taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor.” Under Chapter 9, the pledge and the right to continued receipt of payment of the Pledged Taxes is fully enforceable if a bankruptcy court determines that the Pledged Taxes are “special revenues” under Chapter 9 and that the pledge of the Pledged Taxes is valid and binding under Chapter 9.

If Sound Transit sought protection under Chapter 9, a bankruptcy court could find that the Pledged Taxes are not “special revenues” or could find that the flow of funds or the pledge of the Pledged Taxes under the Parity Bond Master Resolution is not enforceable under Chapter 9, in which case the Owners of the 2015 Parity Bonds would not be entitled to any special priority to such proceeds and could be treated as general unsecured creditors of Sound Transit.

Sound Transit holds all accounts created under the Master Prior Bond Resolution and the Parity Bond Resolutions, including the Local Option Tax Accounts, the Prior Bond Account, the Prior Reserve Account, the Parity Bond Account, the Parity Reserve Account and the Project Fund. The Owners of the 2015 Parity Bonds do not have a lien on money in any account held by Sound Transit. Legal proceedings necessary to resolve the status of post-bankruptcy money in the accounts contractually pledged to the payment of the 2015 Parity Bonds could be time consuming. Substantial delays or reductions in payments to the Owners of the 2015 Parity Bonds could result. Even if a court determines that post-bankruptcy money in such accounts is payable to the Owners of the Parity Bonds, the court may permit Sound Transit to spend such money in such accounts to pay operation and maintenance costs of Sound Transit or to pay general creditors, notwithstanding any provision of the Parity Bond Master Resolution to the contrary.

RATINGS

Moody’s Investors Service, Inc., and Standard & Poor’s Ratings Services have assigned their municipal bond ratings of “Aa2” and “AAA,” respectively, to the 2015 Parity Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the 2015 Parity Bonds. Each rating reflects only the view of the applicable rating agency, 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., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; and Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041. 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 rating agencies, circumstances so warrant. Any such revision or withdrawal of any such rating may have an adverse effect on the market price of the 2015 Parity Bonds.

UNDERWRITING

The 2015 Parity Bonds are to be purchased by J.P. Morgan Securities LLC, on behalf of itself and as representative of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Goldman, Sachs & Co., RBC Capital Markets, LLC and Wells Fargo Bank, National Association (collectively, the “Underwriters”). The Underwriters have agreed, subject to certain conditions, to purchase (i) the 2015S-1 Parity Bonds at a price equal to the principal amount thereof, plus a net original issue premium of \$92,069,845, less an underwriting discount of \$914,568.64; (ii) the 2015S-2A Parity Bonds at a price equal to the principal amount thereof, less an underwriting discount of \$161,515.13; and (iii) the 2015S-2B Parity Bonds at a price equal to the principal amount thereof, less an underwriting discount of \$161,515.13. The bond purchase contract for the purchase of the 2015 Parity Bonds provides that the Underwriters will purchase all the 2015 Parity Bonds if any 2015 Parity Bonds are purchased.

The Underwriters may offer and sell the 2015 Parity Bonds to certain dealers (including dealers depositing 2015 Parity Bonds into investment trusts) and others at prices lower than the initial offering prices or prices corresponding to the yields set forth on the inside cover or on page i, and such initial offering prices may be changed, from time to time, by the Underwriters, without prior notice.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the 2015 Parity Bonds, has informed Sound Transit that it has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2015 Parity Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2015 Parity Bonds that such firm sells.

Citigroup Global Markets Inc., one of the Underwriters of the 2015 Parity Bonds, has informed Sound Transit that it has entered into a retail distribution agreement with UBS Financial Services Inc. (“UBSFS”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for its selling efforts with respect to the 2015 Parity Bonds.

Goldman, Sachs & Co., one of the Underwriters of the 2015 Parity Bonds, has informed Sound Transit that it has entered into a master dealer agreement (the “Master Dealer Agreement”) with Incapital LLC (“Incapital”) for the distribution of certain municipal securities offerings, including the 2015 Parity Bonds, to Incapital’s retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase 2015 Parity Bonds from Goldman, Sachs & Co. at the initial public offering price less a negotiated portion of the selling concession applicable to any 2015 Parity Bonds that Incapital sells.

Wells Fargo Bank, National Association (“WFBNA”), one of the Underwriters of the 2015 Parity Bonds, has informed Sound Transit that it has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the 2015 Parity Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2015 Parity Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the 2015 Parity Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including WFBNA.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for Sound Transit, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of Sound Transit.

ADVISORS AND CONSULTANTS

Bond Registrar. Sound Transit has appointed the fiscal agent of the State as the Bond Registrar for the 2015 Parity Bonds. The State fiscal agency contract is bid out by the State Treasurer on a competitive basis for a four-year term. The current contract began on February 1, 2015. U.S. Bank National Association currently serves in this capacity. For so long as the 2015 Parity Bonds are held by DTC in the book-entry system, the beneficial owners of the 2015 Parity Bonds must transfer their ownership interests, and will receive payments on the 2015 Parity Bonds, in the manner described in Appendix G – “DTC AND ITS BOOK-ENTRY SYSTEM.”

Bond Counsel. Orrick, Herrington & Sutcliffe LLP, Seattle, Washington (“Bond Counsel”), was selected to serve as Sound Transit’s bond counsel pursuant to a request for proposal process. Bond Counsel will be compensated from the proceeds of the 2015 Parity Bonds when and if the 2015 Parity Bonds are issued. Bond Counsel has been retained to provide additional legal services to Sound Transit. Sound Transit does not believe such additional

representation of Sound Transit impedes the ability of Bond Counsel to render independent judgment regarding the legality of the 2015 Parity Bonds. From time to time Bond Counsel represents certain of the Underwriters on matters unrelated to Sound Transit or to the 2015 Parity Bonds, and in 2007, 2009 and 2012 represented underwriters in connection with the issuance of the Outstanding Parity Bonds and certain Outstanding Prior Bonds.

Disclosure Counsel. Foster Pepper PLLC, Seattle, Washington (“Disclosure Counsel”), was selected to serve as Sound Transit’s disclosure counsel pursuant to a request for proposal process. Disclosure Counsel will be compensated from the proceeds of the 2015 Parity Bonds when and if the 2015 Parity Bonds are issued. Disclosure Counsel has been retained to provide additional legal services to Sound Transit. Sound Transit does not believe such additional representation of Sound Transit impedes the ability of Disclosure Counsel to render independent judgment regarding the adequacy of disclosure for the 2015 Parity Bonds. From time to time Disclosure Counsel represents certain of the Underwriters on matters unrelated to Sound Transit or to the 2015 Parity Bonds.

Financial Advisor. Piper Jaffray & Co. serves as financial advisor to Sound Transit in conjunction with the issuance of the 2015 Parity Bonds. The financial advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or any other related information available to Sound Transit with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the financial advisor respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

Independent Auditor. Sound Transit’s financial statements for the years ended December 31, 2014 and 2013, have been audited by KPMG LLP and are set forth in Appendix A – “AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013.” Sound Transit has not requested that its independent auditor provide consent for inclusion in this Official Statement of its report set forth in Appendix A. Sound Transit’s independent auditor has not been engaged to perform and has not performed, since the date of its report set forth in Appendix A, any procedures on the financial statements addressed in that report, nor has Sound Transit’s independent auditor performed any procedures relating to this Official Statement.

Verification Agent. Sound Transit has engaged Causey Demgen & Moore P.C. to verify (i) that the Defeasance Obligations held by the Escrow Agent in the Refunding Account and the interest to be earned thereon, together with any money held in the Refunding Account, will be sufficient to make all interest payments to the redemption date of the Refunded Bonds and to pay the principal of the Refunded Bonds on the redemption date and (ii) the correctness of the mathematical computations supporting the conclusion of Bond Counsel that the 2015 Parity Bonds are not “arbitrage bonds” as defined in Section 148 of the Code. The computations of the verification agent are based upon information and assumptions provided to them. The verification agent has restricted its procedures to recalculating the computations provided and has not evaluated or examined the assumptions or information used in the computations.

MISCELLANEOUS

The descriptions herein of the 2015 Parity Bond Resolutions and other documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents and contracts, copies of which are available, upon request and upon payment to Sound Transit of a charge for copying, mailing and handling, from Sound Transit’s Department of Finance and Information Services.

This Official Statement is not to be construed as a contract or agreement between Sound Transit and the Owners of any of the 2015 Parity Bonds. Section headings, table headings and captions are included for convenience only and should not be construed as modifying the text of this Official Statement.

The delivery of this Official Statement has been duly authorized by Sound Transit.

THE CENTRAL PUGET SOUND REGIONAL
TRANSIT AUTHORITY

/s/ Michael Harbour
Acting Chief Executive Officer

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APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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***Central Puget Sound
Regional Transit Authority***

*Financial Statements and Independent
Auditors' Report for the Years Ended
December 31, 2014 and 2013*

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The financial statements of the Central Puget Sound Regional Transit Authority (Sound Transit) have been prepared from its accounting system in accordance with generally accepted accounting principles. The integrity and objectivity of information in Sound Transit's financial statements, including estimates and judgments, are the responsibility of management.

Sound Transit maintains a system of internal accounting controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting, the safeguarding of assets and the prevention and detection of material errors or fraudulent financial reporting. Monitoring of such systems includes management's responsibility to objectively assess the effectiveness of internal accounting controls and recommend improvements therein.

Limitations exist in any system of internal accounting controls in which the cost of the system being implemented, should not exceed the benefits derived. Sound Transit believes that the organization's system does provide reasonable assurance that transactions are executed in accordance with management's general or specific authorizations and is adequate to accomplish the stated objectives.

The independent auditors, whose report is included herein, were engaged to express an opinion on our 2014 financial statements. Their opinion is based on procedures performed in accordance with generally accepted auditing standards, including examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

In an attempt to assure objectivity, the financial information contained in this report is subject to review by the Board of Directors.



Michael Harbour
Acting Chief Executive Officer

Brian McCartan
Chief Financial Officer



Kelly A. Priestley
Controller

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis, continued

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2014 and 2013

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of Sound Transit for the years ended December 31, 2014 and 2013. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements and notes to the financial statements as a whole.

Sound Transit is a regional transit authority implementing and providing a high-capacity transportation system throughout parts of King, Pierce and Snohomish counties through commuter rail (Sounder), light rail (Link) and a regional express bus system (ST Express). Established by the legislature in 1993, in 1996, voters approved *Sound Move* – a ten year regional transit system plan, which authorized tax collections for funding of its operations and the first set of regional transit projects. In 2008, the region's voters approved *ST2*, a 15-year program authorizing substantial additions to bus and commuter rail service, as well as 36 miles of new Link light rail service. The final elements of Sound Move will be completed with the opening of University Link and South 200th Extension and plan elements for ST2 are well underway. Sound Transit has begun the planning process for the next phase (ST3) for building out the regional high-capacity transit system that voters could consider as early as November 2016.

Sound Transit's financial statements reflect a growth in net position of \$617.6 million in 2014, as the Agency continues to build out its capital program approved in the Sound Move and ST2 voter-approved plans. System expansion continues in all corridors (North, South and East) and across all modes, most significantly light rail. Net loss from operations, also referred to as an operating subsidy, was comparable to 2013, while ridership increased 8.7%. The capital program and operating subsidy are funded through sales and use, rental car and motor vehicle excise taxes.

Financial Highlights

- Total operating revenues were \$66.1 million for 2014, an increase of 3.3% from the prior year. Ridership increased as the regional economy grew and congestion increased. Passenger fare revenue increased by \$3.2M or 5.7% as overall ridership grew 8.7%, with Link and Sounder ridership growing by 11.4% and 11.9% respectively.
- Loss from operations was \$275.5 million for 2014, which was slightly lower than in 2013.
 - Operations and maintenance expenses increased by 5.1% from 2013 reflecting increased costs for purchased transportation, fare collection, mid-life and vehicle maintenance and increased head count in support of operations, maintenance and administration.
 - Fare and regional planning costs increased by \$3.8 million as work began on ST3 planning for future expansion along high capacity transit corridors.
 - Depreciation expense decreased by \$18.0 million as the downtown tunnel access rights were determined to have continued value past 2014.
- Non-operating revenues, net of expenses, were \$699.0 million, a 22.8% increase from 2013 reflecting increased tax revenues, positively impacted by regional growth. Other significant changes

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis, continued

in 2014 included increased investment income as the investment portfolio was positively impacted by market valuation, as well as lower interest expense and contributions to other governments.

- Capital contributions from federal, state and local funding arrangements were \$194.1 million, an increase of 21.4% from 2013 most significantly related to federal funding received for University Link, East Link Extension and for the completed D to M Street project.
- Total net position at December 31, 2014 was \$5.9 billion, an increase of \$617.6 million or 11.7% from 2013 primarily related to the Agency's increased investment in its capital assets, net of related debt.
- Total capital assets, net of accumulated depreciation and amortization, were \$6.5 billion at December 31, 2014, an increase of \$675.8 million or 11.6% from 2013, reflecting increased land acquisition and planning and construction activity on light rail expansion projects.

Overview of the Financial Statements

Sound Transit's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP). The 2014 and 2013 financial statements are presented using the economic resource measurement focus and accrual basis of accounting. As Sound Transit comprises a single proprietary fund, no fund level financial statements are shown.

In accordance with GAAP, all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of Sound Transit are included in the Statements of Net Position and depreciation and amortization of capital assets is recognized in the Statements of Revenues, Expenses and Changes in Net Position.

The financial statements provide both long term and short term information about Sound Transit's overall financial status as well as Sound Transit's net position, segregated by net investment in capital assets, restricted and unrestricted. Net position is the difference between Sound Transit's assets, deferred outflows of resources, liabilities and deferred inflows of resources and, over time, may serve as a useful indicator of Sound Transit's financial position. The financial statements also include notes that provide additional information that is essential to a full understanding of the information provided.

Financial Analysis

Net Position

Sound Transit's total net position at December 31, 2014 was \$5.9 billion, an increase of \$617.6 million or 11.7% from 2013. Total assets increased \$571.8 million or 8.2% while total liabilities decreased 2.8%. The increase in total assets reflects capital program spending, most significantly for Northgate Extension, University Link, East Link Extension and the South 200th Link Extension expansion projects. See the following table for a summary of Sound Transit's net position.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis, continued

Statement of Net Position

<i>(in millions)</i>	December 31			% Change	
	2014	2013	2012	2014-2013	2013-2012
Assets					
Current assets, excluding restricted assets	\$ 872.3	\$ 979.2	\$ 1,008.6	(10.9)%	(2.9)%
Restricted assets	91.4	86.3	96.8	5.9	(10.8)
Capital assets	6,527.0	5,851.2	5,373.7	11.6	8.9
Other non-current assets	71.8	74.0	64.4	(3.0)	14.9
Total assets	7,562.5	6,990.7	6,543.5	8.2	6.8
Deferred Outflows of Resources	26.8	30.3	35.6	(11.6)	(14.8)
Liabilities					
Current liabilities, excluding interest payable from restricted assets	203.4	210.7	176.3	(3.4)	19.4
Interest payable from restricted assets	19.1	19.6	19.3	(2.5)	1.3
Long-term debt	1,419.5	1,461.8	1,503.2	(2.9)	(2.8)
Other long-term liabilities	65.0	64.3	64.4	1.1	0.2
Total liabilities	1,707.0	1,756.4	1,763.2	(2.8)	(0.4)
Net Position					
Net investment in capital assets	5,099.4	4,384.9	3,873.8	16.3	13.2
Restricted net position	70.6	68.2	76.6	3.6	(10.9)
Unrestricted net position	712.3	811.6	865.5	(12.2)	(6.2)
Total net position	\$ 5,882.3	\$ 5,264.7	\$ 4,815.9	11.7%	9.3%

Current assets, excluding restricted assets, decreased 10.9% from 2013 and by 2.9% between 2013 and 2012 as the Agency funded its design and construction activities. Restricted assets increased \$5.1 million or 5.9% from 2013 due to an increase in contractual obligations reflective of the increased activity of the Agency and includes the establishment of a benefit trust for its employees. Restricted assets remain lower than in 2012 as in 2013 with the disbursement in 2013 of the Amtrak lease/sublease escrow account, upon satisfactory completion of related contractual obligations (see note 6).

Capital assets increased 11.6% from 2013 and by 8.9% between 2013 and 2012 as planning and construction spending continued on ST2 light rail expansion projects as well as on the Sounder and ST Express capital programs, and rehabilitation and replacement fleet activities. Total capital project spending for 2014 was \$806.1 million (2013 was \$658.1 million) reflecting the increased activity of the Agency due to construction and tunneling ramping up on Northgate Link Extension, planning and land acquisitions on East Link Extension and continued activity on the University Link and South 200th Link extensions. Combined spending for Northgate Link Extension and University Link was \$448.8 million or 55.7%, while in 2013 their combined spending was \$274.0 or 41.6% of total capital project spending, with Northgate Link Extension representing only 11.9% of total capital project spending in 2013.

In all, total capital spending for light rail was \$702.4 million or 87.1% of total capital spending (\$535.2 million or 81.3% in 2013). Capital spending on Sounder and ST Express projects combined, as a percentage of total capital spending, was 7.7% and 4.4% respectively (14.2% and 3.3% in 2013). Spending in 2013 included the acquisition from BNSF of the final easement for service in the Seattle to Tacoma corridor.

Transfers out of capital projects in progress were \$81.6 million (\$210.3 million in 2013) as projects were completed and transferred to property, transit facilities, and vehicles or expensed as indicated in the following table. Significant transfers and contributions in 2014 included the land acquired for East Link

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Management's Discussion and Analysis, continued

(\$29.5 million) and funding for City of Seattle's First Hill Street Car (\$26.1 million). In 2013, significant transfers and contributions included land acquired for East, North and South Link Extensions, acquisition of locomotives and buses and funding for First Hill Street Car.

Transfers Out of Capital Projects in Progress

(in millions)

	For the Year Ended December 31		
	2014	2013	2012
Transferred to property, vehicles and equipment	\$ 53.7	\$ 144.2	\$ 241.2
Contributions to other governments	27.9	66.1	70.4
Total	\$ 81.6	\$ 210.3	\$ 311.6

Other non-current assets decreased 3.0% from 2013 reflecting amortization of the prepaid owner controlled insurance program (OCIP). In 2013, other non-current assets increased 14.9% from 2012 due to payments made for the North Link OCIP. Deferred outflows of resources decreased 11.6% from 2013 and 14.8% from 2012 as the deferred amount on the advanced refunding of the 2005A bonds in 2012 is amortized over the bonds' remaining life.

Total liabilities remain comparable to prior years with the most significant fluctuation in current liabilities, excluding interest payable from restricted assets, which decreased 3.4% from the prior year. While lower than 2013, current liabilities, excluding interest payable from restricted assets, remain above 2012 levels. Given the nature of the large capital program, fluctuations are expected depending upon the timing of work. Long-term debt decreased in years 2014 and 2013 as principle payments were made on outstanding bond issues.

Sound Transit's net position represents the cumulative effect of the excess of revenues over expenses together with the impact of Sound Transit's financing decisions. Net investment in capital assets reflects investment in construction in progress, non-depreciable assets and depreciable assets, net of related debt used in its operations. Restricted net position comprises assets net of liabilities restricted for a specific purpose by a third party. Unrestricted net position is the remainder of assets net of liabilities not invested in capital nor restricted for a specific purpose.

Net Position

(in millions)

	December 31			% Total Net Position		
	2014	2013	2012	2014	2013	2012
Net investment in capital assets	\$ 5,099.4	\$ 4,384.9	\$ 3,873.8	86.7%	83.3%	80.4%
Restricted net position	70.6	68.2	76.6	1.2	1.3	1.6
Unrestricted net position	712.3	811.6	865.5	12.1	15.4	18.0
Total	\$ 5,882.3	\$ 5,264.7	\$ 4,815.9	100.0%	100.0%	100.0%

Net investment in capital assets increased 16.3% from 2013 and 13.2% between 2013 and 2012 reflecting spending on the capital program in both years. Restricted net position in 2014 is comparable to the prior year, however, decreased between 2013 and 2012 as the Amtrak lease/sublease escrow requirements were satisfied. Unrestricted net position commensurately decreased in 2014 and 2013 as Sound Transit's investment in capital assets increased.

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Management's Discussion and Analysis, continued

Changes in Net Position

Changes in net position reflect the excess of revenue over expenses for a year. In 2014, revenues exceeded expenses by \$617.6 million, or 11.7% (\$448.8 million or 9.3% in 2013), most significantly impacted by higher non-operating revenues (taxes and investment income), lower non-operating expenses (interest expense and contributions to other governments), and capital contributions (federal funding). Sound Transit's Statement of Revenue, Expenses and Changes in Net Position is summarized in the table below.

Changes in Net Position					
<i>(in millions)</i>	For the Year Ended December 31			% Change	
	2014	2013	2012	2014-2013	2013-2012
Operating revenues					
Passenger fares	\$ 60.1	\$ 56.9	\$ 54.1	5.7%	5.3%
Other	6.0	7.1	3.9	(15.6)	81.4
Total operating revenues	66.1	64.0	58.0	3.3	10.4
Operating expenses					
Total operating expenses, before depreciation and loss on disposal of assets	240.8	225.6	216.4	6.8	4.3
Depreciation and loss on disposal of assets	100.8	118.8	117.5	(15.2)	1.1
Total operating expenses	341.6	344.4	333.9	(0.8)	3.2
Loss from operations	(275.5)	(280.4)	(275.9)	(1.8)	1.6
Non-operating revenues, net of expenses	699.0	569.4	534.9	22.8	6.4
Income before capital contributions	423.5	289.0	259.0	46.6	11.6
Capital contributions	194.1	159.8	131.3	21.4	21.7
Change in net position	617.6	448.8	390.3	37.6	15.0
Total net position, beginning	5,264.7	4,815.9	4,425.6	9.3	8.8
Total net position, ending	\$ 5,882.3	\$ 5,264.7	\$ 4,815.9	11.7%	9.3%

Operating Revenues

Operating revenues are composed of passenger fares and other revenue related to operations, such as advertising, rental of transit facilities to other transit agencies, and operating contributions from local, state and federal sources.

Passenger Fare Revenue

Passenger fares are derived from the sale of Sounder commuter rail and Central Link tickets at ticket vending machines (TVMs), fare box receipts on ST Express, and use of One Regional Card for All (ORCA) products on all modes. Fares are charged on each service, except Tacoma Link. Sound Transit experienced growth in passenger fare revenue of 5.7% and 5.3% in 2014 and 2013, respectively, due to ridership growth in both years. ST Express is the largest revenue-generating mode providing 56.2% of total passenger fare revenue compared to Link and Sounder commuter rail providing 26.4% and 17.4% of

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Management's Discussion and Analysis, continued

total passenger fare revenue, respectively. The effect of each component on passenger fare revenue is discussed in the sections below.

The following table displays passenger fare revenue by mode.

Passenger Fare Revenue					
<i>(in millions)</i>					
	2014	2013	2012	% Change	
				2014-2013	2013-2012
ST Express	\$ 33.8	\$ 32.6	\$ 30.6	3.8%	6.6%
Link	15.9	14.9	14.0	6.9	6.1
Sounder	10.4	9.4	9.5	10.4	(1.1)
Total	\$ 60.1	\$ 56.9	\$ 54.1	5.5%	5.3%

Ridership

Sound Transit provided 33.0 million rides in 2014, an increase of 8.7% from 2013 as continued economic growth and increased congestion contributed to increased ridership on all modes. Additional changes in ridership by mode are discussed below.

ST Express ridership increased 6.4% in 2014 and 3.7% in 2013. ST Express service is at or near capacity on several routes during peak periods, however, service redeployments in 2014 and 2013 from off-peak to peak hours to address peak service crush load conditions increased capacity during high demand periods. Additionally, ST ridership continues to be favorably impacted by improved economic conditions, increased congestion and Express Bus service reductions of other local service providers in the Everett – Seattle, Seattle – Bellevue and Tacoma – Seattle corridors.

Link consists of Central Link, a 15.6-mile service that began in 2009 and Tacoma Link a 1.6-mile service connecting Tacoma Dome station to downtown Tacoma. Link ridership increased 11.4% from 2013 and 9.8% between 2013 and 2012 as Central Link continues to mature and attract riders, regional growth spurs demand and service promotion efforts led to changes in commute patterns converting riders from other service providers displaced by service reductions in the light rail corridor.

In 2014, Sounder commuter rail ridership increased 11.9% from 2013, reflecting job growth, increased congestion and increased capacity from the additional round trip added on the Seattle-Tacoma corridor in October 2013. Ridership in 2013 increased by 6.8% from 2012, due in large part to the full year impact of the service on the Tacoma – Lakewood segment, which opened in October 2012 and brought new riders to the service.

A summary of the ridership by year and mode of transportation are as follows:

Ridership					
<i>(in millions)</i>					
	2014	2013	2012	% Change	
				2014-2013	2013-2012
ST Express	17.7	16.6	16.0	6.4%	3.7%
Link	11.9	10.7	9.7	11.4	9.8
Sounder	3.4	3.0	2.8	11.9	6.8
Total	33.0	30.3	28.5	8.7%	6.1%

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Management's Discussion and Analysis, continued

Average Fare per Boarding

The combined average fare per boarding (AFB) decreased \$0.06 or 3.3% from 2013 and by \$0.08 or 3.7% from 2012. Decreases in AFB in 2014 are a result of increased usage of monthly and annual fixed rate passes for all modes, although less significantly on Sounder where ridership patterns are less variable, as well as increased day pass usage on Central Link. Decreases in the AFB from 2012 to 2013 resulted from the elimination of the downtown Seattle ride free area in September of 2012 as revenue sharing increased between services and other ORCA service providers. The AFB on ST Express, while favorably impacted by rail transfers, was negatively impacted by increased lower fare ridership within the downtown area, as well as from the conversion of passengers from other service providers using fixed price fare products (business passport and Puget Pass).

Average Fare per Boarding

	% Change				
	2014	2013	2012	2014-2013	2013-2012
ST Express	\$ 1.92	\$ 1.96	\$ 2.00	(2.7)%	(1.7)%
Link	1.45	1.53	1.61	(5.5)	(4.8)
Sounder	3.11	3.12	3.38	(1.4)	(7.6)
Combined average fare per boarding	\$ 1.88	\$ 1.94	\$ 2.02	(3.3)%	(3.7)%

Other Operating Revenues

Other operating revenues consist of vehicle advertising, insurance recoveries, rental of facilities, operating grants and other miscellaneous revenue. Other operating revenues decreased by \$1.1 million or 15.6% from 2013 due to lower insurance recoveries. In 2013, other operating revenues increased by \$3.2 million, primarily due to the receipt of a full year of WSDOT operating grant funding for transit, which commenced December 2012.

Operating Expenses

Operating expenses are comprised of operations and maintenance costs, general and administrative, fare and regional planning, and depreciation and amortization. Major operations and maintenance expense categories consist of services, materials, utilities, insurance, taxes, and purchased transportation, allocated overhead from general and administrative divisions and operating leases and rentals. Purchased transportation includes amounts paid to Community Transit, King County Department of Transportation (DOT) and Pierce Transit who operate Sound Transit's express bus service and King County DOT Rail Division, which operates the Central Link light rail and associated paratransit services and to BNSF, which operates Sounder commuter rail. Purchased transportation services accounts for 61.0% of this category in 2014 (62.0% in 2013). Services are the next largest expenditure category and include the Sounder vehicle maintenance contracted to Amtrak and various contracts for facilities maintenance and security at Sound Transit owned and shared facilities. Services were 19.4% in 2014 (18.2% in 2013) of total operating and maintenance expenses.

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Management's Discussion and Analysis, continued

The following two sections discuss changes in operating expenses, first by function, then by mode.

Operations and Maintenance Expenses by Function

Operations and maintenance expenses by function are classified using National Transit Database definitions as prescribed by the Federal Transit Administration into vehicle operations, vehicle maintenance and non-vehicle maintenance. Vehicle operations expenses consist of costs to dispatch and operate vehicles while in revenue service, including security and fare collection. Vehicle maintenance expenses include costs associated with ensuring the revenue vehicles are operational, fueled, inspected and repaired. Non-vehicle maintenance expenses include costs necessary to ensure buildings, equipment, and transit structures and systems are operational.

Operations and maintenance expenses increased \$10.0 million or 5.1% in 2014 and by \$6.1 million or 3.2% in 2013, reflecting increased costs related to purchased transportation rates and service hours, increased ridership driven fare transactional costs, and increased mid-life and vehicle maintenance. Service hours were impacted by traffic congestion, increasing travel time. See the following table for operating and maintenance expenses by function.

Operations and Maintenance Expenses by Function					
<i>(in millions)</i>					
	2014	2013	2012	% Change	
				2014-2013	2013-2012
Vehicle operations	\$ 123.7	\$ 123.3	\$ 117.4	0.3%	5.1%
Vehicle maintenance	48.0	46.5	44.9	3.2	3.7
Non-vehicle maintenance	35.7	27.6	29.0	29.6	(5.1)
Total	\$ 207.4	\$ 197.4	\$ 191.3	5.1%	3.2%

Vehicle operations expenses increased \$0.4 million or 0.3% in 2014 due to increased ST Express operator rates and increased costs in support of fare collection and other transit systems as ridership and transaction volume increased. Vehicle operations expenses increased \$5.9 million or 5.1% in 2013 with the expansion of service on the Sounder commuter rail South Line, full year operation of service from Tacoma – Lakewood that opened October 2012, increased ST Express operator rates, and increased security costs on all modes.

Vehicle maintenance expenses increased \$1.5 million or 3.2% from 2013. This increase reflects higher maintenance costs for the bus fleet as the average age increases, the use of high capacity buses that have a higher cost to maintain, the full year impact of the additional round-trip of Sounder service in the South corridor and increased costs related to use of the Amtrak Holgate facility. In 2013, vehicle maintenance expenses increased by \$1.6 million with the deployment of three additional locomotives into revenue service, as well as increased service levels on the Seattle – Lakewood commuter rail corridor.

Non-vehicle maintenance expenses increased \$8.1 million or 29.6% from 2013, due in large part to a number of mid-life refurbishment projects at stations. In 2013, non-vehicle maintenance expenses decreased \$1.4 million or 5.1% from 2012 due to a recovery of costs related to the 2012 copper wire theft from the light rail system, as well as less cost was incurred for light rail overhead catenary and fare collection system maintenance. These lower costs more than offset increases related to the full year effect of commuter rail right of way maintenance expenses for Tacoma – Lakewood Sounder service and

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Management's Discussion and Analysis, continued

Downtown Seattle Transit Tunnel (DSTT) maintenance costs as King County Metro reduced its usage of the DSTT with the closure of the downtown Seattle ride free area in October 2012.

Operations and Maintenance Expenses by Mode

The following table presents operating and maintenance expenses by mode:

Operations and Maintenance Expenses by Mode <i>(in millions)</i>	% Change				
	2014	2013	2012	2014-2013	2013-2012
ST Express	\$ 107.9	\$ 104.1	\$ 101.5	3.7%	2.6%
Link	60.6	56.3	56.5	7.7	(0.4)
Sounder	38.9	37.0	33.3	5.1	11.3
Total	\$ 207.4	\$ 197.4	\$ 191.3	5.1%	3.2%

ST Express operations and maintenance costs increased \$3.8 million or 3.7% from 2013 (\$2.6 million or 2.6% from 2012) as purchased transportation contract costs for operations and vehicle maintenance increased across all operators and mid-life station refurbishments. The 2013 modal expenses for ST Express reflect extension of Route 592 from DuPont to Olympia in partnership with Intercity Transit, establishment of new routes in Pierce County and the full year effect of increased DSTT maintenance costs with the elimination of the downtown Seattle ride free area reducing King County Metro usage of the DSTT by 6%.

Link operations and maintenance expenses include both Central Link and Tacoma Link light rail, which increased \$4.3 million or 7.7% in 2014, reflecting increased purchase transportation rates and fare collection costs on Central Link related to ridership increases. Expenses in 2013 were comparable to those of 2012 and included a recovery for the copper wire theft.

Sounder commuter rail operations and maintenance costs increased \$1.9 million or 5.1% in 2014 due to the full year effect of providing additional service under the fourth and final additional BNSF easement in the South corridor, maintaining three additional locomotives added to provide service to Lakewood in 2012 and additional facility costs at the Amtrak Holgate yard. In 2013, Sounder commuter rail operations and maintenance costs increased \$3.7 million or 11.3% from 2012 due to increases in Amtrak vehicle maintenance, right of way maintenance and BNSF purchased transportation costs with the operation of a full year of service from Tacoma - Lakewood that opened October 2012.

General and Administrative

General and administrative expenses comprise of staff and administrative costs not allocated to operations and maintenance or to capital projects. Major expense categories include salaries, benefits, services and professional fees, and other expenses. General and administrative expenses increased in 2014 by \$1.5 million or 6.7%, this is primarily related to an increase in leased office and managed property costs and higher information technology administrative costs. In 2013, general and administrative expenses decreased by \$1.0 million or 4.0% as overall increases in administrative support related to information technology, human resources and legal were offset by increased capitalization of administrative expenses performed in support of the ST2 capital program.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis, continued

General and Administrative Expenses

<i>(in millions)</i>	% Change				
	2014	2013	2012	2014-2013	2013-2012
Salaries	\$ 11.0	\$ 10.6	\$ 11.9	3.5%	(11.2)%
Benefits	6.6	6.0	6.5	9.5	(7.4)
Services and professional fees	3.8	3.2	2.2	18.8	45.5
Other	2.2	2.3	2.5	(5.9)	(4.6)
Total	\$ 23.6	\$ 22.1	\$ 23.1	6.7%	(4.0)%

Salaries and benefits increased \$1.0 million or 6.0% from 2013 as additional staff were added to support human resources, information technology, outreach and marketing. In 2013, salaries and benefits decreased \$1.8 million or 9.8% from 2012 as increases in administrative staffing were offset by an increase in salaries and wages capitalized to North Link and East Link light rail expansion projects, which were in final design in 2013. Projects in design phases require greater staff labor support than projects in construction as construction management is typically secured through service contracts. Further contributing to the decrease is the start of ST3 planning activities that shifted salaries and related benefits to regional planning activities from general Agency support.

Services and professional fees increased \$0.6 million or 18.8% in 2014 due to higher information technology maintenance and consulting service costs and fees related to the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan application. In 2013, services and professional fees increased by \$1.0 million or 45.5% as the Agency undertook initiatives for records management, used outside recruiters to assist with senior staff vacancies and incurred TIFIA loan application fees. In addition, software maintenance costs and property insurance premiums were higher in 2013 than in prior years.

Other expenses are comparable between years.

Fare and Regional Planning

Fare and regional planning expense includes regional fare planning, policy research and development, and planning with regional agencies to develop new markets and policies regarding regional and system-wide projects and issues. In 2014, fare and regional planning expense was \$9.8 million, an increase of \$3.8 million from that of 2013, reflecting increased ST3 planning efforts for future expansion of the regional transit system along high capacity transit corridors. Fare and regional planning expense in 2013 was \$6.0 million, an increase of \$4.0 million from that of 2012 as ST3 planning for future expansion of the regional transit system along high capacity transit corridors began.

Depreciation and Amortization

Depreciation and amortization comprises non-cash expenses that reflect the reduction in the value of capital assets over time. In 2014, depreciation and amortization decreased \$18.0 million or 15.2% as certain asset rights were determined to benefit beyond the original anticipated agreement life and the cost related to those assets is now depreciated over a longer period. Depreciation and amortization was comparable between 2013 and 2012.

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Non-Operating Revenues (Expenses)

Net non-operating revenues increased by \$129.6 million or 22.8% in 2014, reflecting increased tax revenues and investment income as well as lower interest expense and contributions to other governments. Tax revenues are the largest component of non-operating revenues (expenses). In 2013, the higher non-operating revenues (expenses) reflected increased tax revenues, as the regional economy continued to grow from the recession, which ended in 2009.

Non-operating Revenues and Expenses

(in millions)	% Change				
	2014	2013	2012	2014-2013	2013-2012
Non-operating revenues					
Sales and use tax	\$ 639.9	\$ 594.1	\$ 551.9	7.7%	7.6%
Motor vehicle excise tax	74.2	69.1	65.8	7.3	4.9
Rental car tax	3.1	2.8	2.5	12.0	9.2
Investment income (loss)	14.7	(4.9)	12.2	(401.2)	(140.2)
Other revenues	6.6	6.8	7.4	(3.7)	(7.0)
Total	738.5	667.9	639.8	10.6	4.4
Non-operating expenses					
Interest expense	2.6	25.0	32.0	(89.7)	(21.9)
Contributions to other governments	30.9	71.1	70.4	(56.5)	0.9
Other expenses	6.0	2.6	2.4	130.8	9.6
Gain (loss) on disposal of asset	-	(0.2)	0.1	(98.6)	(233.7)
Total	39.5	98.5	104.9	(59.9)	(6.2)
Non-operating revenues, net	\$ 699.0	\$ 569.4	\$ 534.9	22.8%	6.4%

Sales and Use tax revenues increased by 7.7% in 2014 and 7.6% in 2013, positively impacted by economic conditions. Results for 2012 include additional revenue for prior years from the Department of Revenue's Amnesty Program; otherwise, the increase in 2013 from 2012 would have been higher. Motor Vehicle Excise and Rental Car Sales tax revenues increased by 7.3% and 4.9% in 2014 and 2013, respectively, as consumers purchased new vehicles and additional rental car services. As the Motor Vehicle Excise Tax is computed on the depreciated vehicle value, the purchasing of new cars results in a higher collected motor vehicle excise tax.

Investment income, net of unrealized changes in fair market value, increased by \$19.6 million (decreased by \$17.1 million in 2013) due to a positive adjustment when valuing the Agency's investments at fair market value. In 2013, the Agency recorded a negative adjustment of \$12.9 million. Other revenues were comparable for 2014, 2013 and 2012.

Interest expense decreased \$22.4 million in 2014 and \$7.0 million between 2013 and 2012, as the amount of interest capitalized increased in line with increased capital spending on light rail expansion projects. In 2014, interest incurred was \$67.7 million, and \$65.1 million capitalized, and in 2013 interest incurred was \$70.4 million and \$45.4 million capitalized.

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Contributions to other governments are pursuant to capital improvement or funding agreements and are dependent upon the timing and scope of project activities. As such, they may experience significant fluctuations from year to year. In 2014, capital contributions were \$30.9 million as compared to \$71.1 million in 2013. This is primarily related to contributions to the City of Seattle for the construction of First Hill Street Car. Capital contributions in 2013 were comparable to 2012 and included contributions for the construction of First Hill Street Car and to the City of Renton for major arterial improvements.

Capital Contributions

Capital contributions include federal grant funding and state and local contributions to Sound Transit. Capital contributions increased in 2014 by \$34.3 million or 21.4%, as spending increased on the Agency's capital program. The following table summarizes capital contributions by major category.

Capital Contributions					
<i>(in millions)</i>					
	2014	2013	2012	% Change	
				2014-2013	2013-2012
Federal	\$ 184.6	\$ 146.7	\$ 127.7	25.8%	14.9%
State and local governments	9.5	13.1	3.6	(27.6)	261.6
Total	\$ 194.1	\$ 159.8	\$ 131.3	21.4%	21.7%

Federal capital contributions increased \$37.9 million in 2014, reflective of project spending on University Link, East Link Extension and bus replacements. Sound Transit also received pass-through federal funds for the permanent Tukwila Commuter Rail Station and funding for the completed D to M Street project. Federal capital contributions increased \$19.0 million in 2013 for East Link Extension design and Northgate Extension construction costs, which more than offset lower contributions received in 2013 for the University Link project.

State and local government contributions decreased \$3.6 million from 2013, which was \$9.5 million higher than 2012. In 2014, state and local government contributions included funding from the Regional Mobility Grant Program for bus replacements and South 200th Link Extension. In 2013 however, the higher capital contributions included access rights acquired from WSDOT for the Northgate Extension, obtained on a non-cash basis through the Land Bank Agreement (see also note 12).

Capital Assets

As of December 31, 2014, Sound Transit had invested \$6.5 billion in capital assets, net of accumulated depreciation and amortization, which included \$3.2 billion of depreciable assets in service. This represents a \$675.8 million or 11.6% increase over 2013 and reflects capital project spending for light rail capital expansion in all corridors, Sounder and Regional Express. Capital projects in progress (CIP) increased \$724.5 million or 43.2%, while other non-depreciable assets increased \$33.2 million or 3.5% and depreciable assets decreased \$81.9 million or 2.5%. A summary of Sound Transit's capital assets are presented in the following table.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis, continued

Capital Assets, net					
<i>(in millions)</i>					
	December 31			% Change	
	2014	2013	2012	2014-2013	2013-2012
Land	\$ 485.2	\$ 455.1	\$ 418.0	6.6%	8.9%
Permanent easements	488.2	485.1	428.4	0.6	13.2
Capital projects in progress	2,403.4	1,678.9	1,231.1	43.2	36.4
Total non-depreciable assets	3,376.8	2,619.1	2,077.5	28.9	26.1
Buildings, transit facilities & heavy equipment	2,295.1	2,334.8	2,384.6	(1.7)	(2.1)
Access rights	393.4	414.1	430.3	(5.0)	(3.8)
Revenue vehicles	456.6	480.2	478.7	(4.9)	0.3
Software, furniture, equipment & vehicles	5.1	3.0	2.6	68.9	16.7
Total depreciable assets	3,150.2	3,232.1	3,296.2	(2.5)	(1.9)
Total capital assets, net	\$ 6,527.0	\$ 5,851.2	\$ 5,373.7	11.6%	8.9%

Land increased \$30.1 million in 2014 and \$37.1 million in 2013 related to right of way acquisitions for East Link Extension in 2014 and the East Link, South 200th and Northgate Extension projects in 2013.

The 2014 value of permanent easements was comparable to 2013. However, it increased by \$56.7 million in 2013 from 2012 with the acquisition of the final easement from BNSF to operate an additional round trip in the Sounder Seattle -Tacoma corridor.

CIP had a net increase of \$724.5 million in 2014 (\$447.8 million in 2013). Total capital project spending was \$806.1 million in 2014, an increase of 22.5% from 2013 resulting from increased tunneling and construction activity on the Northgate Extension, land acquisition and final design for East Link and preliminary design work for the Lynnwood Link Extension, while construction continued on University Link and South 200th Extension. Transfers out of CIP decreased 61.2% from 2013 as no major project entered revenue service in 2014. Total capital spending was \$658.1 million in 2013, an increase of 19.4% from 2012, as construction began on the South 200th and Northgate extensions of light rail and progress continued on East Link final design and University Link construction. Capital projects that incurred major spending activity in 2014 and 2013 are summarized in the following table.

Major Capital Project Activities from 2014 and 2013			
	Sounder	Link	ST Express
2014	<ul style="list-style-type: none"> • Sounder South Expanded Service • Sounder ST2 Fleet Expansion • Tukwila Station 	<ul style="list-style-type: none"> • East Link (Downtown to Bellevue) • First Hill Street Car • Link Operations & Maintenance Satellite Facility • Noise Abatement • Lynnwood Link Extension (Northgate to Lynnwood) • Northgate Extension (UW Station to Northgate) • South 200th Extension (176th to 200th) 	<ul style="list-style-type: none"> • Rainier Avenue Arterial Improvements • I-90 2-Way Transit & HOV Operations Stage 3

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis, continued

		<ul style="list-style-type: none"> University Link (PSST to UW Station) University Link Stations (UW and Capitol Hill) 	
2013	<ul style="list-style-type: none"> Souder South Expanded Service Souder ST2 Fleet Expansion Tukwila Station 	<ul style="list-style-type: none"> East Link (Downtown to Bellevue) First Hill Street Car Link O&M Satellite Link Noise Abatement Lynnwood Extension (Northgate to Lynnwood) Northgate Extension (UW Station to Northgate) South 200th Extension (176th to 200th) University Link (PSST to UW Station) University Link Stations (UW and Capitol Hill) 	<ul style="list-style-type: none"> Rainier Avenue Arterial Improvements I-90 2-Way Transit & HOV Operations Stage 3

No major project went into service in either 2014 or 2013 resulting in a decrease in the value, net of depreciation, access rights, buildings, transit facilities and heavy equipment in both years. In 2014, revenue vehicles' annual depreciation exceeded additions. Software, furniture, equipment and administrative vehicles, net of depreciation, increased by \$2.1 million in 2014 as technology hardware infrastructure was upgraded and replaced. In 2013, revenue vehicles, net of depreciation, increased as three locomotives were purchased for expansion of Souder South line service from Seattle to Lakewood, as well as, 19 hybrid replacement buses.

See note 5 to the Financial Statements for additional information about Sound Transit's capital assets.

Long-Term Debt

Sound Transit issued no debt in 2014 and 2013. In 2012, Sound Transit issued two series of bonds with a par value of \$313.7 million refunding a majority of its 2005A Series bonds in advance of their 2030 maturity date. This resulted in total debt defeasement of \$350.6 million. No additional debt was incurred on the refunding. The bonds were issued at a premium of \$59.1 million for net proceeds before bond issuance costs of \$372.8 million. Total bond issuance costs were \$0.4 million.

Under state law, issuance of bonds payable from any type of taxes is subject to statutory debt limitations. Sound Transit is currently authorized to incur debt in an amount equal to 1.5% of the value of taxable property within the service area, without securing voter approval for bonds. With the approval of 60.0% of the region's voters, Sound Transit may incur aggregate indebtedness of up to 5.0% of the value of taxable property within the service area. Based on the 2013 assessed valuations for collection of 2014 taxes, Sound Transit's current non-voter approved remaining debt capacity is \$4.8 billion and its additional remaining debt capacity subject to voter approval is \$19.3 billion.

Sound Transit's 2014 bond credit ratings remained unchanged from those of 2013. All outstanding prior and parity bond issuances are rated Aa1 and Aa2, respectively, by Moody's and AAA by Standard & Poor's (S&P).

Management's Discussion and Analysis, continued

Economic Conditions

Sound Transit's 2014 tax revenues increased 7.7% over prior year, reflecting a healthy regional economy. Over the course of 2014, regional employment increased 2.9%, while the unemployment rate fell to 5.1%, 0.6% points below the national rate. Inflation for the region has been moderate at 1.8%.

Taxable retail sales, which generate approximately 89.3% of total tax revenue, exhibited particularly strong growth in the construction and manufacturing sectors, up 11% and 22%, respectively, over prior years. The core retail trade sector, which generates approximately 41% of Sound Transit's taxable retail sales, grew 5% over the prior year.

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KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

Audit and Reporting Committee
Central Puget Sound Regional Transit Authority:

We have audited the accompanying financial statements of the Central Puget Sound Regional Transit Authority (a public corporation acting under the service name of Sound Transit) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Sound Transit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sound Transit as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Seattle, Washington
May 22, 2015

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF NET POSITION

<i>(in thousands)</i>	December 31	
	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	\$ 120,806	\$ 93,313
Restricted assets (note 3)	57,613	55,139
Investments (note 3)	534,537	694,620
Taxes and other receivables (note 4)	197,913	172,648
Inventory	10,817	10,850
Prepaid expenses and deposits	8,240	7,755
Total current assets	929,926	1,034,325
Non-current assets		
Capital assets, net (note 5)	6,527,029	5,851,210
Restricted assets (note 3)	33,797	31,203
Investment held to pay capital lease obligation (note 6)	60,270	59,532
Prepaid expense and deposits	11,482	14,470
Total non-current assets	6,632,578	5,956,415
Total assets	7,562,504	6,990,740
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refunding	26,808	30,336
Total Deferred Outflows of Resources	26,808	30,336
LIABILITIES		
Current liabilities		
Cash overdraft	3,046	5,699
Accounts payable and accrued liabilities (note 7)	159,634	166,066
Unearned revenue	5,339	4,559
Interest payable from restricted assets	19,075	19,573
Current portion, long-term debt (note 8)	34,985	33,545
Other claims and short-term obligations	430	819
Total current liabilities	222,509	230,261
Non-current liabilities		
Long-term debt (note 8)	1,419,466	1,461,765
Capital lease obligations (note 6)	60,270	59,532
Other long-term obligations (note 9)	4,785	4,843
Total non-current liabilities	1,484,521	1,526,140
Total liabilities	1,707,030	1,756,401
Commitments contingencies and subsequent event (notes 6, 9, 11, 12 and 13)		
NET POSITION		
Net investment in capital assets	5,099,386	4,384,889
Restricted (note 10)	70,638	68,193
Unrestricted	712,258	811,593
Total net position	\$ 5,882,282	\$ 5,264,675

See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(in thousands)

	December 31	
	2014	2013
Operating revenues		
Passenger fares	\$ 60,180	\$ 56,944
Other operating revenue	5,951	7,051
Total operating revenues	66,131	63,995
Operating expenses		
Vehicle operations	123,740	123,336
Vehicle maintenance	48,006	46,540
Non-vehicle maintenance	35,676	27,524
General and administrative	23,636	22,147
Fare and regional planning	9,771	6,006
Depreciation, amortization and accretion	100,776	118,833
Total operating expenses	341,605	344,386
Loss from operations	(275,474)	(280,391)
Non-operating revenues (expenses)		
Sales tax	639,890	594,022
Motor vehicle excise tax	74,166	69,095
Rental car tax	3,092	2,761
Investment income (loss)	14,758	(4,900)
Other revenues	6,593	6,848
Contributions to other governments	(30,942)	(71,079)
Interest expense	(2,582)	(24,993)
Other expenses	(5,946)	(2,576)
Gain on disposal of assets	2	180
Impaired projects	(27)	-
Total non-operating revenues, net	699,004	569,358
Income before capital contributions	423,530	288,967
Federal capital contributions	184,595	146,718
State and local capital contributions	9,482	13,088
Total capital contributions	194,077	159,806
Change in net position	617,607	448,773
Total net position, beginning of year	5,264,675	4,815,902
Total net position, end of year	\$ 5,882,282	\$ 5,264,675

See accompanying notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

(in thousands)

	December 31	
	2014	2013
Cash flows from operating activities		
Cash receipts from fares	\$ 60,528	\$ 56,908
Cash receipts from other operating revenue	6,003	7,044
Payments to employees for wages and benefits	(28,655)	(24,259)
Payments to suppliers	(84,461)	(84,882)
Payments to transportation service providers	(124,103)	(124,062)
Net cash used by operating activities	(170,688)	(169,251)
Cash flows from non-capital financing activities		
Taxes received	708,806	657,721
Tax collection fees paid	(2,713)	(2,559)
Cash overdraft position to be (funded) financed	(2,653)	3,004
Net cash provided by non-capital financing activities	703,440	658,166
Cash flows from capital and related financing activities		
Capital contributions from grants	180,097	135,021
Proceeds from sale of asset	1,976	1,585
(Payments) proceeds for betterments and recoverable costs	(993)	68
Payments for bond principal	(33,545)	(33,250)
Payments for OCIP premiums	(5,448)	(16,292)
Payment for interest and arbitrage	(68,761)	(65,931)
Payments to employees capitalized to capital projects in progress	(44,177)	(43,042)
Payments to suppliers for capital activities	(672,193)	(485,579)
Purchase of property	(32,160)	(41,693)
Net cash used by capital and related financing activities	(675,204)	(549,113)
Cash flows from investing activities		
Investment income	9,301	10,361
Proceeds from sales or maturities of investments	237,313	215,545
Purchases of investments	(73,784)	(153,005)
Net cash provided by investing activities	172,830	72,901
Net increase in cash and cash equivalents	30,378	12,704
Cash and cash equivalents		
Beginning of year	155,459	142,755
End of year	\$ 185,837	\$ 155,459
Cash and cash equivalents (note 3)		
Unrestricted	\$ 120,806	\$ 93,313
Current restricted	56,617	54,137
Non-current restricted	8,414	8,009
	\$ 185,837	\$ 155,459

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS, continued

(in thousands)

	December 31	
	2014	2013
Loss from operations	\$ (275,474)	\$ (280,391)
Adjustments to reconcile loss from operations to net cash used by operating activities		
Bad debt (recovery) expense	(11)	15
Depreciation, amortization and accretion	100,776	118,833
Materials allowance and equipment expense	-	(375)
Changes in operating assets and liabilities		
(Decrease) in other receivables	(1,661)	(4,156)
(Increase) decrease in inventory	(23)	767
Decrease (increase) in prepaid expenses and deposits	256	(119)
Decrease (increase) in accounts payable and accrued liabilities	5,076	(2,171)
Increase in unearned revenue	780	624
(Decrease) in other current liabilities	(407)	(2,278)
Net cash used by operating activities	\$ (170,688)	\$ (169,251)

(in thousands)

	December 31	
	2014	2013
Supplemental disclosures of non-cash operating, investing and financing activities		
Capital contributions to other governments	\$ (27,852)	\$ (66,052)
Capital (donation) contributions from Land Bank	(4)	12,150
Capitalization of airspace access rights	-	12,150
Capitalization of rotatable parts	178	11
Construction in progress in current liabilities	109,740	121,105
Increase (decrease) in fair value of investments	7,014	(12,908)
Interest expense on capital leases	(4,456)	(4,405)
Interest income from investments held to pay capital leases, net	4,456	4,405
Like-kind land exchange	-	4,580
Spare parts previously capitalized	-	(207)

See accompanying notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2014 AND 2013

1. ORGANIZATION AND REPORTING ENTITY

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, a public corporation acting under the service name of Sound Transit, was established in 1993. Sound Transit 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 (Sounder), light rail (Link) and regional express bus system (ST Express).

Reporting Entity—Sound Transit is a special purpose government supported primarily through Sales and Use tax, Motor Vehicle Excise tax and Rental Car Sales tax assessed in Sound Transit’s operating jurisdiction (the District). In addition, Sound Transit receives capital funding from federal, state and local agencies.

Sound Transit is governed by an eighteen-member board, seventeen of whom are appointed by the respective member county executives and confirmed by the council of each member county. Membership is based on the population from the portion of each county that lies within Sound Transit’s service area. Representation on the board includes an elected official representing the largest city in each county and ensures proportional representation from other cities and from unincorporated areas of each county. The final board position is held by the Secretary of Transportation, Washington State Department of Transportation.

Generally accepted accounting principles requires the reporting entity include the primary government, all organizations for which the primary government is financially accountable and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Based on these criteria, Sound Transit is considered a primary government and does not have any component unit relationships. Conversely, Sound Transit is not considered a component unit of any primary government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the financial statements.

Basis of Accounting— The accounts are maintained and financial statements prepared using the economic resources measurement focus and accrual basis of accounting in accordance with GAAP. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Tax revenues include taxes on retail sales of goods and services, rental car revenue and a motor vehicle excise tax. These taxes are levied within the district at a rate of 0.9% for sales and use, 0.8% on rental car revenue and 0.3% for motor vehicle excise. These taxes are collected on Sound Transit’s behalf by the Department of Revenue and the Department of Licensing of the State of Washington and are recorded in the period when the underlying transaction occurs on which the tax is imposed.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Operating revenues are recognized in the period earned and consist of passenger fares, fees earned from the provision of various services to regional transit agencies and income from noncapital grants. Operating expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of Sound Transit are included in the Statements of Net Position. Depreciation and amortization of capital assets and amortization of unearned revenue, asset retirement obligations and unearned rent are recognized in the Statements of Revenues, Expenses and Changes in Net Position.

Capital Assets— Capital assets are stated at cost, except for capital assets contributed to Sound Transit, which are stated at the fair value on the date of contribution. Expenditures and contributions for additions and improvements with a value in excess of \$5,000 and a useful life of more than one year are capitalized. Expenditures for maintenance, repairs and minor improvements are charged to operations as incurred. Depreciation and amortization of capital assets are recorded using the straight-line method applied to each asset over its estimated useful life and leasehold improvements over the shorter of the life of the asset or length of the related agreement as follows:

	Estimated useful life
Access rights	5 – 100 years
Buildings and leasehold improvements	5– 30 years
Furniture, equipment and vehicles	3 – 8 years
Revenue vehicles	12 – 40 years
Software	3 – 5 years
Transit facilities, rail and heavy equipment	6– 150 years

On an annual basis, Sound Transit evaluates whether events or circumstances have occurred affecting capital assets that are other than temporary in nature and which could result in an impairment of those assets. Impairment is considered to have occurred if there is a large permanent decline in the asset's service utility and the event or circumstance is outside the normal life cycle of the asset. Impairment losses on assets that will no longer be used are measured based on the lower of carrying value or fair value of the affected asset. Impairment losses on assets that will continue to be used are measured using the best method that reflects the diminished service utility of the related asset.

All costs directly attributable to capital projects, as well as certain indirect costs that are allocated to the projects based on various applicable factors supporting the overhead rates used, are capitalized. CIP balances include costs incurred for transportation projects not yet in service and are segregated between assets in which Sound Transit maintains a continuing ownership interest and capital assets that will be transferred to other governments upon completion.

Access rights include costs incurred or rights acquired that allow Sound Transit to operate its services in public and private right of ways. Access rights are amortized over the life of the underlying asset constructed or the term of the contractual agreement granting the related right.

Interest costs on funds borrowed through tax-exempt and taxable debt to finance the construction or acquisition of certain capital assets are capitalized during the period of construction or acquisition and are depreciated over the life of the related assets once placed into service.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Capital Contributions to Other Governments— Pursuant to capital improvement agreements, Sound Transit has provided funding to, or constructed assets for, various governments for transit-related capital improvements. For assets constructed for other governments, these costs are capitalized and included in CIP until the asset is substantially completed and accepted, at which time it is charged to contributions to other governments.

Cash and Cash Equivalents— Cash and cash equivalents are carried at cost, which approximates fair value. Restricted cash and cash equivalents contain externally imposed legal and contractual obligations, and are classified as current or non-current in accordance with their requirements.

Compensated Absences— Vacation leave that has been earned but not paid is accrued. Similarly, sick leave is accrued as the benefits are earned but only to the extent that Sound Transit will compensate the employees through cash payments conditional on the employee's termination, retirement or death. Vacation pay, which may be accumulated up to 50 days, is payable upon termination, retirement or death or in accordance with bi-annual elections within established policy. Sick leave is accrued at the rate of 50% of hours worked up to 120 days for employees hired before January 1, 2004 or 25% of accrued hours up to 240 days for employees hired thereafter. Regardless of hire date, sick leave is paid at 50% of the accumulated leave balance upon termination, retirement or death.

Environmental Remediation Obligations— Environmental remediation activities are reviewed routinely to determine whether an obligating event, as defined by GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, has occurred, when the liability should be accrued and whether the cost should be expensed or capitalized. Generally such costs are incurred with respect to properties that Sound Transit is preparing for its own use or are required in the construction of its projects and subsequently resold. As such, these costs are recorded as incurred and capitalized to the project. Costs in excess of the property's fair market value, or that do not meet capitalization criteria under generally accepted accounting principles, are expensed as soon as a reasonable estimate can be obtained.

Inventory— Inventory includes land held for sale and spare parts and is recorded at the lower of purchased cost or net realizable value. Allowances for excess and obsolete parts are provided for over the estimated useful lives of the related assets for parts expected to be on hand at the date the assets are retired and for spare parts currently identified as excess and obsolete. Allowances are reflected as a charge to operations and are based on management's estimate that is subject to change. As of December 31, 2014 and 2013, inventory reflects an allowance of \$135 thousand.

Investment Valuation— Investments are stated at fair value.

Reclassifications— Certain reclassifications have been made to the 2013 Financial Statements to conform to the current year's presentation, most significantly the reclassification from long-term to short-term of cash and investments restricted for debt service.

Reserves— Sound Transit's financial policies require the Agency to maintain certain internal reserves as follows: an operating expense reserve in the amount of two months average annual spending expenses; a capital replacement reserve supported by a specific investment fund; and an emergency loss fund to cover retention, deductible or excess loss due to uninsured loss or portion of loss. As these cash and investment reserves are derived from internal restrictions, they are included in unrestricted net position.

Restricted Net Position— Restricted net position consists of cash, cash equivalents and investments that contain externally imposed legal and contractual obligations. Assets comprising restricted net position are used in accordance with their requirements, and where both restricted and unrestricted resources are available for use, restricted resources are used first and then unrestricted resources as they are needed.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Revenue and Expense Classification— Sound Transit distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing passenger services in connection with Sound Transit’s principal ongoing operations. The principal operating revenues are passenger fares. Sound Transit’s operating expenses include labor, materials, depreciation and amortization, services, claims, purchased transportation and other expenses related to the delivery of passenger transportation within the Central Puget Sound region. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Undivided Interests— Sound Transit participates in a joint operation (or undivided interest), jointly governed with six other agencies for the provision of regional fare collection services (RFCS). Sound Transit reports its undivided interest in assets, liabilities, expenses and revenues of RFCS within its financial statements, as they are specifically identifiable to Sound Transit. RFCS does not meet the definition of a component unit as defined in GASB No. 61 – *The Financial Reporting Entity: Omnibus*.

Use of Estimates— The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. CASH, CASH EQUIVALENTS, INVESTMENTS AND RESTRICTED ASSETS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less when purchased. Cash in the Local Government Investment Pool (LGIP) is managed by the Washington State Treasurer’s Office and investments in the King County Investment Pool (KCIP) are managed by the King County Finance Division. The LGIP is invested in a manner generally consistent with Rule 2a-7 money market funds, as currently recognized by the Securities Exchange Commission. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The weighted average maturity of the LGIP portfolio will not exceed 60 days, and a weighted average life will not exceed 120 days and a unit value of \$1. The LGIP and the KCIP represent an interest in a group of securities and have no specific security subject to custodial risk.

Sound Transit’s bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All deposits not covered by the FDIC are covered by the PDPC.

All surplus cash is invested in accordance with Washington State statute and an asset liability management policy approved by Sound Transit’s Board and certified by the Association of Public Treasurers of the United States and Canada. Qualifying investments under this policy include obligations of the United States government, Treasury and Agency securities, bankers’ acceptances, certificates of deposit, commercial paper, general obligation municipal bonds and repurchase agreements. Sound Transit’s policy and monitoring program addresses common deposit and investment risks as described below, with detailed information by investment type presented in the tables that follow. Modified duration is presented in years.

Other restricted non-current investments comprise a deferred compensation plan self-directed by the plan participant and includes money market funds and other eligible investments as authorized by state law. While the investments are currently in Sound Transit’s name and available to Sound Transit creditors, the payment of deferred compensation to the participant will be for the resulting value of the self-directed investments. Therefore, the risk of loss has been transferred to the participant.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Interest Rate Risk— Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. For its undesignated and capital replacement funds, Sound Transit matches its investments to cash flow requirements and manages its exposure to fair value losses using the modified duration method, whereby the modified duration of fixed income securities held in its investment portfolios is compared to established benchmarks. Modified duration estimates the sensitivity of a bond's price to interest rate changes. Modified duration benchmarks for the undesignated fund was 0.64 and for the capital replacement fund was 2.95. For the Prior and Parity Bond Debt Service funds and the University Link OCIP fund, interest rate risk is managed by using the specific identification method.

Concentration of Credit Risk— Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issues. The investment policy sets forth maximum concentration guidelines.

Investment Type	Maximum
Treasury securities and investments in the LGIP	100%
Total U.S. Agency securities	75%
Single U.S. Agency	50%
Repurchase agreements, general obligation Bonds, PDPC financial institution sponsored investment accounts	25%
Deposit bank notes	20%
Certificates of deposit, bankers' acceptances, reverse repurchase agreements and A1/P1 commercial paper	10%

Credit Risk— Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. As of December 31, 2014, all Treasury and U.S. Agency securities are rated with one of the three highest credit ratings of a nationally recognized statistical rating organization and all general obligation bonds are rated with one of the three highest credit ratings of a nationally recognized statistical rating organization. After a bond has been purchased, if it is downgraded below one of the three highest ratings, a case-by-case review is conducted to determine the reason for the downgrade and to evaluate whether or not to continue to hold the bond. The LGIP and KCIP are unrated.

Custodial Credit Risk— Custodial credit risk is the risk that, in the event of the failure of the counterparty, Sound Transit would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments purchased by Sound Transit are held and registered in Sound Transit's name in the trust or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between Sound Transit and the financial institution.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Cash, cash equivalents, investments and restricted assets consist of the following:

<i>(in thousands)</i>	December 31	
	2014	2013
Cash and cash equivalents		
Washington State Local Government Investment Pool	\$ 117,157	\$ 91,018
FDIC or PDPC insured bank deposits	191	130
Cash on hand	3,458	2,165
	<u>120,806</u>	<u>93,313</u>
Restricted assets - current		
Cash and cash equivalent		
Health reimbursement trust	1,530	-
King County Investment Pool	1,026	1,019
Washington State Local Government Investment Pool	54,061	53,118
	56,617	54,137
Deductible liability protection policy	996	1,002
	<u>57,613</u>	<u>55,139</u>
Investments		
Undesignated	222,897	441,769
Capital replacement	311,640	252,851
	<u>534,537</u>	<u>694,620</u>
Restricted assets - non-current		
Cash and cash equivalents		
Washington State Local Government Investment Pool	410	-
Escrow funds	8,004	8,009
	<u>8,414</u>	<u>8,009</u>
Investments - Debt service and OCIP reserve	25,085	22,962
Investments - Other	134	68
Interest receivable on restricted investments	164	164
	<u>33,797</u>	<u>31,203</u>
Total cash, cash equivalents, investments and restricted assets	<u>\$ 746,753</u>	<u>\$ 874,275</u>

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Unrestricted investments consist of the following:

<i>(in thousands)</i>	2014			2013		
	Fair value	Modified duration	Percentage of portfolio	Fair value	Modified duration	Percentage of portfolio
Investments – Undesignated						
King County Investment Pool	\$ 159,412	1.23	71.52%	\$ 257,779	1.23	58.34%
U.S. Agency securities:						
Federal Farm Credit Bank	-	-	-	90,070	0.90	20.39
Federal Home Loan Bank	33,459	0.07	15.01	33,918	1.06	7.68
Federal Home Loan Bank						
Mortgage Corporation	15,017	0.90	6.74	34,989	1.25	7.92
Federal National						
Mortgage Association	-	-	-	10,013	1.42	2.27
U.S. Treasury securities	15,009	0.54	6.73	15,000	1.54	3.40
	\$ 222,897	0.99	100.00%	\$ 441,769	1.17	100.00%
Investments – Capital Replacement						
U.S. Agency securities:						
Federal National						
Mortgage Association	\$ 84,410	2.31	27.09%	\$ 84,601	3.20	33.45%
Federal Home Loan Bank						
Mortgage Corporation	97,747	3.44	31.36	65,150	4.00	25.77
Federal Home Loan Bank	38,109	2.86	12.22	26,191	4.13	10.36
Federal Farm Credit Bank	8,627	7.49	2.77	8,841	7.62	3.50
Municipal bonds	56,177	4.09	18.03	55,607	4.64	21.99
U.S. Treasury securities	26,570	2.69	8.53	12,461	1.63	4.93
	\$ 311,640	3.23	100.00%	\$ 252,851	3.89	100.00%

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Non-current restricted investments consist of the following:

<i>(in thousands)</i>	2014			2013		
	Fair value	Maturity	Call date	Fair value	Maturity	Call date
Debt Service Reserve						
Municipal bonds:						
Georgia State GO Unlimited	\$ 9,551	4/1/2026	4/1/2017*	\$ 8,598	4/1/2026	4/1/2017*
Florida State Public Education BAB	5,560	6/1/2030	6/1/2019*	5,204	6/1/2030	6/1/2019*
Georgia State GO Unlimited BAB	4,708	11/1/2027	11/24/2009*	4,313	11/1/2027	11/24/2009*
Hawaii State GO Unlimited BAB	3,124	2/1/2024	2/18/2010*	2,959	2/1/2024	2/18/2010*
	22,943			21,074		
OCIP Reserve						
U.S. Agency securities:						
Federal National Mortgage Association	1,295	7/15/2022	-	1,148	7/15/2022	-
Federal Home Loan Mortgage Corporation	847	3/15/2023	-	740	3/15/2023	-
	2,142			1,888		
	\$ 25,085			\$ 22,962		
Other						
Mutual fund:						
T.Rowe Price Retirement 2010 Fund	\$ 134	-	-	\$ 68	-	-
	\$ 134			\$ 68		

* Continuously callable from this date forward

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

4. TAXES AND OTHER RECEIVABLES

Taxes and other receivables consist of the following:

<i>(in thousands)</i>	December 31	
	2014	2013
Taxes receivable	\$ 124,828	\$ 116,499
Grants receivable	55,227	41,243
Due from other governments	14,917	12,241
Interest receivable	1,962	2,140
Accounts receivable, net	979	525
	<u>\$ 197,913</u>	<u>\$ 172,648</u>

Amounts due from other governments include amounts due under the ORCA program for fare revenues and administration expenses, amounts reimbursable under interlocal agreements for operating expenses or capital contributions for transit facilities and betterments. Payment terms are generally defined in the various agreements with other governments and range from 21 days to 60 days. Where payment terms are not defined by agreement, they are due in accordance with the terms specified in the invoice, which is generally 30 days.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

5. CAPITAL ASSETS

Capital assets are summarized as follows:

<i>(in thousands)</i>	2014				2014
	Beginning		Disposals /	Transfers	Ending
	balance	Additions	reductions		balance
Non-depreciable assets					
Land	\$ 455,116	\$ -	\$ (1,930)	\$ 32,042	\$ 485,228
Permanent easements	485,106	-	-	3,062	488,168
Capital projects in progress:					
Sound Transit - tangible	1,654,084	759,075	-	(45,856)	2,367,303
Sound Transit - intangible	10,693	9,990	-	(7,842)	12,841
Other governments - tangible	14,105	37,029	(27,852)	-	23,282
Total non-depreciable assets	<u>2,619,104</u>	<u>806,094</u>	<u>(29,782)</u>	<u>(18,594)</u>	<u>3,376,822</u>
Depreciable assets					
Access rights	577,069	-	-	(8,175)	568,894
Buildings and leasehold improvements	28,848	-	(227)	74	28,695
Furniture, equipment and vehicles	9,771	-	(401)	3,828	13,198
Revenue vehicles	637,993	-	(1,499)	6,445	642,939
Software	15,294	-	(585)	591	15,300
Transit facilities, rail and heavy equipment	2,642,272	-	(318)	16,008	2,657,962
Total depreciable assets	<u>3,911,247</u>	<u>-</u>	<u>(3,030)</u>	<u>18,771</u>	<u>3,926,989</u>
Accumulated depreciation					
Access rights	(162,942)	(12,516)	-	-	(175,458)
Buildings and leasehold improvements	(13,546)	(1,199)	227	-	(14,518)
Furniture, equipment and vehicles	(7,504)	(1,754)	401	-	(8,857)
Revenue vehicles	(157,839)	(29,998)	1,499	-	(186,338)
Software	(14,524)	(574)	585	-	(14,513)
Transit facilities, rail and heavy equipment	(322,786)	(54,598)	286	-	(377,098)
Total accumulated depreciation	<u>(679,141)</u>	<u>(100,639)</u>	<u>2,998</u>	<u>-</u>	<u>(776,782)</u>
Total depreciable assets, net	<u>3,232,106</u>	<u>(100,639)</u>	<u>(32)</u>	<u>18,771</u>	<u>3,150,207</u>
Total capital assets, net	<u>\$ 5,851,210</u>	<u>\$ 705,455</u>	<u>\$ (29,814)</u>	<u>\$ 177</u>	<u>\$ 6,527,029</u>

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

<i>(in thousands)</i>	2013				2013
	Beginning		Disposals /		Ending
	balance	Additions	reductions	Transfers	balance
Non-depreciable assets					
Land	\$ 418,004	\$ -	\$ -	\$ 37,112	\$ 455,116
Permanent easements	428,455	-	-	56,651	485,106
Capital projects in progress:					
Sound Transit - tangible	1,215,961	533,281	(1,908)	(93,250)	1,654,084
Sound Transit - intangible	11,537	50,135	-	(50,979)	10,693
Other governments - tangible	3,607	74,715	(64,217)	-	14,105
Total non-depreciable assets	2,077,564	658,131	(66,125)	(50,466)	2,619,104
Depreciable assets					
Access rights	563,835	3,950	-	9,284	577,069
Buildings and leasehold improvements	28,570	70	-	208	28,848
Furniture, equipment and vehicles	9,959	-	(1,061)	873	9,771
Revenue vehicles	615,458	-	(6,715)	29,250	637,993
Software	14,732	-	(77)	639	15,294
Transit facilities, rail and heavy equipment	2,631,924	-	(10)	10,358	2,642,272
Total depreciable assets	3,864,478	4,020	(7,863)	50,612	3,911,247
Accumulated depreciation					
Access rights	(133,521)	(29,421)	-	-	(162,942)
Buildings and leasehold improvements	(12,366)	(1,180)	-	-	(13,546)
Furniture, equipment and vehicles	(7,843)	(685)	1,024	-	(7,504)
Revenue vehicles	(136,808)	(27,746)	6,715	-	(157,839)
Software	(14,246)	(353)	75	-	(14,524)
Transit facilities, rail and heavy equipment	(263,525)	(59,265)	4	-	(322,786)
Total accumulated depreciation	(568,309)	(118,650)	7,818	-	(679,141)
Total depreciable assets, net	3,296,169	(114,630)	(45)	50,612	3,232,106
Total capital assets, net	\$ 5,373,733	\$ 543,501	\$ (66,170)	\$ 146	\$ 5,851,210

During 2014, Sound Transit capitalized \$65.1 million of interest costs (\$45.4 million in 2013), representing interest cost incurred in respect of Sound Transit's capital program for the year, net of premium, discounts and deferred amount on debt refunding, on its outstanding bonds (see note 8).

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

6. CAPITAL AND OPERATING LEASES

Capital lease obligations at December 31, 2014 and 2013 are \$60.3 million and \$59.5 million, respectively.

Lease/Leaseback— In May 2001, Sound Transit entered into a transaction to lease 22 rail passenger cab and coach cars and 5 locomotives (the headlease) to an investor and simultaneously subleased the vehicles back (the sublease). Under these transactions, Sound Transit maintains the right to continued use and control of the assets through the end of the leases and is required to insure and maintain the assets. The headlease and sublease have been recorded as capital leases for accounting purposes.

The vehicles had a fair market value of \$61.3 million with a book value of \$37.7 million at closing. Sound Transit received a prepayment equivalent to the net present value of the headlease obligations totaling \$61.3 million. From those proceeds, \$50.4 million was deposited with AIG-FP Special Finance Ltd. to partially meet Sound Transit's obligations under the sublease payments. In addition, \$5.7 million was deposited with AIG Matched Funding Corp. and invested in securities issued or guaranteed by the United States government to meet the remaining obligations under the sublease. The remaining \$4.9 million (net of closing costs of \$363 thousand) was retained by Sound Transit and recorded as non-operating revenues during the year ended December 31, 2001.

The net present value of the future sublease payments has been recorded as a long-term capital lease obligation. The underlying investments have been structured to meet all future obligations under the sublease when due and, as such, have been recorded to equal the sublease obligations on the accompanying statements of net position.

The lease documentation established minimum credit levels by AIG for the equity and debt defeasance accounts. At the time these transactions closed, AIG was rated "AAA" by Standard & Poor and "Aaa" by Moody's Investment Service. However, starting in March 2005, AIG suffered a series of credit rating downgrades to reach a level of "A-" by Standard & Poor and "A3" by Moody's Investment Service by end of year 2009. As of December 31, 2014 and 2013, the defeasance accounts were unrated, as they were no longer invested in marketable securities.

Because of credit rating downgrades under the lease transaction, Sound Transit is required to replace AIG for its undertaking agreements and credit enhancements provision in the transaction and AIG is required to post collateral for the debt defeasance accounts. However, in January 2009, Sound Transit entered into a waiver agreement with the Owner Participant, Lessor, Lender, and Debt Payment Undertaker waiving any existing default or event of default based on a failure to comply with the ratings downgrade provisions of the Participation Agreement, Loan Agreement, Debt Payment Agreement, and Debt Payment Guarantee until March 1, 2009. Under its agreements with the transaction participants, Sound Transit may request successive six-month extensions of the waiver agreement until September 30, 2016, unless extended by agreement of the parties. If the default is not cured and the extension is not granted, the investor could demand a termination payment from Sound Transit of approximately \$15.6 million. Extensions of the waiver agreement have been granted through September 30, 2016.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Net changes in the sublease are shown in the following table:

<i>(in thousands)</i>	2014	2013
Net sublease, January 1	\$ 59,532	\$ 58,846
Accrued interest	4,456	4,404
Less payment	(3,718)	(3,718)
Net sublease, December 31	\$ 60,270	\$ 59,532

Amtrak Lease/Sublease— In September 2000, Sound Transit entered into a 40-year agreement, amended May 2013, to lease its locomotives, passenger coaches and cab cars (rolling stock) to the National Railroad Passenger Corporation (Amtrak) for \$1. Under the agreement, Amtrak is obligated to repair, maintain and service the rolling stock at Amtrak’s maintenance facility in return for payment by Sound Transit. By separate agreement, Sound Transit assigned to Amtrak its commuter rail operating agreement, which it had entered into with BNSF in May 2000 to provide commuter rail service. In order to give BNSF possession and use of the rolling stock for purposes of providing commuter rail service on Amtrak’s behalf for Sound Transit, Amtrak entered into a 40-year sublease of the rolling stock to BNSF for a nominal rental payment of \$1.

Under the legal structure of these transactions and pursuant to a Department of Revenue ruling, the equipment is exempted from Washington State sales and use taxes. Sound Transit and Amtrak agreed by a Memorandum of Understanding to place the funds that would otherwise be payable for these taxes in an escrow account to use for projects that mutually benefit Pacific Northwest intercity rail passenger service. In June 2013, \$10.1 million was disbursed from the escrow account after identification of mutually beneficial projects, satisfying this obligation. Sound Transit maintains title and continuing control of the assets through the end of the lease, upon which the assets will be returned to Sound Transit.

Operating Rentals— Sound Transit has entered into non-cancelable operating leases in excess of one year for the use of the DSTT, ground, office space, parking, land, storage at various locations, and equipment with lease terms expiring between 2015 and 2035, with some leases containing options to renew. Minimum lease payments through 2035 are as follows (in thousands):

Year ending December 31	
2015	\$ 9,391
2016	9,376
2017	8,921
2018	8,866
2019	6,997
2020-2024	692
2025-2029	492
2030-2034	495
2035	16
	\$ 45,246

Total rental expenses for 2014, which include non-cancelable leases as well as other month-to-month rentals, were \$9.5 million, of which \$496.9 thousand was capitalized for capital projects in progress. Total rental expenses for 2013, which include non-cancelable leases as well as other month-to-month rentals, were \$10.0 million, of which \$231.9 thousand was capitalized for capital projects in progress.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

(in thousands)

	2014	2013
Accounts payable	\$ 2,184	\$ 9,528
Accrued liabilities	95,539	84,101
Accrued salaries, wages and benefits	9,458	9,210
Due to other governments	51,582	62,968
Retainage payable	871	259
	<u>\$ 159,634</u>	<u>\$ 166,066</u>

8. LONG-TERM DEBT

In the ordinary course of financing its activities, Sound Transit issues debt as shown in the tables below. There are currently two categories of debt: Prior Bonds and Parity Bonds. Prior Bonds have first claim upon the local option taxes of Sales and Use, Rental Car and Motor Vehicle Excise tax. Parity Bonds are subordinate to the Prior Bonds, but they have the same priority of claim upon the Sales and Use and Rental Car taxes. The following tables set forward average and effective coupon rates, rating Agency information, principal payment commencement, fair value and amounts currently restricted for debt service.

Prior Bonds— Debt service requirements for Prior Bonds are payable in February and August of each year and are secured by local option taxes.

(in millions)

	Issue date	Average rate		Ratings		Principal Payment begins	Fair value*		Principal and interest restricted	
		Coupon	Effective	Moody's	S&P		2014	2013	2014	2013
Series 1999	Dec 1, 1998	4.88	5.03	Aa1	AAA	Feb 1, 2006	\$ 318.2	\$ 323.2	\$ 12.7	\$ 12.5
Series 2009P-1	Sep 29, 2009	4.31	2.52	Aa1	AAA	Feb 1, 2015	24.0	24.8	6.0	0.4
Series 2009P-2T	Sep 29, 2009	5.01	3.31**	Aa1	AAA	Feb 1, 2020	88.6	81.9	1.6	1.6
Series 2012P-1	Aug 22, 2012	4.97	2.62	Aa1	AAA	Feb 1, 2013	219.2	227.5	14.3	18.3

* Estimated using quoted market prices

**Effective rate reduced due to interest subsidy provided by U.S. Government for Build America Bonds

Parity Bonds— Debt service requirements for Parity Bonds are payable in May and November each year and are secured by local option taxes.

(in millions)

	Issue date	Average Rate		Ratings		Principal Payment begins	Fair value*		Principal and interest restricted	
		Coupon	Effective	Moody's	S&P		2014	2013	2014	2013
Series 2005A	Mar 31, 2005	4.95	4.60	Aa2	AAA	Nov 1, 2011	\$ 12.7	\$ 26.9	\$ 12.6	\$ 13.4
Series 2007A	Dec 18, 2007	4.99	4.76	Aa2	AAA	Nov 1, 2008	435.9	414.7	3.3	3.3
Series 2009S-2T	Sep 29, 2009	5.49	3.62**	Aa2	AAA	Nov 1, 2029	380.1	324.1	2.7	2.7
Series 2012S-1	Aug 22, 2012	4.91	2.73	Aa2	AAA	Nov 1, 2016	115.4	110.5	0.8	0.8

* Estimated using quoted market prices

** Effective rate reduced due to interest subsidy provided by U.S. Government for Build America Bonds

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Sound Transit is required to maintain certain minimum deposits as defined in the respective bond resolution to meet debt service requirements. In addition, Sound Transit is required to maintain a common debt service reserve account for all Prior Bonds and series-specific debt service reserve accounts for the Parity Bonds. As of December 31, 2014, the common debt service reserve requirement for Prior bonds is met by a surety policy in the amount of \$31.7 million purchased in 1999, a \$7.9 million cash reserve funded at the time the 2009P bonds were issued and an \$11.5 million cash reserve funded at the time the 2012P-1 bonds were issued. For the Parity Bonds, a cash reserve was established in 2005 for the 2005A bonds. The required balance for the Parity debt service reserve account was \$3.2 million at the end of 2014 and is fully funded by investments (see note 3).

Under the bond covenants, Sound Transit is required to value at market the investments held in debt service reserve accounts annually and to make up any deficiency within six months after the date of the valuation. As of December 31, 2014, the market value of the Prior and Parity debt service reserves exceeded the required reserve amount by \$769 thousand. No reserve account was required to be established for the 2007A, 2009S-2T and 2012S-1 series bonds. Reserve account proceeds are invested in municipal bonds.

Long-term debt requirements are displayed in the table below:

(in thousands)

Year ending December 31	Principal	Interest	Total
2015	\$ 34,985	\$ 70,346	\$ 105,331
2016	30,430	68,666	99,096
2017	33,235	67,133	100,368
2018	36,290	65,387	101,677
2019	39,520	63,500	103,020
2020-2024	251,730	283,027	534,757
2025-2029	287,970	210,680	498,650
2030-2034	276,935	157,266	434,201
2034-2039	409,565	68,292	477,857
	<u>\$ 1,400,660</u>	<u>\$ 1,054,297</u>	<u>\$ 2,454,957</u>

The American Recovery and Reinvestment Act of 2009 created the Build America Bond (BAB) program, which authorized state and local governments to issue BABs as taxable bonds in 2009 and 2010 to finance any capital expenditures for which they otherwise could issue tax-exempt municipal bonds. The issuers receive a direct federal subsidy payment for a portion of their borrowing costs paid to investors of BABs. The direct federal subsidy, once earned, is considered a non-exchange transaction separate from the interest payments made and is recorded in other non-operating revenue when Sound Transit makes its interest payment. The direct federal subsidy was reduced in 2013 because of a sequestration order issued pursuant to the Balanced Budget and Emergency Deficit Control Act of 2011. The reduction rate changes annually. The table below summarizes the sequestration rate reduction history:

Time Period	Sequestration Rate
March 1, 2013 through September 30, 2013	8.7%
October 1, 2013 through September 30, 2014	7.2%
October 1, 2014 through September 30, 2015	7.3%

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

The subsidy received in 2014 and 2013 was reduced by \$515.0 thousand and \$266.0 thousand, respectively, as compared to the amount that would have been received if the rate had not been reduced. The 2009P-2T bonds and the 2009S-2T bonds are Build America Bonds.

Proceeds from all bond issues except for the 2009P-1, 2012P-1 and 2012S-1 are used for funding capital construction projects.

Long-term debt consists of the following:

<i>(in thousands)</i>	2014			2014	Amounts due
	Beginning	Additions	Reductions	Ending	within
	balance			balance	one year
Bonds payable					
Series 1999	\$ 309,985	\$ -	\$ (6,195)	\$ 303,790	\$ 6,520
Series 2005A	25,670	-	(13,200)	12,470	12,470
Series 2007A	397,955	-	-	397,955	-
Series 2009P-1	23,155	-	-	23,155	5,535
Series 2009P-2T	76,845	-	-	76,845	-
Series 2009S-2T	300,000	-	-	300,000	-
Series 2012P-1	203,050	-	(14,150)	188,900	10,460
Series 2012S-1	97,545	-	-	97,545	-
	1,434,205	-	(33,545)	1,400,660	34,985
Plus unamortized premium	65,225	-	(7,685)	57,540	-
Less unamortized discount	(4,120)	-	371	(3,749)	-
Total bonds payable	1,495,310	-	(40,859)	1,454,451	34,985
Total long-term debt	\$ 1,495,310	\$ -	\$ (40,859)	\$ 1,454,451	\$ 34,985

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

<i>(in thousands)</i>	2013			2013	Amounts due
	Beginning	Additions	Reductions	Ending	within
	balance			balance	one year
Bonds payable					
Series 1999	\$ 315,875	\$ -	\$ (5,890)	\$ 309,985	\$ 6,195
Series 2005A	35,345	-	(9,675)	25,670	13,200
Series 2007A	402,525	-	(4,570)	397,955	-
Series 2009P-1	23,155	-	-	23,155	-
Series 2009P-2T	76,845	-	-	76,845	-
Series 2009S-2T	300,000	-	-	300,000	-
Series 2012P-1	216,165	-	(13,115)	203,050	14,150
Series 2012S-1	97,545	-	-	97,545	-
	<u>1,467,455</u>	<u>-</u>	<u>(33,250)</u>	<u>1,434,205</u>	<u>33,545</u>
Plus unamortized premium	73,459	-	(8,234)	65,225	-
Less unamortized discount	<u>(4,490)</u>	<u>-</u>	<u>370</u>	<u>(4,120)</u>	<u>-</u>
Total bonds payable	<u>1,536,424</u>	<u>-</u>	<u>(41,114)</u>	<u>1,495,310</u>	<u>33,545</u>
Total long-term debt	<u>\$ 1,536,424</u>	<u>\$ -</u>	<u>\$ (41,114)</u>	<u>\$ 1,495,310</u>	<u>\$ 33,545</u>

9. OTHER LONG-TERM OBLIGATIONS

Other long-term obligations include provisions for asset retirement obligations, uninsured losses related to Sound Transit's risk management program, employee compensated absences and deferred compensation as follows:

<i>(in thousands)</i>	2014	Additions, accretion		2014	Amounts due
	Beginning	and changes	Reductions	Ending	within
	balance	in estimates		balance	one year
Asset retirement obligations					
Sounder station platforms	\$ 1,216	\$ 61	\$ -	\$ 1,277	\$ -
Tacoma link surface rail	<u>1,762</u>	<u>88</u>	<u>-</u>	<u>1,850</u>	<u>-</u>
Total asset retirement obligations	<u>2,978</u>	<u>149</u>	<u>-</u>	<u>3,127</u>	<u>-</u>
Uninsured losses					
OCIP	425	249	(33)	641	217
Transit operations	<u>908</u>	<u>(422)</u>	<u>-</u>	<u>486</u>	<u>140</u>
Total uninsured losses	<u>1,333</u>	<u>(173)</u>	<u>(33)</u>	<u>1,127</u>	<u>357</u>
Compensated absences	<u>6,139</u>	<u>4,847</u>	<u>(4,583)</u>	<u>6,403</u>	<u>5,650</u>
Deferred compensation	<u>68</u>	<u>67</u>	<u>-</u>	<u>135</u>	<u>-</u>
Total other long-term obligations	<u>\$ 10,518</u>	<u>\$ 4,890</u>	<u>\$ (4,616)</u>	<u>\$ 10,792</u>	<u>\$ 6,007</u>

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

<i>(in thousands)</i>	2013 Beginning balance	Additions, accretion and changes in estimates	Reductions	2013 Ending balance	Amounts due within one year
Asset retirement obligations					
Sounder station platforms	\$ 1,158	\$ 58	\$ -	\$ 1,216	\$ -
Tacoma link surface rail	1,678	84	-	1,762	-
Total asset retirement obligations	2,836	142	-	2,978	-
Uninsured losses					
OCIP	1,906	(1,345)	(136)	425	165
Transit operations	652	256	-	908	247
Total uninsured losses	2,558	(1,089)	(136)	1,333	412
Compensated absences	5,373	5,567	(4,801)	6,139	5,263
Deferred compensation	-	68	-	68	-
Total other long-term obligations	\$ 10,767	\$ 4,688	\$ (4,937)	\$ 10,518	\$ 5,675

Asset Retirement Obligations— In the course of entering into agreements with other governments and rail providers to construct Sound Transit’s capital assets used in providing transportation services, certain agreements contain clauses that impose a legal burden on Sound Transit to remove all or a portion of those constructed assets at the termination of those agreements.

Risk Management— In the ordinary course of planning, building and operating its regional transit systems and services to improve mobility for the Central Puget Sound region, which includes construction projects and Agency and rail operations, Sound Transit is exposed to various types of risks and exposures of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to persons; and natural disasters. Sound Transit has established a comprehensive risk management and insurance program to mitigate the potential for loss and for the administration of claims.

For its Agency operation, a commercial insurance program has been put in place that provides first-level coverage for property, primary and excess liability, commercial auto liability, premises pollution liability, public officials and employment practices liability, crime and fidelity and fiduciary liability, to provide protections from these risks and exposures.

For its rail operations, a commercial insurance program has been put in place that provides rail liability and excess rail liability, as well as rail rolling-stock/property insurance coverage.

For Sound Transit Express bus operations under Sound Transit’s agreements, insurance coverage and associated claim payments are provided by its bus partner agencies, which are included in the pro-rata transit operations cost rate established by Sound Transit and its bus partner agencies.

Sound Transit utilizes Owner Controlled Insurance Programs (OCIP) for its larger capital development projects to address general liability claims due to third-party injuries and/or property damage related to project construction activities carried out by Sound Transit’s third-party contractors. Its first OCIP was secured in 2001, primarily for construction of the Central Link light rail project, and subsequently amended to include the Airport Link light rail extension project and provided coverage from January 1, 2001 through December 31, 2009, with three years of completed operations coverage. The only remaining insurance policy under the first OCIP that has not expired is the professional liability and contractor’s pollution policy, which provides coverage through December 31, 2016 with an additional three-year

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

reporting period extending to December 31, 2019. This insurance policy was extended in order to provide insurance coverage for the final design of the University Link light rail project.

A second OCIP was secured in October 2008 for the University Link Light rail extension project with coverage provided from October 20, 2008 through September 30, 2016. The University Link project OCIP insurance coverage includes primary and excess commercial general liability (CGL), builder's risk, and contractors' pollution liability policies. The CGL insurance policy includes six years of completed operations coverage, which will expire September 30, 2022.

A third OCIP was secured in December 2012 for the North Link Light rail extension project with coverage provided from December 31, 2012 to December 31, 2021. The North Link project OCIP insurance coverage includes primary CGL, excess liability, builder's risk, excess builder's risk, and contractors' pollution liability policies. The CGL insurance policy includes six years of completed operations coverage, which will expire December 31, 2027.

On each of its commercial insurance policies, Sound Transit is responsible for either a specific deductible or a self-insured retention. Most of these insurance policies are written either on a per occurrence basis or on a claims-made basis. For its Initial Segment Light Rail OCIP general liability policy, Sound Transit procured a deductible liability protection policy as collateral to supplement the \$500.0 thousand deductible responsibility with the CGL insurer for the probable maximum claims exposure. This collateral account was established at the inception of the policy and estimated at \$6.5 million, which Sound Transit deposited with the CGL insurer in an interest-bearing loss fund account that is used to pay general liability claims under Sound Transit's \$500.0 thousand deductible responsibility. For its University Link project OCIP general liability policy, and its North Link project OCIP policy, there is no buy-down deductible policy in place to supplement the Sound Transit deductible obligation of \$100.0 thousand under these policies. However, Sound Transit deposited \$1.0 million for the University Link project OCIP, and an additional \$700.0 thousand for the North Link project OCIP, with the insurer in an interest-bearing account with Wells Fargo Bank as collateral to ensure Sound Transit's financial obligation for payment of any general liability claims under the terms of the CGL policies for both of these projects.

On both the University and North Link project OCIPs, Sound Transit has made the prime contractor(s) responsible for the deductibles through contractual risk-transfer. The deductible for the general liability insurance is \$100.0 thousand, which the contractor is responsible for 100% up to a maximum of \$100.0 thousand. The deductible for the builders' risk insurance is \$500.0 thousand, which the contractor is responsible for the first \$250.0 thousand of any loss, and Sound Transit is responsible for the remaining \$250.0 thousand in excess of the first \$250.0 thousand. The deductible for the contractor's pollution liability insurance is \$250.0 thousand, which the contractor is responsible for 100% up to a maximum of \$250.0 thousand. Sound Transit, as first named insured on the insurance policies is directly responsible for payment of the deductible to insurers. Sound Transit then bills the responsible contractor(s) for the deductible. In the event that a contractor is unwilling to reimburse Sound Transit for the deductible amount within a sixty-day period, Sound Transit utilizes a deductible chargeback process to deduct the claim amount under the deductible from the contractor's progress payment. This provides Sound Transit with no risk of non-payment by contractors, and any amount due to Sound Transit is offset against a contractor's progress payments or the retainage.

Annually, Sound Transit engages an actuary to prepare an independent actuarial analysis and to prepare an actuarial report in order to estimate its total insurance claim exposure under all of its insurance and risk management programs. The insurance claim amount estimated to be paid within the next year is included in other claims and short-term obligations.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Compensated Balances— Amounts estimated to be paid within the next year are included in accounts payable and accrued liabilities.

Deferred Compensation— Executive deferred compensation obligation as established under an Internal Revenue Service (IRS) Section 457(f) deferred compensation plan. See also note 3.

10. RESTRICTED NET POSITION

Restricted net position consists of the following:

<i>(in thousands)</i>	2014	2013
Debt service	\$ 56,801	\$ 56,129
Contractual arrangements	12,841	11,062
Deductible liability protection policy	996	1,002
	\$ 70,638	\$ 68,193

11. EMPLOYEE BENEFITS

Sound Transit provides a defined contribution money purchase plan and trust (401(a) Plan) to its employees. Great West Retirement Services is the plan's administrator and trustee. This plan is a fixed employer system, and membership in the system includes all full time Sound Transit employees and members of the Sound Transit Board eligible for compensation. 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. Employees are responsible for directing the investment of their contributions and Sound Transit's contributions.

Eligible employees are required to participate in the plan on the first day of employment. Sound Transit's actual contribution rates, which were the required contribution rates, are expressed as a percentage of covered payrolls. The amount of covered payroll during 2014 and 2013 was \$56.2 million and \$51.7 million, respectively, and total payroll was \$56.4 million and \$52.1 million, respectively. The required contribution rates expressed as a percentage of covered payroll and required Sound Transit contributions during 2014, 2013, and 2012 are as follows:

	Contribution rate			Contributions		
	2014	2013	2012	<i>(in thousands)</i>		
	2014	2013	2012	2014	2013	2012
Employer	12%	12%	12%	\$ 6,740	\$ 6,198	\$ 5,697
Employee	10	10	10	5,616	5,165	4,747
Total	22%	22%	22%	\$ 12,356	\$ 11,363	\$ 10,444

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

12. COMMITMENTS AND CONTINGENCIES

Operations and Maintenance Agreements— In May 2000, Sound Transit entered into a 40 year service agreement with BNSF for the operation of 18 commuter rail train trips by BNSF between Seattle and Tacoma establishing compensation paid to BNSF for train crews, maintenance of way, and other expenses incurred in the operation of the Sounder service. The compensation is based on the actual costs of crew, dispatch and management, as well as costs for maintenance of way plus performance incentives. This agreement has been amended to extend the service beyond Tacoma to the City of Lakewood and to add up to 8 additional trips (the acquisition of which is described below).

In December 2003, Sound Transit entered into an agreement with BNSF for the operation of the commuter trains by BNSF between Seattle and Everett and the compensation paid to BNSF for train crews, maintenance of way and other expenses incurred in the operation of the Sounder service. The compensation is structured as an hourly rate per train mile operated for a baseline service plan, with inflation adjustments plus performance incentives. The term of the agreement is for 12 years with an option of five additional years that must be agreed to by both parties, for a maximum term of 17 years.

Between June 2000 and June 2012, the cities of Seattle, Tukwila and SeaTac granted Sound Transit perpetual light rail access rights to operate its light rail service in their municipalities in return for Sound Transit constructing public right of way improvements in each of these cities' light rail transit ways. Costs included in the public right of way improvements necessary to operate light rail service include the costs to acquire real property and relocate existing residents and businesses.

In March 2010, Sound Transit and Amtrak entered into a new five-year agreement with one two-year option for renewal at Sound Transit's consent and three one-year renewal options at the mutual consent of both parties. Under the agreement, Sound Transit pays a flat monthly fixed price dependent upon the number of one-way trips and train sets in operation for a baseline set of operating assumptions. Sound Transit pays a negotiated rate for additional service above this baseline-operating plan (see related agreements described in note 6).

In June 2002, Sound Transit entered into an agreement with King County DOT to share DSTT maintenance and operation costs in exchange for the right to use the DSTT for light rail operations. Sound Transit's ongoing obligations include reimbursement of costs and payment of a share of King County DOT debt service owed for the original tunnel construction. Sound Transit is also committed under this agreement to share costs for future capital repairs or replacements as they arise. Compensation is calculated as reimbursement of certain King County DOT costs based on fixed percentages related to Sound Transit's share of usage of the DSTT. The DSTT agreement is in effect for five years after the opening of light rail operations in July 2009, at which point Sound Transit will either be required to purchase the DSTT or Sound Transit and King County DOT will enter into another operating agreement for joint use. In January 2014, the agreement was extended for one year to July 2015.

In June 2003, Sound Transit entered into a Central Link Light Rail system operation and maintenance agreement with King County DOT. Compensation for this service is based on reimbursement for King County DOT expenses based on a fixed amount for a baseline level of service, with additional costs billed for service changes directed by Sound Transit. This agreement was revised effective December 21, 2009 for a term of five years, and was extended to July 17, 2016.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

In April 2006, Sound Transit entered into a Construction Services and Operations Agreement with the Port of Seattle. The agreement provides construction and operating terms for Airport Link, on Port property. In August 2013, Sound Transit entered into a similar agreement covering Port property between the Airport station and South 200th Street in the City of SeaTac. The agreements are supported by easement for operation of light rail.

In January 2010, Sound Transit entered into new service agreements with King County DOT and Pierce Transit for the operation of its ST Express bus service. The agreements expire in July 2015. In April 2010, Sound Transit entered into a new three-year service agreement with Community Transit which also expires in July 2015. Service is compensated based upon a fixed fee agreed to annually with certain items subject to variable pricing, such as fuel and special services.

In July 2010, Sound Transit entered into an agreement with BNSF to acquire four perpetual easements on its Seattle to Tacoma corridor between 2010 and 2013 for total compensation of \$185.0 million. Each easement allows the operation of one round trip commuter train service (subject to the service agreement described above) no earlier than the later of either the agreed upon effective operational date of each easement or 24 months after Sound Transit has obtained required approvals and permits to allow BNSF to construct related improvements necessary for the operation of each easement.

Amended and Restated Agreement for Regional Fare Coordination System— In April 2009, Sound Transit entered into an amended agreement to operate and maintain a RFCS that establishes a common, non-cash fare system throughout seven participating transit agencies service areas and commits the agencies to using the RFCS for a minimum of ten years. Each Agency shares in operating and maintaining the RFCS in accordance with the agreement. Sound Transit's proportionate share of RFCS operating and maintenance costs for years 2014 and 2013 is 19.4% and 18.9%, respectively.

The following table represents the amounts included in these financial statements of Sound Transit's participation:

<i>(in thousands)</i>	December 31	
	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 7,352	\$ 6,458
Accounts receivable	7,066	6,245
Total assets	14,418	12,703
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	9,082	8,233
Unearned revenue	5,336	4,470
Total liabilities	14,418	12,703
Net position	\$ -	\$ -
Total operating revenues	\$ 48,826	\$ 45,865
Total expenses	\$ 1,551	\$ 1,077

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Governmental Agreements— In its ordinary course of planning, design and construction of its projects, Sound Transit enters into agreements with other governments. These agreements establish the working relationships with the other governmental entities and may obligate Sound Transit to pay for services over the lifecycle of a construction project, and often include provisions to transfer property or property rights upon completion of construction. Significant governmental agreements containing outstanding commitments include:

City of Seattle Funding and Cooperative Agreement for the implementation of the First Hill Streetcar Connector Project: Entered into on November 11, 2009, this agreement establishes the minimum scope of work for the project and funding obligations for Sound Transit. In October 2010, Sound Transit agreed to fully fund \$132.8 million of the costs necessary to design, construct and operate the First Hill Streetcar that were established in the November 2009 funding and cooperative agreement. The City will own the First Hill Streetcar facilities and vehicles, while Sound Transit will assume operation of the Streetcar service if the City and King County DOT fail to reach an initial operating agreement or after the initial five years of operation by King County DOT.

WSDOT Umbrella Agreement for R8A Project and East Link Light Rail: On August 26, 2010, Sound Transit was authorized to enter into an umbrella agreement with WSDOT to implement the remainder of the R8A project that consists of the I-90 Two-Way Transit and HOV Operations Project Stages 2 and 3 and the use of the I-90 center lanes for construction and operation of East Link. Sound Transit has agreed to fund Stages 2 and 3 of the I-90 Two Way Transit and HOV projects for \$153.2 million in exchange for a temporary construction airspace lease for the construction of light rail along the I-90 center lanes as well as a 40 year airspace lease with an option to renew for 35 years for the operation of light rail in the center lanes of I-90.

City of Bellevue Binding Umbrella Memorandum of Understanding and Transitway Agreement for East Link Project: In November 2011, Sound Transit and the City of Bellevue (the City) entered into a transitway agreement whereby Sound Transit would construct a tunnel through downtown Bellevue and the City granted Sound Transit non-exclusive use of City right of way to construct, operate and maintain the project. Additionally the agreement set forward the manner project risks and benefits would be shared, and how the parties would work together during final design, permitting and construction to manage the project. The agreement provided for an up-front contribution of property access, utility relocations and cash payments up to \$100 million, as well as a contingent contribution by the City up to \$60 million. In May 2015, the agreement was amended clarifying various elements, eliminating the \$60 million contingent contribution and Bellevue's termination rights and established terms around a potential Operations and Maintenance Satellite Facility in the Bel-Red transit node in Bellevue.

Land Bank Agreement— Sound Transit entered into an agreement called the Land Bank Agreement with WSDOT in July 2000 and as restated in December 2003, the purpose of which is to establish a framework within which WSDOT can from time to time convey portions of WSDOT property to Sound Transit and to make other portions of other WSDOT property available for non-highway use by Sound Transit in consideration for Sound Transit's funding of highway purpose improvements. In August 2010, as part of the Umbrella Agreement with WSDOT to complete the R8A Project, WSDOT agreed to grant Sound Transit land bank credits for all of its funding on the R8A projects as well as to extend the land bank agreement to 2080. Sound Transit will continue to earn land bank credits for projects involving highway improvements and use credits on projects that are located within the public highway right of way.

Sound Transit has guideways located on WSDOT property governed under multiple twenty-year airspace leases issued under the land bank agreement. These airspace leases have options to renew for an additional

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

20 years, at no additional cost or use of Land Bank Agreement credits. Should Sound Transit and WSDOT not enter into a new agreement at the end of the leases, property ownership transfers to WSDOT. At December 31, 2014, the value of the unused land bank credits that have not been conveyed by WSDOT to Sound Transit was \$232.2 million. This value is not recorded in the financial statements. The following table provides information on additions to and uses of credits accruing to the benefit of Sound Transit in 2014 and 2013.

	2014	2013
<i>(in millions)</i>		
Balance in Land Bank, beginning of year	\$ 232.2	\$ 244.4
Credits (Draws):		
Northgate Link	-	(12.2)
Balance in Land Bank, end of year	\$ 232.2	\$ 232.2

Purchases— At December 31, 2014 and 2013, Sound Transit had outstanding construction commitments of approximately \$0.9 billion and \$1.2 billion, respectively.

Grants— Sound Transit participates in several federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that Sound Transit has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2014 and 2013 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to noncompliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Claims— In the ordinary course of business, Sound Transit has been named as a defendant in a number of lawsuits relating to contractual matters. Although the ultimate outcome, if any, of these matters is presently unknown, management has evaluated all claims and potential claims and, where that exposure is probable, has reflected in the accounts of Sound Transit its best estimate of the exposure.

13. SUBSEQUENT EVENT

Management has evaluated events and transactions that have occurred after December 31, 2014, through May 22, 2015, the date these financial statements were issued.

On January 16, 2015, Sound Transit entered into a loan agreement with the United States Department of Transportation, acting by and through the Federal Highway Administrator under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program. The principal amount of the TIFIA Loan shall not exceed \$1,330,000,000 (excluding capitalized interest), to be used to pay a portion of the eligible project costs for the East Link Light Rail Project. As evidence of Sound Transit's obligation to repay the TIFIA loan, Sound Transit has issued to the lender a registered Sales Tax Bond, series 2015T-1. The TIFIA Bond is a second-tier junior obligation, secured by the TIFIA lien on pledged taxes, with a maximum principal amount of \$1,330,000,000 (excluding capitalized interest) with a maturity date of November 1, 2058.

The loan has not yet been drawn on. The first draw is anticipated to occur in 2019.

APPENDIX B

FORMS OF THE 2015 PARITY BOND RESOLUTIONS

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SOUND TRANSIT

RESOLUTION NO. R2015-16

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY RESTATING AS A PARITY BOND MASTER RESOLUTION, RESOLUTION NO. R2012-16, AS AMENDED BY RESOLUTION NO. R2015-13; PROVIDING FOR THE ISSUANCE FROM TIME TO TIME PURSUANT TO SERIES RESOLUTIONS OF FUTURE PARITY BONDS OF THE AUTHORITY TO FINANCE OR REFINANCE PORTIONS OF THE AUTHORITY’S REGIONAL TRANSIT SYSTEM; PROVIDING FOR THE PAYMENT OF SUCH PARITY BONDS; AND PROVIDING AN EFFECTIVE DATE

ADOPTED: July 23, 2015

SOUND TRANSIT

RESOLUTION NO. R2015-16

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY RESTATING AS A PARITY BOND MASTER RESOLUTION, RESOLUTION NO. R2012-16, AS AMENDED BY RESOLUTION NO. R2015-13; PROVIDING FOR THE ISSUANCE FROM TIME TO TIME PURSUANT TO SERIES RESOLUTIONS OF FUTURE PARITY BONDS OF THE AUTHORITY TO FINANCE OR REFINANCE PORTIONS OF THE AUTHORITY'S REGIONAL TRANSIT SYSTEM; PROVIDING FOR THE PAYMENT OF SUCH PARITY BONDS; AND PROVIDING AN EFFECTIVE DATE

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

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

WHEREAS, by Resolution No. 82, the Board authorized the imposition of the foregoing taxes and the rental car sales and use tax authorized by RCW 81.104.160 and contracted with the State of Washington Department of Revenue and Department of Licensing to collect and transfer such taxes to the Authority, beginning on April 1, 1997; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution Nos. 98-47 and 98-48, the Authority on January 6, 1999, issued its Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999 (the "1999 Prior Bonds"), secured by a pledge of the Local Option Taxes (defined herein), to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution Nos. R2005-02 and R2005-07, the Authority on March 31, 2005, issued its Sales Tax Bonds, Series 2005A (the "2005A Parity Bonds"), secured by a pledge of the Pledged Taxes (defined herein) subordinate to the pledge of Local Option Taxes securing payment of the 1999 Prior Bonds and Future Prior Bonds, including the 2009 Prior Bonds and 2012 Prior Bonds described herein, to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution Nos. R2007-22 and R2007-27, the Authority on December 18, 2007, issued its Sales Tax Bonds, Series 2007A (the "2007A Parity Bonds"), secured by a pledge of the Pledged Taxes subordinate

to the pledge of Local Option Taxes securing payment of the Prior Bonds and on a parity with the pledge of Pledged Taxes securing payment of the 2005A Parity Bonds, to finance improvements for the purpose of providing high capacity transportation service; and

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

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

WHEREAS, by Resolution No. R2008-15, the Board levied, fixed and imposed an additional sales and use tax of five-tenths of one percent effective January 1, 2009, confirmed that all then-existing Local Option Taxes remain in full force and effect and authorized a contract with the State of Washington Department of Revenue and Department of Licensing to collect and transfer all such taxes to the Authority; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution Nos. R2009-15 and R2009-17, the Authority on September 29, 2009, issued its Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2009P-1 and 2009P-2T (Taxable Build America Bonds – Direct Payment) (together, the "2009 Prior Bonds"), secured by a pledge of the Local Option Taxes, on a parity with the pledge that secures payment of the 1999 Prior Bonds, to finance improvements for the purpose of providing high capacity transportation service; and

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

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution No. R2012-16, adopted on June 28, 2012 (the "2012 Parity Resolution") the Authority on August 22, 2012 issued its Sales Tax Refunding Bonds, Series 2012S-1 (the "2012 Parity Bonds"), secured by a pledge of the Pledged Taxes subordinate to the pledge of Local Option Taxes securing payment of the Prior Bonds and on a parity with the pledge of Pledged Taxes securing payment of the 2007A Parity Bonds and 2009 Parity Bonds, to refund a portion of the 2005A Parity Bonds then outstanding; and

WHEREAS, on August 22, 2012, pursuant to Resolution No. R2012-14, adopted on June 28, 2012 (as amended by Resolution No. R2015-15, the "Master Prior Bond Resolution") and Resolution No. R2012-15, the Authority issued Sales Tax and Motor Vehicle Excise Tax Refunding Bonds, Series 2012P-1 (the "2012 Prior Bonds") to refund a portion of the 2005A Parity Bonds not refunded by the 2012 Parity Bonds; and

WHEREAS, on January 16, 2015, pursuant to Resolution No. R2014-30 (the "2014 TIFIA Resolution"), the Authority entered into a Loan Agreement, dated as of January 16, 2015 (the "TIFIA Loan Agreement") with the United States Department of Transportation, acting by and through the Federal Highway Administrator (the "TIFIA Lender"), and issued to the TIFIA Lender the Authority's Sales Tax Bond, Series 2015T-1 (East Link Light Rail Project: TIFIA 2014-1007A) (the "TIFIA Bond") to evidence the Authority's obligation under the TIFIA Loan Agreement to pay the lesser of (i) \$1,330,000,000 (excluding capitalized interest) and (ii) the Outstanding Principal Sum as defined in the TIFIA Bond, together with accrued and unpaid interest on the Outstanding Principal Sum, and all fees, costs and other amounts payable in connection therewith, all as described in the TIFIA Loan Agreement; and

WHEREAS, as provided in the 2014 TIFIA Resolution, the Authority's obligations under the TIFIA Loan Agreement and under the TIFIA Bond are Second Tier Junior Obligations payable from and secured by a pledge of Pledged Taxes available after the transfers and deposits required to be made as provided in the 2014 TIFIA Resolution and in Section 4 of this Parity Bond Master Resolution; and

WHEREAS, on July 23, 2015, the Board adopted Resolution No. R2015-14 (the "2015 TIFIA Resolution") to confirm and clarify certain provisions of the 2014 TIFIA Resolution; and

WHEREAS, on July 23, 2015, the Board adopted Resolution No. R2015-13 to amend and clarify certain provisions of each of Resolution Nos. R2007-22, R2009-16 and R2012-16;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of The Central Puget Sound Regional Transit Authority that Resolution No. R2012-16, as amended by Resolution No. R2015-13, shall be restated as follows:

Section 1. Definitions. As used in this Parity Bond Master Resolution, the following words and phrases shall have the meanings hereinafter set forth unless the context clearly indicates that another meaning is intended:

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

"Additional Taxes" means any taxes (other than Local Option Taxes) that, after the date this Parity Bond Master Resolution is adopted, are included as Pledged Taxes and pledged to the payment of Parity Bonds and Second Tier Junior Obligations and to the payment of First Tier Junior Obligations if the Authority so determines in a Supplemental Resolution.

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

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

required, as applicable, to adjust such Pledged Taxes and, in the case of an increase, to pledge such increased taxes to the payment of Parity Bonds and Second Tier Junior Obligations and to the payment of First Tier Junior Obligations if the Authority so determines in a Supplemental Resolution.

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

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

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

(3) if a Parity Payment Agreement is executed in connection with a Series of Parity Bonds, the Annual Parity Bond Debt Service shall include regularly scheduled Payments adjusted to take into account regularly scheduled Receipts as provided in Section 11(d);

(4) in the case of Balloon Maturity Parity Bonds, it shall be assumed that the principal of such Balloon Maturity Parity Bonds, together with interest thereon at the rate applicable to such Balloon Maturity Parity Bonds as set forth in a Series Resolution or closing certificate or, in the case of Balloon Maturity Parity Bonds that are Variable Rate Parity Bonds, at the rate provided for in paragraph (1) of this definition, shall be amortized in equal annual installments over a period equal to the longer of 30 years or the remaining term of the Balloon Maturity Bonds;

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

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

"Assumed Variable Rate" means, as of the date of calculation, the lower of (A) the maximum rate set forth in such Variable Rate Parity Bonds or in the Series Resolution for such

Variable Rate Parity Bonds; or (B)(i) with respect to Parity Bonds that bear interest at a tax-exempt Variable Rate, a rate equal to the highest 12-month rolling average of the SIFMA Index over the preceding 10 years or (ii) with respect to Parity Bonds that bear interest at a taxable Variable Rate, a rate equal to the highest 12-month rolling average of One-Month LIBOR over the preceding 10 years.

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

“Authority Parity Bond Certificate” means a certificate executed by a Designated Authority Representative in connection with the issuance of Future Parity Bonds or Future Prior Bonds pursuant to Section 6.

“Authority Pledged Taxes Sufficiency Certificate” means a certificate executed by a Designated Authority Representative in connection with the reduction of the Sales Tax pursuant to Section 10(a).

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

“Balloon Maturity Parity Bonds” means Parity Bonds or commercial paper obligations of a Series that are so designated in the Series Resolution or in a certificate authorized by the Series Resolution pursuant to which such Parity Bonds or commercial paper obligations are issued, the aggregate principal of which becomes due and payable, either at maturity or by mandatory sinking fund redemption, in any Fiscal Year in an amount that constitutes 25% or more of the initial aggregate principal of the Parity Bonds or commercial paper obligations of such Series.

“Base Parity Period” means any consecutive 12-month period selected by the Authority out of the 24-month period immediately preceding the date of issuance of a Series of Parity Bonds for purposes of Section 6(d), or any consecutive 12-month period selected by the Authority out of the 16-month period immediately preceding the date of calculation for purposes of Section 10(a).

“Board” means the Board of Directors of the Authority.

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

“Bond Register” means the registration books on which are maintained the names and addresses of the Owners of Parity Bonds.

“Bond Registrar,” unless otherwise specified in a Series Resolution or certificate authorized by a Series Resolution, means the fiscal agent of the State of Washington, or any successor bond registrar selected by the Authority, whose duties include the registration and authentication of the Parity Bonds, maintenance of the Bond Register, effecting transfer of ownership of the Parity Bonds, and paying the principal of, premium, if any, and interest on Parity Bonds.

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

“Business Day” means (a) a day other than a day on which banks in Seattle, Washington, or New York, New York or the Bond Registrar (or its subcontractor) is closed; or (b) in the case of Variable Rate Parity Bonds, a day other than a day on which the Bond Registrar, the remarketing agent, if any, or the office of the Credit Facility Provider, if any, or the Liquidity Facility Provider, if any, where draws with respect to such Variable Rate Parity Bonds are to be presented, are closed and other than a day on which the New York Stock Exchange is closed.

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

“Chief Executive Officer” means the Chief Executive Officer of the Authority (or comparable officer designated from time to time by resolution of the Board).

“Chief Financial Officer” means the Executive Director, Finance and Information Technology or other chief financial officer of the Authority, and any successor to substantially the same duties.

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

“Covered Parity Bonds” means Future Parity Bonds designated as “Covered Parity Bonds” in a Series Resolution and the payment of which is secured by a pledge of moneys and securities in the Parity Reserve Account.

“Credit Facility” means a direct-pay letter of credit (including a confirming letter of credit if applicable) issued by a bank or a bond insurance policy issued by a monoline insurance company, in each case that by its terms secures the payment when due of the principal or Accreted Value of and the interest on Parity Bonds or Junior Obligations of one or more series and maturities.

“Credit Facility Provider” means the issuer of a Credit Facility.

“Default” means any of the events specified in Section 15.

“Defeasance Obligations” means non-callable direct and general obligations of the United States of America or non-callable obligations that are unconditionally guaranteed as to payment of principal and interest by the United States of America, or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America, including any stripped interest or principal portions of non-callable United States of America obligations or of non-callable Resolution Trust Corporation securities.

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

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

“Excess Taxes” means, following the occurrence of a Revenue Sharing Trigger Event, an amount in each month equal to 50% of the amount by which the Pledged Taxes on deposit in the Local Option Tax Accounts in such month exceed the amounts in such month described in paragraphs “First” through “Eleventh” in Subsection 4(b).

“Existing Parity Bond Resolutions” means the resolutions pursuant to which the 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds were issued.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, that if such day is not a Business Day, then the Federal Funds Rate for such day shall be the rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day.

“First Tier Junior Obligations” means bonds, notes or other obligations issued pursuant to a resolution and secured by a pledge of and/or payable from the Pledged Taxes as described in Subsection 4(b) under “Fifth” and “Sixth” (and subordinate to outstanding Parity Bonds but senior to Second Tier Junior Obligations and to any obligations that are subordinate to Second Tier Junior Obligations).

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

“Future Parity Bonds” means bonds, notes or other obligations of the Authority issued after the issuance of the 2012 Parity Bonds in accordance with the provisions of Section 6 or Section 7 of this Parity Bond Master Resolution and payable from, and secured by a pledge of, Pledged Taxes required to be paid into the Parity Bond Account, on an equal and ratable basis with Outstanding Parity Bonds, including as of the date of adoption of this Parity Bond Master Resolution, the Series 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds.

“Future Prior Bonds” means any bonds, notes or other obligations of the Authority issued in accordance with Section 3 of the Prior Bond Master Resolution and with Section 6 of this Parity Bond Master Resolution and payable from and secured by a pledge of Local Option Taxes on a parity with the pledge securing the 1999 Prior Bonds, the 2009 Prior Bonds and the 2012 Prior Bonds.

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

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

“Letter of Representations” means the Blanket Issuer Letter of Representations with DTC dated December 9, 1998, setting forth certain understandings of the Authority and the Bond Registrar with respect to DTC’s services, as it may be amended from time to time.

“Liquidity Facility” means a letter of credit, a line of credit, a standby bond purchase agreement or a similar agreement that provides for the purchase of, or the funding of amounts to purchase, Parity Bonds or Junior Obligations that are subject to purchase on mandatory or optional tender or purchase dates and/or on dates specified for purchase at the option of the Owners of such Parity Bonds or Junior Obligations.

“Liquidity Facility Provider” means the issuer of or a party to a Liquidity Facility.

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

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

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

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

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

“One-Month LIBOR” means, for any relevant date of determination, the rate for deposits in U.S. dollars with a one-month maturity as published by Reuters on Reuters Screen LIBOR01 Page (or published by such other service selected by the Authority, which has been approved or nominated by the ICE Benchmark Administration as an authorized vendor for the purpose of publishing London interbank offered rates for U.S. dollar deposits) as of 11:00 AM, London time, on such date; provided, that if such rate is not available on the relevant date and/or the Authority or a calculation agent is not able to determine such rate, “One-Month LIBOR” means One-Month LIBOR then in effect during the immediately preceding interest period; or, at the direction of a Designated Authority Representative (i) a replacement index based upon the arithmetic mean of the quotations, if any, of the interbank offered rate by first class banks in London or New York for deposits with comparable maturities or (ii) the Bond Registrar’s Federal Funds Rate as of the first day of any period for which such One-Month LIBOR is unavailable or cannot be determined; provided further, that the Bond Registrar shall give prompt written notice to the Authority setting forth such change in interest rate, the nature of the circumstances giving rise to such change and the method of calculating such change if based upon a replacement index. The Bond Registrar’s internal records of applicable interest rates shall be determinative in the absence of manifest error.

“Outstanding,” in connection with Parity Bonds means, as of the time in question, all Parity Bonds authenticated and delivered under a Series Resolution, except: (a) Parity Bonds theretofore paid and cancelled or required to be cancelled under a Series Resolution; (b) Parity Bonds that have been defeased in accordance with Section 12 and the corresponding provisions of Resolution Nos. R2007-22 and R2009-16; and (c) Parity Bonds in substitution for which other Parity Bonds have been authenticated and delivered.

“Owner” means the registered owner of any Parity Bond.

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

“Parity Bond Account” means the Subordinate Bond Account created pursuant to Section 19(a) of Resolution No. R2005-02 and renamed the “Parity Bond Account” in Section 19(a) of Resolution No. R2009-16 and provided for in Section 9(a) of this Parity Bond Master Resolution.

“Parity Bond Master Resolution” means this Resolution No. R2015-16.

“Parity Bonds” means the 2007A Parity Bonds, the 2009 Parity Bonds, the 2012 Parity Bonds and any Future Parity Bonds.

“Parity Payment Agreement” means a Payment Agreement between the Authority and a Qualified Counterparty, meeting the conditions set forth in Section 11, under which the Authority’s regularly scheduled Payment obligations are expressly stated to be secured by a

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

“Parity Reserve Account” means the Subordinate Reserve Account created pursuant to Section 19(b) of Resolution No. R2005-02 and renamed the “Parity Reserve Account” in Section 23(b) of Resolution No. R-2012-16 and provided for in Section 9(b) of this Parity Bond Master Resolution.

“Parity Reserve Account Requirement” means (A) for the 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds, zero; (B) for Future Parity Bonds designated in a Series Resolution as “Covered Parity Bonds,” the lesser of: (1) Maximum Annual Parity Bond Debt Service or (2) 125% of Average Annual Parity Bond Debt Service; provided, that upon the issuance of any Series of Future Parity Bonds, the Parity Reserve Account Requirement shall not be required to be funded or increased by an amount greater than 10% of the proceeds of the Parity Bonds of that Series; and (C) for Future Parity Bonds that are not Covered Parity Bonds, the amount (which may be zero) specified in a Series Resolution as the Parity Reserve Account Requirement for the Parity Bonds of such Series. For purposes of calculating the Parity Reserve Account Requirement or any other reserve account requirement, the initial issue price of Capital Appreciation Parity Bonds shall be deemed to be the sale proceeds of such Capital Appreciation Parity Bonds.

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

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

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

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

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

“Pledged Taxes” means (i) the rental car sales and use tax levied by the Authority as of the date of this Parity Bond Master Resolution at the rate of 0.8%, as authorized by RCW

81.104.160, (ii) the sales and use tax authorized by RCW 81.104.170, initially approved at an election held on November 5, 1996 and levied by the Authority as of the date of this Parity Bond Master Resolution at the rate of 0.4%, together with the additional sales and use tax approved at an election held on November 4, 2008 and levied by the Authority as of the date of this Parity Bond Master Resolution at the rate of 0.5% and (iii) Additional Taxes and/or the Motor Vehicle Tax, in each case if pledged to the payment of the Parity Bonds and Second Tier Junior Obligations pursuant to a Series Resolution or Supplemental Resolution and to payment of First Tier Junior Obligations if the Authority so determines in a Supplemental Resolution, as such taxes may be levied from time to time by the Authority.

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

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

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

“Prior Bonds Coverage Requirement,” with respect to an Authority Parity Bond Certificate, has the meaning assigned that term in Section 6(d)(i), and with respect to an Authority Pledged Taxes Sufficiency Certificate, has the meaning assigned that term in Section 10(a).

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

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

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

“Project Fund” means the fund created pursuant to Section 6A of this Parity Bond Master Resolution.

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

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

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

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

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

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

“Record Date” means for outstanding Parity Bonds, the date or dates on the 15th day of the month preceding an interest payment date for the Parity Bonds of such Series and for Future Parity Bonds of any Series, “Record Date” means the date set forth in the Series Resolution as the Record Date (or Dates) for the Parity Bonds of such Series.

“Refunding Parity Bonds” means Future Parity Bonds the proceeds of which will be used to refund Authority obligations as provided in Section 7.

“Revenue Sharing Account” has the meaning set forth in the TIFIA Loan Agreement.

“Revenue Sharing Trigger Event” means the occurrence and continuation of the following events: the ST2 Capital Program has been completed, stopped or abandoned and (ii) the ST3 Capital Program or other capital programs to build the regional transit system have not been approved by the voters and are not under active development.”

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

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

“SEC” means the United States Securities and Exchange Commission.

“Second Tier Junior Obligations” means the TIFIA Bond and any other obligations of the Authority secured by a pledge of, or payable from, the Pledged Taxes on a parity with the pledge that secures payment of the TIFIA Bond as described under “Seventh” and “Eighth” in Subsection 4(b).

“Series” means any separate series of Parity Bonds issued in accordance with Section 6 or Section 7 of this Parity Bond Master Resolution and pursuant to a Series Resolution.

“Series Resolution” means Resolutions Nos. R2012-16, R2009-16 and R2009-18, R2007-22 and R2007-27 and for Future Parity Bonds, a resolution or resolutions authorizing the issuance and sale of one or more Series of Parity Bonds, as such resolution may be amended or

supplemented in accordance with the provisions of such resolution and this Parity Bond Master Resolution.

“SIFMA” means The Securities Industry & Financial Markets Association (formerly the Bond Market Association).

“SIFMA Index” means, with respect to any relevant date of determination, the SIFMA Municipal Swap Index as published on such date or, if not published on such date, then as published as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or its successor or as otherwise designated by SIFMA; provided, however, that if such index is no longer produced by Municipal Market Data, Inc. or its successor, then “SIFMA Index” shall mean the S&P Weekly High Grade Index. If the S&P Weekly High Grade Index is no longer published, “SIFMA Index” shall mean such other reasonably comparable index selected by the Authority for tax-exempt state and local government bonds meeting the then-current SIFMA criteria or criteria used by SIFMA to determine the SIFMA Index immediately prior to the date on which such index and the S&P Weekly High Grade Index are no longer published.

“ST2 Capital Program” means the Sound Transit 2 Plan passed by the applicable voters of the State on November 4, 2008, which program provides for, among other things, the capital expenditures for the Authority over a period of 15 years and funded, in part or in whole, by the Local Option Taxes.

“ST3 Capital Program” means a future capital improvement program for the public transportation system of the Authority passed by the applicable voters of the State, from time to time, which program may provide for, among other things, the capital expenditures for the Authority over a period of time and is funded, in part or in whole, by taxes that are authorized to be levied from time to time by the Authority, including, but not limited to, Local Option Taxes and Pledged Taxes.

“State” means the State of Washington.

“Supplemental Resolution” means a resolution adopted by the Authority pursuant to Section 14, including Resolution No. R2015-15 adopted on July 23, 2015.

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

“Tax Stabilization Subaccount” means the subaccount of that name authorized to be created pursuant to Section 2 of the Prior Bond Resolution, Section 14 of Resolution No. R2007-22, Section 14 of Resolution No. R2009-16, Section 18 of Resolution No. R2012-16 and Subsection 4(a) of this Parity Bond Master Resolution.

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

“TIFIA Bond” means the Sales Tax Bond, Series 2015T-1 (East Link Light Rail Project: TIFIA 2014-1007A) delivered by the Authority to the TIFIA Lender pursuant to the TIFIA Loan Agreement. The TIFIA Bond is a Second Tier Junior Obligation.

“TIFIA Lender” means the United States Department of Transportation acting by and through the Federal Highway Administrator.

“TIFIA Loan Agreement” means the TIFIA Loan Agreement, dated as of January 16, 2015, between the Authority and the TIFIA Lender, as amended from time to time.

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

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

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

“2012 Parity Bonds” means the Authority’s Sales Tax Refunding Bonds, Series 2012S-1, authorized by Resolution No. R2012-16 as amended and restated by this Parity Bond Master Resolution, including Appendix A hereof.

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

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

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

Section 2. Registration and Transfer or Exchange of Parity Bonds. (a) Parity Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the Owner of each Parity Bond and the principal amount and number of each of the Parity Bonds held by each Owner.

Parity Bonds surrendered to the Bond Registrar may be exchanged for Parity Bonds in any authorized denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. Parity Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be

without cost to the Owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Parity Bond during the period beginning on the date the Bond Registrar receives direction to send notice of redemption of that Parity Bond and ending on the date the Bond Registrar sends such notice.

(b) Unless otherwise provided in a Series Resolution for Future Parity Bonds of one or more Series, Parity Bonds of each Series initially shall be registered in the name of Cede & Co., as the nominee of DTC. Parity Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of the Letter of Representations. Neither the Authority nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Parity Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or premium, if any, or interest on the Parity Bonds, or any notice which is permitted or required to be given to Owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC or its nominee).

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

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

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

Section 3. Payment of Parity Bonds. The principal or Accreted Value of and premium, if any, and interest on the Parity Bonds shall be payable in lawful money of the United States of America. Except as otherwise provided in a Series Resolution for Parity Bonds of that Series, interest on the Parity Bonds shall be paid by checks or drafts of the Bond Registrar, or, if requested in writing prior to the Record Date by the Owner of \$1,000,000 or more in principal amount of Parity Bonds, by wire, mailed or transferred on the interest payment date to Owners of the Parity Bonds as those Owners and their addresses and accounts appear on the Bond Register on the Record Date. Unless otherwise provided in a Series Resolution, interest on fixed-rate

Parity Bonds of a Series shall be calculated on the basis of a 360-day year of twelve 30-day months and interest on Variable Rate Parity Bonds of a Series shall be calculated on the basis of a 365- or 366-day year, as applicable, and the number of days elapsed. Principal of and premium, if any, on the Parity Bonds shall be payable at maturity or on such date as may be specified for prior redemption upon presentation and surrender of the Parity Bonds by the Owners at the designated office or offices of the Bond Registrar. Notwithstanding the foregoing, payment of any Parity Bonds registered in the name of DTC or its nominee shall be made in accordance with the Letter of Representations.

Section 4. Local Option Tax Accounts; Flow of Funds.

(a) Local Option Tax Accounts; Tax Stabilization Subaccount; and Additional Taxes Accounts. The Authority maintains Local Option Tax Accounts into which it promptly deposits Pledged Taxes upon the receipt thereof. The Authority may create a Tax Stabilization Subaccount in the Local Option Tax Accounts and deposit Pledged Taxes collected in any Fiscal Year into that subaccount or withdraw Pledged Taxes deposited therein from such subaccount and use amounts in such subaccount for any lawful purposes in accordance with the flow of funds set forth in Subsection 4(b), including for the purposes set forth in Subsection 10(a), and subject to the requirements set forth in the Prior Bond Resolution, in Resolution Nos. R2007-22 and R2009-16 and in this Parity Bond Master Resolution. The Tax Stabilization Subaccount may be the same subaccount of that name established under Section 2(a) of the Prior Bond Resolution. Notwithstanding the foregoing, the Authority may provide that Additional Taxes shall be deposited into Additional Taxes Accounts, including a separate tax stabilization subaccount therein.

(b) Flow of Funds. Pledged Taxes deposited in the Local Option Tax Accounts shall be used by the Authority only for the following purposes and in the following order of priority. Additional Taxes deposited in the Additional Taxes Accounts shall be applied by the Authority for the purposes and in the order of priority set forth below, beginning with paragraph "Third." Notwithstanding the foregoing, the provisions and order of paragraphs "Fifth" through "Thirteenth" may be amended or (other than paragraphs "Tenth" and "Thirteenth") deleted by the Authority without the consent of the Owners of Parity Bonds.

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

(i) to pay the interest when due on the Prior Bonds (including regularly scheduled Payments under Prior Payment Agreements); and

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

Second, to make all payments required to be made into the Prior Reserve Account by Section 7(b) of the Prior Bond Resolution to meet the Prior Reserve Account Requirement and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Qualified Prior Letter of Credit or Qualified Prior Insurance with respect to the Prior Reserve Account Requirement; provided, that if there is not sufficient money to make all

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

Third, to make all payments required to be made into the Parity Bond Account, including the monthly deposits required by Section 19(a) of Resolution Nos. R2007-22 and R2009-16 and Section 9(a) of this Parity Bond Master Resolution, in the following order:

(i) to pay the interest when due on Parity Bonds (including regularly scheduled payment obligations under Parity Payment Agreements for Parity Bonds);

(ii) to pay the maturing principal (including sinking fund redemptions) of Parity Bonds; and

(iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of the Parity Reserve Account Requirement, and other than the provider of a Liquidity Facility), for payments of the principal and/or interest on Parity Bonds; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made to the providers on a pro rata basis;

Fourth, to make all payments required to be made (i) into the Parity Reserve Account under any Series Resolution authorizing the issuance of Parity Bonds that are Covered Parity Bonds to meet the Parity Reserve Account Requirement for Covered Parity Bonds and (ii) into a separate reserve account or into a subaccount within the Parity Reserve Account established in a Series Resolution for one or more Series of Parity Bonds that are not Covered Parity Bonds; and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to the Parity Reserve Account Requirement; provided, that if there is not sufficient money to make all payments under all such Parity Bond reserve account reimbursement agreements the payments will be made to the providers on a pro rata basis;

Fifth, to make the following required payments in the following order (provided that the Authority may specify that payments relating to First Tier Junior Obligations specified in this paragraph “Fifth” and/or in paragraph “Sixth” be made in any other order or priority):

(i) to pay the interest when due on First Tier Junior Obligations (including regularly scheduled payment obligations under any Payment Agreement for the First Tier Junior Obligations);

(ii) to pay the maturing principal (including sinking fund redemptions) of First Tier Junior Obligations; and

(iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of any reserve account requirement for First Tier Junior Obligations, and other than the provider of a Liquidity Facility) for payments of the principal and/or interest on First Tier Junior Obligations; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made to the providers on a pro rata basis;

Sixth, to make all payments required to be made to meet any reserve account requirement for First Tier Junior Obligations and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to such reserve account requirement; provided, that if there is not sufficient money to make all payments under all such reserve account reimbursement agreements, the payments will be made to the providers on a pro rata basis;

Seventh, to make all of the following required payments in the following order:

(i) to pay the interest when due on the TIFIA Bond and any other Second Tier Junior Obligations (including regularly scheduled payment obligations under any Payment Agreement for the Second the Tier Junior Obligations);

(ii) to pay the maturing principal (including sinking fund redemptions) of the TIFIA Bond and any other Second Tier Junior Obligations; and

(iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of any reserve account requirement for Second Tier Junior Obligations, and other than the provider of a Liquidity Facility) for payments of the principal and/or interest on Second Tier Junior Obligations; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made to the providers on a pro rata basis;

Eighth, to make all payments required to be made to meet any reserve account requirement for Second Tier Junior Obligations (including the payments required to be made into the TIFIA Reserve Account pursuant to Section 15(m) of the TIFIA Loan Agreement to meet the TIFIA Reserve Requirement) and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to such reserve requirement; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made on a pro rata basis;

Ninth, if the TIFIA Bond is outstanding, to the payment of fees, administrative costs and other expenses of the TIFIA Lender;

Tenth, to pay costs of operating and maintaining the Authority and its System, including all of its public transportation facilities and assets, in a state of good repair;

Eleventh, to fund any termination payment in connection with a Qualified Hedge or Payment Agreement to the extent permitted in the TIFIA Resolution or as otherwise agreed by the TIFIA Lender if the TIFIA Bond is outstanding;

Twelfth, so long as the TIFIA Bond is outstanding and is owned by the TIFIA Lender or another federal agency and except as otherwise agreed (or waived), upon the occurrence and continuation of a Revenue Sharing Trigger Event, an amount equal to the Excess Taxes for such month for deposit into the Revenue Sharing Account; and

Thirteenth, for any lawful purpose of the Authority; provided, that the Authority may determine that items in this Thirteenth category shall be paid in a specified order of priority.

Section 5. Pledge of Pledged Taxes; Additional Pledges and Covenants.

(a) So long as any of the Parity Bonds remain Outstanding, the Authority irrevocably obligates and binds itself to impose, collect and deposit all Pledged Taxes into the Local Option Tax Accounts and the Additional Taxes Accounts, as applicable. All Parity Bonds now or hereafter Outstanding shall be equally and ratably payable and secured hereunder and under each Series Resolution without priority by reason of date of adoption of any Series Resolution providing for their issuance or by reason of their Series or date of sale or delivery; provided, that all or any portion of Parity Bonds of any Series also may be payable from and secured by a Credit Facility specifically pledged to or provided for those Parity Bonds. The Authority may also, at its sole option, apply amounts legally available from any other source to the payment of Parity Bonds or to make the deposits required hereunder.

(b) The Authority expressly reserves the right (but is not obligated) to include and pledge Additional Taxes, the Motor Vehicle Tax, and/or receipts resulting from an Adopted Parity Rate Adjustment, as "Pledged Taxes." The Board has determined that any future inclusion of such Additional Taxes and/or the Motor Vehicle Tax and/or receipts resulting from an Adopted Parity Rate Adjustment as Pledged Taxes will benefit the Authority and the Owners of Parity Bonds. The inclusion of Additional Taxes as Pledged Taxes will not constitute a pledge of those Additional Taxes to the payment of Prior Bonds unless the Authority expressly provides therefor. The Authority has designated the additional sales and use tax approved at an election held on November 4, 2008, and imposed by Resolution No. R2008-15, as an Adopted Parity Rate Adjustment and a component of Pledged Taxes pledged to the payment of the Parity Bonds. As of the date of this Parity Bond Master Resolution, no other Additional Taxes have been pledged to the payment of Prior Bonds, Parity Bonds or Junior Obligations.

(c) All Parity Bonds are special limited obligations of the Authority payable from and secured solely by a pledge of (1) the Pledged Taxes and the amounts, if any, in the Parity Bond Account, the Parity Reserve Account (except as otherwise provided in Section 19(b) of Resolution Nos. R2007-22 and R2009-16 and in Section 9(b) of this Parity Bond Master Resolution); (2) amounts in the Local Option Tax Accounts, the Additional Taxes Accounts, the Tax Stabilization Subaccount, subject to the prior pledge of money in the Local Option Tax Accounts and the Tax Stabilization Subaccount that has been made in favor of the Prior Bonds; and (3) amounts in any proceeds account created pursuant to a Series Resolution (except as provided in Section 15 of Resolution Nos. R2007-22 and R2009-16 and 23(b) of Resolution 2012-16 and except as provided in any Series Resolution or in Section 9(c) or Section 12 of this Parity Bond Master Resolution) and any project account created in the Project Fund for the deposit of proceeds of the Parity Bonds of a Series, including in each case the amounts in the accounts created pursuant to Section 15 of Resolution Nos. R2007-22 and R2009-16 and Section 19 of Resolution No. 2012-16. The Parity Bonds of each Series are "Subordinate Obligations" as that term is defined by and under the Prior Bond Resolution.

(d) There are hereby pledged for the payment of the Parity Bonds (1) amounts in the Parity Bond Account, the Additional Taxes Accounts, the Parity Reserve Account (to the extent provided in Section 9(b) and/or 9(c) and except as provided in a Series Resolution or in Section

9(c) or Section 12 of this Parity Bond Master Resolution, the proceeds of the Parity Bonds deposited in any proceeds account and/or in any account created in the Project Fund for the deposit of Parity Bond proceeds; and such pledge is hereby declared to be a charge on the amounts in such accounts equal to the charge of any other Parity Bonds thereon, and superior to all other charges of any kind or nature, and (2) the Pledged Taxes and amounts in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount and earnings thereon, to the extent amounts and earnings in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount represent revenues from Pledged Taxes, and such pledge is hereby declared to be a prior charge upon the Pledged Taxes and the accounts described in this paragraph superior to all other charges of any kind or nature except the charge of the Prior Bonds on Local Option Taxes, and equal to the charge of any other Parity Bonds.

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

(f) The Authority also covenants that no Parity Bonds, including Future Parity Bonds, will be subject to acceleration (not including any indirect acceleration of the maturity thereof) (i) through reimbursement obligations to the provider of a Credit Facility occurring as a result of the mandatory tender for purchase thereof or (ii) as a result of revised amortization requirements and/or increased interest rates following an optional or mandatory tender for purchase thereof).

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

Section 6. Issuance of Future Parity Bonds and Future Prior Bonds. Except as provided in Section 7, the Authority may issue Future Parity Bonds only upon compliance with the following conditions as certified by a Designated Authority Representative:

- (a) there is no deficiency in the Parity Bond Account;
- (b) an amount equal to the Parity Reserve Account Requirement, if any, for the Future Parity Bonds to be issued shall be on deposit or shall be otherwise provided for on or prior to the date of issuance of such Future Parity Bonds, all in accordance with Section 9(b);
- (c) no Default (as defined in Section 15) has occurred and is continuing; and
- (d) an Authority Parity Bond Certificate is delivered upon the issuance of such Future Parity Bonds, which shall state that:
 - (i) Prior Bonds Coverage Test. Local Option Taxes received during the Base Parity Period were not less than 1.5 times Maximum Annual Prior Bond Debt Service on all Prior Bonds that will be outstanding upon the issuance of such series of Future Parity Bonds (the "Prior Bonds Coverage Requirement"); and

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

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

In preparing such certificate: (A) the Local Option Taxes and/or Pledged Taxes during the Base Parity Period may be only those shown in audited or unaudited financial statements of the Authority; provided, that (B) the Designated Authority Representative shall take into account in calculating amounts received during the Base Parity Period any Adopted Parity Rate Adjustment, Additional Taxes and Motor Vehicle Tax included as Pledged Taxes pursuant to Section 5, and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Parity Period; (C) the Motor Vehicle Tax and/or Additional Taxes may not be taken into account to meet the requirements of clause (iii) above unless the Authority receives an opinion of Bond Counsel to the effect that the pledge of such Motor Vehicle Tax and/or Additional Taxes to such Future Parity Bonds is in full force and effect for the period in which they are included as Pledged Taxes; (D) any Adopted Parity Rate Adjustment, Additional Taxes and/or extension of an existing tax included as part of Pledged Taxes shall be taken into account only if a certified public accountant, economic consultant or financial advisor experienced with state or local taxation or municipal bonds certifies that it is reasonable to expect that such adjusted, new or extended taxes will be received in the amounts assumed for purposes of the Authority Parity Bond Certificate; and (E) deposits into and withdrawals from the Tax Stabilization Subaccount during the Base Parity Period may not be taken into account.

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

Section 6A. Project Fund. A special fund is hereby created and designated the "Project Fund," to the credit of which such deposits shall be made as are required by the provisions of any Series Resolution or Supplemental Resolution. The Project Fund shall be held by the Authority and may contain one or more accounts and subaccounts as determined by the Designated Authority Representative.

Section 7. Refunding Parity Bonds. The Authority, by means of a Series Resolution and in compliance with the provisions of Section 6 (except as otherwise provided below), may issue Refunding Parity Bonds as follows:

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

(b) Refunding Parity Bonds also may be issued for the purpose of refunding Parity Bonds without regard to the requirements of Section 6(d), if a Designated Authority Representative certifies that the Annual Parity Bond Debt Service on such Refunding Parity Bonds in any Fiscal Year will not exceed the Annual Parity Bond Debt Service by more than \$5,000 on the Parity Bonds to be refunded were such refunding not to occur.

(c) Refunding Parity Bonds also may be issued, consistent with applicable law, without regard to the requirements of Section 6, for the purpose of refunding (including by purchase) any Authority obligations (other than Junior Obligations) for the payment of which sufficient funds are not available, or are forecasted by a Designated Authority Representative to be unavailable, in the future.

Section 8. Junior Obligations; Obligations with Pledge of Revenues Other Than Pledged Taxes. (a) The Authority may issue Junior Obligations for any lawful purpose of the Authority. The resolution authorizing a series of Junior Obligations shall provide that the maturity date of Junior Obligations may not be accelerated (not including any indirect acceleration of the maturity thereof (i) through reimbursement obligations to the provider of a Credit Facility occurring as a result of the mandatory tender for purchase of Junior Obligations or (ii) as a result of revised amortization requirements and/or increased interest rates following an optional or mandatory tender for purchase thereof) and shall further provide that following the occurrence of a Default, Pledged Taxes may not be used to pay the principal of or interest on Junior Obligations unless all deposits and payments required to be made with respect to the Prior Bonds and the Parity Bonds have been fully made or paid.

(b) In addition to Junior Obligations, the Authority reserves the right to issue obligations payable from revenues of the Authority other than Pledged Taxes.

Section 9. Monthly Deposits; Parity Bond Account; and Parity Reserve Account.

(a) Parity Bond Account. The Subordinate Bond Account was created as a special account of the Authority for the purpose of providing for and securing the payment of Parity Bonds and the payment of Parity Payment Agreements meeting the requirements of Section 11 and was renamed the "Parity Bond Account" by Resolution No. R2009-16. The Parity Bond

Account is pledged to the payment of Parity Bonds and Parity Payment Agreements meeting the requirements of Section 11, and shall be separate and apart from all other accounts of the Authority. Notwithstanding the foregoing, only regularly scheduled Payments made under a Parity Payment Agreement are secured by this Section.

Subject to the requirements of Section 5(b), the Authority hereby irrevocably obligates and binds itself for so long as any Parity Bonds remain Outstanding to set aside or cause to be set aside and pay or cause to be paid into the Parity Bond Account from Pledged Taxes:

(i) approximately equal monthly deposits such that the amounts projected to be on deposit on the next interest payment date will be sufficient to pay the interest scheduled to become due and redemption premium, if any, on Outstanding Parity Bonds; and

(ii) approximately equal monthly deposits such that the amounts projected to be on deposit on the next principal payment date will be sufficient to pay maturing principal (including sinking fund redemptions) for Parity Bonds; and

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

(b) Parity Reserve Account for Covered Parity Bonds. The Subordinate Reserve Account has been created as a special account of the Authority for the purpose of securing the payment of the principal of, premium, if any, and interest on Parity Bonds to be secured by such Account and was renamed the "Parity Bond Account" in Resolution No. R2009-16. The 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds and except as provided in Subsection 9(c), any Future Parity Bonds that are not Covered Parity Bonds, are not secured by amounts in the Parity Reserve Account or by any Credit Facility providing any portion of the Parity Reserve Account Requirement for Covered Parity Bonds. Only Covered Parity Bonds shall be provided with rights and protections under this Section 9(b). The debt service on the 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds and on any Future Parity Bonds that are not Covered Parity Bonds shall not be included in the calculation of the Parity Reserve Account Requirement for Parity Bonds that are Covered Parity Bonds. The Parity Reserve Account Requirement or other reserve requirement, if any, for Future Parity Bonds of a Series that are not Covered Bonds shall be determined in a Series Resolution as provided in Subsection 9(c).

The Parity Reserve Account Requirement for Covered Parity Bonds shall be maintained by deposits of cash, investments, one or more Credit Facilities or a combination of the foregoing. To the extent that the Authority obtains a Credit Facility in substitution for amounts then on deposit in the Parity Reserve Account, all or a portion of the money on hand in the Parity Reserve Account shall be transferred to the Parity Bond Account or another account as permitted by the Code. In computing the amount on hand in the Parity Reserve Account, each Credit Facility 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 Parity Reserve Account shall be determined, and any deficiency in the Parity Reserve Account shall be made up in equal monthly installments within six months after the date of such valuation. The term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's checks.

Each Credit Facility to satisfy all or any portion of the Parity Reserve Account Requirement for Covered Parity Bonds shall be issued by an insurance company or financial institution authorized to conduct business in any state of the United States as of the time of issuance of such Credit Facility, and which, as of the time of issuance of such Credit Facility, is rated by the Rating Agencies in one of the two highest Rating Categories for unsecured debt or insurance underwriting or claims-paying ability.

Whenever there is a sufficient amount in the Parity Bond Account and the Parity Reserve Account to pay the principal of, premium, if any, and interest on all Outstanding Covered Parity Bonds, the money in the Parity Reserve Account may be used to pay such principal, premium, if any, and interest. Amounts in the Parity Reserve Account in excess of the Parity Reserve Account Requirement for such Covered Parity Bonds may, at the Authority's discretion, be withdrawn to redeem and retire Outstanding Covered Parity 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 Covered Parity Bonds is refunded in whole or in part, money may be withdrawn from the Parity Reserve Account to pay or provide for the payment of Refunding Parity Bonds; provided, that immediately after such withdrawal there shall remain in or be credited to the Parity Reserve Account an amount at least equal to the Parity Reserve Account Requirement for the Covered Parity Bonds. The Authority also may transfer out of the Parity Reserve Account any money required to prevent any Covered Parity Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in the Parity Bond Account shall occur prior to a principal or interest payment date for Covered Parity Bonds, such deficiency shall be made up from the Parity Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Parity Reserve Account in such amounts as will provide amounts in the Parity Bond Account sufficient to pay when due the principal and interest of the Covered Parity 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 Credit Facility for the Covered Parity Bonds, on a pro rata basis, in an amount sufficient to make up the deficiency. Such draw shall be made at such times and under such conditions as such Credit Facility shall provide. If the Authority fails to make any payment required to be made under a reimbursement agreement with the issuer of a Credit Facility, the issuer thereof shall be entitled to exercise all remedies available at law or under this Parity Bond Master Resolution; provided, that no acceleration of any Parity Bonds shall be permitted, and no remedies that adversely affect Owners of Parity Bonds shall be permitted. Any deficiency created in the Parity Reserve Account by reason of any such withdrawal shall be made up from the next available Pledged Taxes (after required deposits and payments with respect to the Parity Bonds and Prior Bonds have been made under Section 4(b), paragraphs "First," "Second" and "Third"), or from a Credit Facility, but in no event later than within one year after the date such deficiency occurs.

In making the payments and credits to the Parity Reserve Account required by this Section 9(b) for Covered Parity Bonds, to the extent that the Authority has obtained a Credit Facility for specific amounts required pursuant to this section to be paid out of the Parity Reserve Account such amounts so covered by a Credit Facility shall be credited against the amounts required to be maintained in the Parity Reserve Account by this Section 9(b). In the event the provider of the Credit Facility no longer meets the requirements for the provider of a Credit Facility or is insolvent or no longer in existence, the Parity Reserve Account Requirement for

Covered Parity Bonds shall be satisfied with another Credit Facility, or in equal monthly payments, within twelve months after the insolvency of the provider of a Credit Facility or after the date the provider no longer meets the requirements or is no longer in existence, out of Pledged 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 with respect to the Prior Bonds or into the Parity Bond Account.

(c) Parity Reserve Account and/or Alternate Reserve Accounts for Parity Bonds that Are Not Covered Parity Bonds. The Authority may create one or more subaccounts in the Parity Reserve Account and/or create alternate reserve accounts for Parity Reserve Account Requirement deposits (or alternate reserve requirement deposits) for Parity Bonds that are not Covered Parity Bonds to secure the payment of Parity Bonds that are not Covered Parity Bonds, if and to the extent the Authority so provides in a Series Resolution or Supplemental Resolution. Unless otherwise provided in a Series Resolution, amounts deposited in one or more such subaccounts or accounts shall be invested and shall be applied to the payment of the related Parity Bonds as provided in subsection 9(b) for Covered Parity Bonds.

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

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

Section 10. Covenants. The Authority makes the following covenants with the Owners of the Parity Bonds so long as any of the same remain Outstanding:

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

If the Authority desires to impose the Sales Tax at a rate less than nine-tenths of one percent, an Authority Pledged Taxes Sufficiency Certificate shall be delivered that states that:

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

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

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

In preparing such certificate: (A) the Local Option Taxes and/or Pledged Taxes during the Base Parity Period may be only those shown in audited or unaudited financial statements of the Authority; provided, that (B) the Designated Authority Representative shall take into account in calculating amounts received during the Base Parity Period any Adopted Parity Rate Adjustment, Additional Taxes and Motor Vehicle Tax included as Pledged Taxes pursuant to Section 5 and this Section 10(a), and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Parity Period; (C) the Sales Tax received during the Base Parity Period shall be adjusted to reflect the reduced rate of less than nine-tenths of one percent; (D) the Motor Vehicle Tax and/or Additional Taxes may not be taken into account to meet the requirements of clause (iii) above unless the Authority receives an opinion of Bond Counsel to the effect that the pledge of such Motor Vehicle Tax and/or Additional Taxes to Parity Bonds is in full force and effect for the period in which they are included as Pledged Taxes; and (E) any Adopted Parity Rate Adjustment, Additional Taxes and/or extension of an existing tax shall be taken into account only if a certified public accountant, economic consultant or financial advisor experienced with state or local taxation or municipal bonds certifies that it is

reasonable to expect that such adjusted, new or extended taxes will be received in the amounts assumed for purposes of the Authority Pledged Taxes Sufficiency Certificate.

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

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

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

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

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

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

Section 11. Parity Payment Agreements. A Payment made under a Payment Agreement may be secured by a pledge of Pledged Taxes equal to the pledge securing the Parity Bonds if the Payment Agreement satisfies the requirements for issuing Future Parity Bonds described in Section 6, 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 Parity Bonds:

(a) The Authority shall obtain an opinion of Bond Counsel with respect to the due authorization, validity and enforceability of such Payment Agreement as to the Authority, and opining that the action proposed to be taken is authorized or permitted by this Parity Bond Master Resolution and the applicable provisions of any Supplemental Resolution or Series Resolution and will not adversely affect either the exemption from federal income taxation of the interest on any Outstanding Tax-Exempt Parity Bonds or the entitlement to receive from the United States Treasury the applicable federal credit payments in respect of any Outstanding Build America Parity Bonds.

(b) Prior to entering into any Payment Agreement including a Parity Payment Agreement, the Authority shall adopt a Series Resolution or Supplemental Resolution that shall:

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

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

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

(c) 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.

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

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

Section 12. Defeasance.

(a) Defeased Bonds. If the Authority deposits irrevocably with an escrow agent money and/or noncallable Defeasance Obligations which, together with the earnings thereon and without any reinvestment thereof, are sufficient to pay the principal of and premium, if any, on any particular Parity Bonds or portions thereof (the "Defeased Bonds") as the same shall become due, together with all interest accruing thereon to the maturity date or date fixed for redemption, and, in the case of Defeased Bonds to be redeemed prior to maturity, irrevocably calls the Defeased Bonds for redemption or delivers to the escrow agent irrevocable instructions to call such Defeased Bonds for redemption on the date fixed for redemption, and pays or makes provision for payment of all fees, costs and expenses of that escrow agent due or to become due with respect to the Defeased Bonds, then all liability of the Authority with respect to the Defeased Bonds shall cease, the Defeased Bonds shall be deemed not to be Outstanding and the Owners of the Defeased Bonds shall be restricted exclusively to the money or Defeasance Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds.

(b) Escrow Agent. The escrow agent shall hold the money, Defeasance Obligations and earnings described in subsection (a) above in trust exclusively for the Owners of the Defeased Bonds, and that money, Defeasance Obligations and earnings shall not secure any other Parity Bonds. In determining the sufficiency of the money and Defeasance Obligations deposited pursuant to this Section, the escrow agent shall receive, at the expense of the Authority, and may rely upon, a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to the Authority and that escrow agent.

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

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

Section 13. Lost, Stolen, Mutilated or Destroyed Parity Bonds. In case any Parity Bond shall be lost, stolen, mutilated or destroyed, the Bond Registrar may execute and deliver a new Parity Bond of like series, maturity date, number, interest rate and tenor to the Owner thereof upon the Owner's paying the expenses and charges of the Authority in connection therewith and upon the Owner's filing with the Authority evidence satisfactory to the Authority that such Parity Bond was actually lost, stolen or destroyed (including the presentation of a mutilated Parity Bond) and of ownership thereof, and upon furnishing the Authority with indemnity satisfactory to the Authority.

Section 14. Supplements and Amendments.

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

(i) To authorize the issuance of Future Parity Bonds in accordance with the provisions Section 6 or Section 7 and/or to authorize a Parity Payment Agreement pursuant to Section 11;

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

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

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

(v) To subject additional property, Additional Taxes, Motor Vehicle Tax, income or revenues to the pledge of this Parity Bond Master Resolution or to confirm as further assurance any pledge or provision for payment of Parity Bonds and to make such conforming changes as shall be necessary or desirable in connection therewith, in each such case as are not contrary to or inconsistent with the limitations and restrictions in the Prior Resolution, this Parity Bond Master Resolution or any Series Resolution or Supplemental Resolution;

(vi) To specify the order of priority in which payments are to be made for purposes in the "Thirteenth" category of Section 4 or to revise or (other than "Tenth" and Thirteenth") to delete the provisions of paragraphs Fifth through Thirteenth of Subsection 4(b);

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

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

(ix) To obtain or maintain a rating with respect to any Series of Parity Bonds or to modify the provisions of this Parity Bond Master Resolution to obtain from any Rating Agency a rating on any Series of Parity Bonds or any portion thereof which is higher than the rating that would be assigned without such modification (so long as it does not adversely affect the interests of Owners in a manner that would require Owner consent under Section 14(c)); or

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

(b) Special Amendments. The Owners from time to time of the Outstanding 2009 Parity Bonds and 2012 Parity Bonds and the Owners of any Future Parity Bonds, by taking and holding the same, shall be deemed to have consented to the adoption by the Authority of any Supplemental Resolution or Resolutions amendatory or supplemental to this Parity Bond Master Resolution for any one or more of the following purposes:

(i) To delete Subsection 15(b) of this Parity Bond Master Resolution and the corresponding provision of any Existing Parity Bond Resolution (and this deletion shall be effective without further act of the Authority on and after the first date on which no 2007 Parity Bonds are Outstanding);

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

(iii) To permit federal credit payments scheduled to be received in any Fiscal Year in respect of Outstanding Build America Parity Bonds (other than federal credit payments received under a Payment Agreement) to be credited against Parity Bond Debt Service in calculating Annual Parity Bond Debt Service for that Fiscal Year; or

(iv) In satisfying the conditions to the issuance of Future Parity Bonds that will not be secured by the Parity Reserve Account, to disregard the requirement that an amount equal to the Parity Reserve Account Requirement (including for the Future Parity Bonds to be issued) be on deposit or otherwise provided for in the Parity Reserve Account on or prior to the date of issuance of such Future Parity Bonds, and this provision shall be effective without further action by the Authority beginning on the first date no 2007 Parity Bonds are Outstanding.

(c) With Owners' Consent. This Parity Bond Master Resolution may be amended from time to time by a Supplemental Resolution approved by the Owners of a majority in aggregate principal amount of the Parity Bonds then Outstanding. Without the specific consent of the Owner of each Parity Bond, however, no Supplemental Resolution shall (1) permit the creation of a charge on Pledged Taxes superior to the payment of the Parity Bonds; (2) reduce the percentage of Bond Owners that are required to consent to any Supplemental Resolution; or (3) give to any Parity Bond or Parity Bonds any preference over any other Parity Bond or Parity Bonds. No Supplemental Resolution shall change the date of payment of the principal or

Accreted Value of any Parity Bond, reduce the principal amount or Accreted Value of any Parity Bond, change the rate or extend the time of payment of interest thereof, reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any Parity Bond may first be called for redemption prior to its fixed maturity date without the specific consent of the Owner of that Parity Bond; and no such amendment shall change or modify any of the rights or obligations of the Bond Registrar for the Parity Bonds of any Series without its written consent.

(d) The Authority shall provide notice to the Rating Agencies then rating Parity Bonds and to the providers of Credit Facilities and Liquidity Facilities for the Parity Bonds, upon any amendment to this Parity Bond Master Resolution.

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

Section 15. Defaults. Any one or more of the following events shall constitute a "Default" under this Parity Bond Master Resolution and each Series Resolution:

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

(b) If the 2007 Parity Bonds are Outstanding and the Authority shall default in the performance of any obligation with respect to payments into the Parity Bond Account or Parity Reserve Account and such default is not remedied;

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

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

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

(f) If the Authority shall materially default in the observance and performance of any other of the covenants, conditions and agreements on the part of the Authority contained in this Parity Bond Master Resolution or any Series Resolution and such default shall have continued for a period of 90 days after discovery by the Authority or written notice to the Authority; provided, that if such failure can be remedied, but not within such 90-day period, and if the Authority has taken all action reasonably possible to remedy such failure within such 90-day period, such failure shall not become a Default for so long as the Authority shall diligently proceed to remedy the Default; or

(g) If during any period in which the TIFIA Bond is outstanding, a Bankruptcy Related Event (as defined in the TIFIA Loan Agreement, including any amendment thereto) occurs with respect to the Authority.

Section 16. Remedies Upon Default. The remedies of the Owners during the continuance of a Default shall, to the extent permitted by law, be governed by this Section.

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

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

(b) Suits at Law or in Equity. The Parity Bondowners' Trustee may, and at the direction of the Owners of more than 50% in aggregate principal amount of Parity Bonds then Outstanding, shall, upon the happening of a Default, and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Owners to collect any amounts due and owing the Authority and pledged to the Parity Bonds, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this Parity Bond Master Resolution; provided, that upon the occurrence of a Default, payment of the Parity Bonds shall not be subject to acceleration.

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

liquidation, bankruptcy, reorganization or other proceeding to which the Authority shall be a party.

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

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

(d) Payment of Funds to Parity Bondowners' Trustee. The Authority covenants that if a Default shall happen and shall not have been remedied, the Authority, upon demand of the Parity Bondowners' Trustee, shall pay over to the Parity Bondowners' Trustee (i) forthwith, all amounts in the Parity Bond Account, Parity Reserve Account (for Outstanding Covered Parity Bonds), any alternate reserve account or subaccount of the Parity Reserve Account (for Outstanding Parity Bonds that are secured by a pledge of such account or subaccount but are not Outstanding Covered Parity Bonds) and any proceeds (other than proceeds of Refunding Parity Bonds) set aside in a proceeds account or in a Project Fund account created for the deposit of Parity Bond proceeds, and (ii) as promptly as practicable after receipt thereof, all Pledged Taxes subsequently received by the Authority and pledged under this Parity Bond Master Resolution, subject to the prior charge thereon in favor of the Owners of the Prior Bonds, and further subject to any deposits and payments required to be made under Section 15 of the Prior Bond Resolution.

(e) Application of Funds by Parity Bondowners' Trustee. During the continuance of a Default, the Pledged Taxes and other funds received by the Parity Bondowners' Trustee pursuant to the provisions of the preceding paragraph shall be applied by the Parity Bondowners' Trustee first, to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Parity Bondowners' Trustee and second, in accordance with the provisions of Section 4(b).

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

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

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

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

(g) Suits by Individual Owners. No Owner shall have any right to institute any action, suit or proceeding at law or in equity unless a Default shall have happened and be continuing and unless no Parity Bondowners' Trustee has been appointed as herein provided, but any remedy herein authorized to be exercised by the Parity Bondowners' Trustee may be exercised individually by any Owner, in his or her own name and on his or her own behalf or for the benefit of all Owners, in the event no Parity Bondowners' Trustee has been appointed, or with the consent of the Parity Bondowners' Trustee if such Parity Bondowners' Trustee has been appointed; provided, that nothing in this Parity Bond Master Resolution or in the Parity Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Parity Bonds to the Owners thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

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

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

Section 18. Severability. If any one or more of the provisions of this Parity Bond Master 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 Parity Bond Master Resolution or of the Parity Bonds issued pursuant to the terms hereof.

Section 19. Ratification of Prior Acts. Any action taken by or on behalf of the Authority and consistent with the intent of this Parity Bond Master Resolution but prior to the effective date of this Parity Bond Master Resolution is hereby ratified, approved, and confirmed.

Section 20. Effective Dates. This Parity Bond Master Resolution shall take effect immediately; provided, however, that the amendments derived from Resolution No. R2015-13 shall take effect at the time such amendments contained in Resolution No. R2015-13 become effective.

ADOPTED by the Board of The Central Puget Sound Regional Transit Authority at a regular meeting thereof held the 23rd day of July, 2015.

Board Chair

ATTEST:

Kathryn Flores
Board Administrator

APPENDIX A
THE 2012 PARITY BONDS

Section 1. Definitions. As used in this Resolution in connection with the 2012 Parity Bonds, the following words and phrases shall have the meanings hereinafter set forth unless the context clearly indicates that another meaning is intended:

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

“Record Date” means the 15th day of the month preceding an interest payment date for the 2012 Parity Bonds.

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

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

“Refunding Parity Bonds” means Future Parity Bonds the proceeds of which will be used to refund Authority obligations as provided in Section 15 of this Appendix A.

“Refunding Plan” means:

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

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

“Refunding Trust Agreement” means a Refunding Trust Agreement between the Authority and the Refunding Trustee.

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

“Resolution” means this Resolution No. R2012-16, as amended and restated as the Parity Bond Master Resolution, including this Appendix A.

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

“SEC” means the United States Securities and Exchange Commission.

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

“Underwriters” has the meaning set forth in Section 11 of this Appendix A.

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

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

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

(c) No Default has occurred or is continuing.

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

Section 3. Authorization and Description of 2012 Parity Bonds. For the purposes of refunding a portion of the 2005A Parity Bonds, the Authority is authorized to borrow money on the credit of the Authority and issue the 2012 Parity Bonds in the aggregate principal amount of not to exceed \$200,000,000. The 2012 Parity Bonds shall be Tax-Exempt Parity Bonds and shall be in the denomination of \$5,000 or any integral multiple thereof within a single Series and maturity, shall be dated the date of their initial delivery to the Underwriters and shall bear interest from their date until the 2012 Parity Bonds bearing such interest have been paid or their payment has been duly provided for, payable semiannually on each May 1 and November 1, or such other dates as the Designated Authority Representative shall determine. The 2012 Parity Bonds shall mature on November 1 in the years and amounts and bear interest at the rates per annum as shall be determined pursuant to Section 11 hereof.

Any amount received as original issue premium on the 2012 Parity Bonds shall not reduce the principal amount of 2012 Parity Bonds authorized under this Resolution. The principal amount of the 2012 Parity Bonds, together with the outstanding 1999 Prior Bonds, the outstanding 2009 Prior Bonds, the Outstanding 2005A Parity Bonds, the Outstanding 2007A Parity Bonds, the Outstanding 2009 Parity Bonds and any other outstanding indebtedness of the Authority not authorized by the voters, shall not exceed 1.5% of the value of the taxable property within the boundaries of the Authority.

Section 4. Registration and Transfer or Exchange of the 2012 Parity Bonds. The 2012 Parity Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the Owner of each 2012 Parity Bond and the principal amount and number of each of the 2012 Parity Bonds held by each Owner.

The 2012 Parity Bonds surrendered to the Bond Registrar may be exchanged for 2012 Parity Bonds in any authorized denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. The 2012 Parity Bonds may be transferred only if

endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any 2012 Parity Bond during the period beginning on the date the Bond Registrar receives direction to send notice of redemption of that 2012 Parity Bond and ending on the date the Bond Registrar sends such notice.

The 2012 Parity Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. The 2012 Parity Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of the Letter of Representations. Neither the Authority nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the 2012 Parity Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or premium, if any, or interest on the 2012 Parity Bonds, or any notice which is permitted or required to be given to Owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC or its nominee).

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

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

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

Section 5. Payment of 2012 Parity Bonds. Principal of and premium, if any, and interest on the 2012 Parity Bonds shall be payable in lawful money of the United States of America. Interest on the 2012 Parity Bonds shall be paid by checks or drafts of the Bond Registrar, or, if requested in writing prior to the Record Date by the Owner of \$1,000,000 or more in principal amount of 2012 Parity Bonds, by wire, mailed or transferred on the interest payment date to Owners of the 2012 Parity Bonds as those Owners and their addresses and accounts appear on the Bond Register on the Record Date. Principal of and premium, if any, on

the 2012 Parity Bonds shall be payable at maturity or on such date as may be specified for prior redemption upon presentation and surrender of the 2012 Parity Bonds by the Owners at the principal corporate trust office or offices of the Bond Registrar. Notwithstanding the foregoing, payment of any 2012 Parity Bonds registered in the name of DTC or its nominee shall be made in accordance with the Letter of Representations.

Section 6. Redemption and Purchase of 2012 Parity Bonds.

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

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

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

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

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

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

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

Section 7. Notice and Effect of Redemption. The Authority shall cause notice of any intended redemption of 2012 Parity Bonds to be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Owner of any 2012 Parity Bond to be redeemed at the address appearing on the Bond Register at the time the

Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not notice is actually received by that Owner. Notwithstanding the foregoing, notice of redemption of any 2012 Parity Bonds registered in the name of DTC or its nominee shall be made in accordance with the Letter of Representations.

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

In the case of an optional redemption, the notice may state that the Authority retains the rights to rescind that notice on or prior to the scheduled redemption date, and that the notice and optional redemption shall be of no effect to the extent that the Authority gives notice to the affected Owners at any time on or prior to the scheduled redemption date that the Authority is rescinding the redemption notice in whole or in part. Any 2012 Parity Bonds subject to a rescinded notice of redemption shall remain Outstanding, and the rescission shall not constitute a Default.

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

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

Section 9. Form and Execution of 2012 Parity Bonds. The Designated Authority Representative is authorized to approve the form of the 2012 Parity Bonds, which shall be prepared in a form consistent with the provisions of this Resolution and State law and shall be signed by the Chair of the Board and the Chief Executive Officer, either or both of whose signatures may be manual or in facsimile, and the seal of the Authority or a facsimile reproduction thereof shall be impressed or printed thereon.

Only 2012 Parity Bonds bearing a Certificate of Authentication in the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution: "Certificate Of Authentication. This bond is one of the fully

registered The Central Puget Sound Regional Transit Authority Sales Tax Refunding Bonds, Series 2012S-1, described in the 2012 Parity Bond Resolution.” The authorized signing of a Certificate of Authentication shall be conclusive evidence that the 2012 Parity Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this Resolution.

If any officer whose manual or facsimile signature appears on the 2012 Parity Bonds ceases to be an officer of the Authority authorized to sign bonds before the 2012 Parity Bonds bearing his or her manual or facsimile signature are authenticated or delivered by the Bond Registrar or issued by the Authority, those 2012 Parity Bonds nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the Authority as though that person had continued to be an officer of the Authority authorized to sign bonds. Any 2012 Parity Bond also may be signed on behalf of the Authority by any person who, on the actual date of signing of the 2012 Parity Bond, is an officer of the Authority authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the 2012 Parity Bonds.

Section 10. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the 2012 Parity Bonds, which shall be open to inspection by the Authority at all times. The Bond Registrar is authorized, on behalf of the Authority, to authenticate and deliver 2012 Parity Bonds transferred or exchanged in accordance with the provisions of the 2012 Parity Bonds and this Resolution, to serve as the Authority’s paying agent for the 2012 Parity Bonds, and to carry out all of the Bond Registrar’s powers and duties under this Resolution. The Authority reserves the right in its discretion to appoint special paying agents, registrars, or trustees in connection with the payment of some or all of the principal of, premium, if any, or interest on the 2012 Parity Bonds. If a new Bond Registrar is appointed by the Authority (other than the Washington State fiscal agent), notice of the name and address of the new Bond Registrar shall be mailed to the Owners of the 2012 Parity Bonds appearing on the Bond Register at the time the Bond Registrar prepares the notice. The notice may be mailed together with the next interest payment due on the 2012 Parity Bonds, but, to the extent practicable, shall be mailed no later than the Record Date for any principal payment or redemption date of any 2012 Parity Bond.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar’s Certificate of Authentication on the 2012 Parity Bonds. The Bond Registrar may become the Owner of 2012 Parity Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners of the 2012 Parity Bonds.

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

Section 11. Sale of 2012 Parity Bonds. The Board has determined that it is in the best interest of the Authority to delegate to the Designated Authority Representative pursuant to RCW 39.46.040(2), the authority to approve the final principal amount, interest rates, prices, payment dates, maturity dates, maturity amounts, the Parity Reserve Account Requirement and

redemption provisions of the 2012 Parity Bonds, and minimum savings to be achieved by the Refunding Plan, in the manner provided herein, provided that:

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

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

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

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

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

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

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

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

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

The 2012 Parity Bonds shall be sold by negotiated sale to any or all of: Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC and Siebert Brandford Shank & Co., LLC (collectively, the “Underwriters”), as determined by the Designated Authority Representative. Subject to the terms and conditions set forth in this Section 11, the Designated Authority Representative is hereby authorized to approve and to execute and deliver a purchase contract to be presented by the Underwriters (the “Bond Purchase Contract”) on behalf of the Authority upon the determination by the Designated Authority Representative that the conditions of this Section 11 have been met.

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

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

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

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

Section 13. Preservation of Tax Exemption for Interest on 2012 Parity Bonds. The Authority covenants that it will take all actions necessary to prevent interest on the 2012 Parity Bonds from being included in gross income for federal income tax purposes, and that it will neither take any action nor make or permit any use of proceeds of the 2012 Parity Bonds or other funds of the Authority treated as proceeds of the 2012 Parity Bonds at any time during the term of the 2012 Parity Bonds which will cause interest on the 2012 Parity Bonds to be included in gross income for federal income tax purposes. The Authority also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to the 2012 Parity Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the 2012 Parity Bonds, including the calculation and payment of any penalties that the Authority has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the 2012 Parity Bonds from being included in gross income for federal income tax purposes.

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

The Chief Financial Officer may establish and may transfer, record, allocate or restrict proceeds of the 2012 Parity Bonds not deposited with the Refunding Trustee among such accounts or subaccounts of the Authority and make such transfers, recordings, allocations, restrictions or deposits on terms he or she may deem necessary, appropriate or desirable to carry out the purposes of the 2012 Parity Bond Resolution.

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

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

Section 15. Refunding of the Refunded Bonds.

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

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

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

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

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

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

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

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

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

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

(i) To delete Section 29(b) of this Resolution (Resolution No. R2012-16, now Section 15(b) of the Parity Bond Master Resolution) and the corresponding provision of any Parity Bond Authorizing Resolution;

(ii) To permit federal credit payments received in respect of Outstanding Build America Parity Bonds (other than federal credit payments received under a Payment

Agreement) to be deposited into the Parity Bond Account and credited against the Pledged Taxes otherwise required to be deposited into the Parity Bond Account;

(iii) To permit federal credit payments scheduled to be received in any Fiscal Year in respect of Outstanding Build America Parity Bonds (other than federal credit payments received under a Payment Agreement) to be credited against Parity Bond Debt Service in calculating Annual Parity Bond Debt Service for that Fiscal Year; or

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

Section 18. Undertaking to Provide Continuing Disclosure. To meet the requirements of paragraph (b)(5) of the United States Securities and Exchange Commission (“SEC”) Rule 15c2-12 (the “Rule 15c2-12”), as applicable to a participating underwriter for the 2012 Parity Bonds, the Authority makes the following written undertaking (the “Undertaking”) for the benefit of holders of the 2012 Parity Bonds:

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

(i) Annual financial information and operating data of the type included in the final official statement for the 2012 Parity Bonds and as described in subsection (b) of this Section (“annual financial information”);

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the 2012 Parity Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the 2012 Parity Bonds; (7) modifications to rights of holders of the 2012 Parity Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of 2012 Term Parity Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 2012 Parity Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such

actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

(i) Shall consist of (1) audited financial statements prepared in accordance with generally accepted accounting principles applicable to Washington municipalities and consistent with requirements of the Washington State Auditor, except that if any audited financial statements are not available by nine months after the end of any Fiscal Year, the annual financial information filing shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the Authority, and the Authority's audited financial statements shall be filed in the same manner as the annual financial information filing when and if they become available; and (2) historical operating and financial information consisting of (A) aggregate principal amount of Prior Bonds, Parity Bonds and Junior Obligations Outstanding; (B) amount of Local Option Taxes and Pledged Taxes levied and collected by type; (C) any change (by type) in the rate or in the total amount of Local Option Taxes or Pledged Taxes that the Authority is authorized to levy; and (D) a sufficiency calculation of the type set forth in Section 20 of this Resolution (Resolution No. R2012-16, now Section 10 of the Parity Bond Master Resolution) if the Authority is required to provide an Authority certificate under that Section;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the Authority (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the Authority's fiscal year ending December 31, 2012; and

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

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the 2012 Parity Bonds without the consent of any holder of any 2012 Parity Bonds, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12.

The Authority will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this Section shall inure to the benefit of the Authority and any holder of 2012 Parity Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The Authority's obligations under this Undertaking shall terminate upon the legal defeasance of all of the 2012 Parity Bonds. In addition, the Authority's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require the Authority to comply with this Undertaking become legally inapplicable in respect of the 2012 Parity Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the Authority, and the Authority provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the Authority learns of any failure to comply with the Undertaking, the Authority will proceed with due diligence to cause such noncompliance to be corrected. No failure by the Authority or other obligated person to comply with the Undertaking shall constitute a default in respect of the 2012 Parity Bonds. The sole remedy of any holder of a 2012 Parity Bond shall be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the Authority or other obligated person to comply with the Undertaking.

(g) Designation of Official Responsible to Administer Undertaking. The Chief Financial Officer of the Authority (or such other officer of the Authority who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the Authority in respect of the 2012 Parity Bonds set forth in this Section in accordance with the Rule, including, without limitation, the following actions:

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

(ii) Determining whether any event specified in subsection (a) has occurred and preparing and disseminating notice of its occurrence;

(iii) Determining whether any person other than the Authority is an "obligated person" within the meaning of the Rule with respect to the 2012 Parity Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of enumerated events for that person in accordance with the Rule;

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

(v) Effecting any necessary amendment of the Undertaking.

CERTIFICATE

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

1. That the attached resolution numbered R2015-16 (the "Resolution") is a true and correct copy of a resolution of the Authority, as finally adopted at a regular meeting of the Board held on the 23rd day of July, 2015, and duly recorded in my office.

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Authority this 23rd day of July, 2015.

Kathryn Flores
Board Administrator

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ADOPTED July 23, 2015

WHEREAS, The Central Puget Sound Regional Transit Authority (the "Authority") has authorized the issuance of sales tax bonds (the "Parity Bonds") in one or more series pursuant to Resolution No. R2007-22, adopted by the Board of Directors of the Authority (the "Board") on November 8, 2007, as amended, and Resolution No. R2007-27, adopted by the Board on November 29, 2007, Resolution No. R2009-16, adopted by the Board on September 10, 2009, as amended, and Resolution No. R2009-18, adopted by the Board on September 16, 2009, and Resolution No. R2012-16, adopted by the Board on June 28, 2012, as amended by Resolution No. 2015-13, adopted by the Board on July 23, 2015, and as amended and restated by Resolution No. R2015-16, adopted by the Board on July 23, 2015 (Resolution No. R2012-16 as so amended and restated, the "Parity Bond Master Resolution") to finance and refinance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, the issuance of Parity Bonds of each series must be permitted under the Parity Bond Master Resolution and be issued pursuant to a Series Resolution (as defined in the Parity Bond Master Resolution) that specifies certain terms of and conditions relating to the sale of such Parity Bonds; and

WHEREAS, pursuant to Resolution Nos. R2007-22 and R2007-27, on December 18, 2007, the Authority issued \$450,000,000 aggregate principal amount of Sales Tax Bonds, Series 2007A (the "2007A Parity Bonds") for the purpose of providing the funds necessary to pay a portion of the cost of the Authority's Regional Transit System, and by such resolutions the Authority reserved the right to redeem prior to their maturity Outstanding 2007A Parity Bonds maturing on and after November 1, 2018 (the "Refunding Candidates") as a whole or in part at any time on or after November 1, 2017, at a redemption price equal to 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption, and without premium; and

WHEREAS, the Refunding Candidates are currently Outstanding in the aggregate principal amount of \$397,955,000; and

WHEREAS, after due consideration, it appears to the Board that, depending upon market conditions, all or a portion of the Refunding Candidates (the "Refunded Bonds") may be refunded by the issuance and sale of 2015 Parity Refunding Bonds as defined and authorized below, so that debt service savings will be achieved over the life of the 2015 Refunding Parity Bonds by implementing a refunding plan, including:

- (a) the issuance of the 2015 Refunding Parity Bonds and the payment of the costs of issuing the 2015 Refunding Parity Bonds and the costs of implementing the refunding; and
- (b) the payment of the interest on the Refunded Bonds when due up to May 1, 2017, and the payment and redemption on November 1, 2017, of all of the Refunded Bonds at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued thereon to November 1, 2017, the date fixed for redemption, and without premium; and

WHEREAS, in this Series Resolution, the Board also is authorizing the issuance, as part of the Series that includes the 2015 Refunding Parity Bonds and/or as one or more separate Series, the issuance of Parity Improvement Bonds (referred to collectively in this Series Resolution as the "2015 Parity Improvement Bonds") to pay, or to reimburse the Authority for the payment of, a portion of the costs of acquiring and constructing improvements to the Authority's high capacity transportation facilities;

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

Section 1. Definitions. Unless the context otherwise requires, the meanings of all capitalized terms used and not otherwise defined in this Series Resolution (including in the Recitals and Appendix A) shall be as set forth in the Parity Bond Master Resolution or in the Master Prior Bond Resolution, and unless the context otherwise requires, the following terms shall have the following meanings in this Series Resolution; provided, however, that any terms used herein relating to the 2015 Variable Rate Parity Bonds that are not expressly defined below

shall have the meanings set forth in Appendix A attached hereto, as such Appendix may be amended from time to time in accordance with the provisions of Section 9 thereof:

“Alternate Rate” means a rate per annum equal to 100% of the SIFMA Index, unless a different Alternate Rate for 2015 Variable Rate Parity Bonds of one or more Series is approved by the Designated Authority Representative pursuant to Section 10.

“Applicable Factor” means, during each LIBOR Index Rate Period, the percentage designated in writing by the Authority as the Applicable Factor for such LIBOR Index Rate Period pursuant to Section 4.

“Applicable Spread” means during any Index Floating Rate Period, the number of basis points determined by the Remarketing Agent on or before the first day of such Index Floating Rate Period (or by the Underwriter or Underwriters of the 2015 Variable Rate Parity Bonds, as determined by the Designated Authority Representative pursuant to Section 10 of this Series Resolution, on or before the Closing Date) that when added to the SIFMA Index or the product of the LIBOR Index multiplied by the Applicable Factor, as applicable, would equal the minimum interest rate per annum that would enable the Index Floating Rate Bonds to be sold on such date at a price equal to the principal amount thereof (without regard to accrued interest, if any, thereon).

“Authority Elective Purchase Date” has the meaning set forth in subsection 6(c)(7) of Appendix A.

“Authorized Denomination” means (a) \$5,000 or any integral multiple of \$5,000 in the case of 2015 Parity Bonds of a Series that bear interest at fixed interest rates, and 2015 Variable Rate Parity Bonds of a Series that bear interest at Fixed Rates, Long-Term Rates or Index Floating Rates; (b) \$100,000 or any integral multiple of \$5,000 in excess thereof in the case of 2015 Parity Bonds of a Series that bear interest at Daily Rates or Weekly Rates; and (c) \$100,000 or any integral multiple of \$1,000 in excess thereof in the case of 2015 Parity Bonds of a Series that bear interest at Short-Term Rates.

“Bond Purchase Contract” has the meaning set forth in Section 10(b).

“Business Day” means (a) a day other than a day on which banks in Seattle, Washington, or New York, New York or the Bond Registrar (or its subcontractor) is closed; or (b) in the case of 2015 Variable Rate Parity Bonds, a day other than a day on which the Bond Registrar, the Remarketing Agent or the office of the Credit Facility Provider, if any, or the Liquidity Facility Provider, if any, where draws with respect to 2015 Variable Rate Parity Bonds are to be presented, are closed and other than a day on which the New York Stock Exchange is closed.

“Calculation Agent” means the Bond Registrar or such other calculation agent appointed by the Designated Authority Representative.

“Closing Date” means for the 2015 Parity Bonds of each Series, the date of delivery of the 2015 Parity Bonds of such Series to the Underwriters thereof.

“Computation Date” means (a) during each SIFMA Index Rate Period, Wednesday of each week, or if any Wednesday is not a Business Day, the next succeeding Business Day and (b) during each LIBOR Index Rate Period, the second New York Banking Day preceding the applicable LIBOR Index Rate Conversion Date and each LIBOR Index Reset Date.

“Continuing Disclosure Certificate” means the Authority’s Continuing Disclosure Certificate dated the Closing Date, in the form approved by the Designated Authority Representative, as originally executed and as it may be amended in accordance with the terms thereof.

“Conversion” means a conversion of the 2015 Variable Rate Parity Bonds of a Series from one Interest Rate Mode to another Interest Rate Mode.

“Conversion Date” means for 2015 Variable Rate Parity Bonds of a Series an Index Floating Rate Conversion Date, a Daily Rate Conversion Date, a Weekly Rate Conversion Date, a Short-Term Rate Conversion Date, a Long-Term Rate Conversion Date or the Fixed Rate Conversion Date.

“Credit Facility Provider” means the issuer of a Credit Facility.

“Daily Interest Period” means each period during which a particular Daily Rate is in effect as set forth in Appendix A.

“Daily Rate” means an interest rate for 2015 Variable Rate Parity Bonds of a Series determined on each Business Day as set forth in Appendix A.

“Daily Rate Bonds” means 2015 Variable Rate Parity Bonds that bear interest at a Daily Rate.

“Daily Rate Conversion Date” means a day on which interest on the 2015 Variable Rate Parity Bonds of a Series begins to accrue at a Daily Rate as set forth in Appendix A.

“Daily Rate Period” means a period during which the 2015 Variable Rate Parity Bonds of a Series are Daily Rate Bonds.

“Delayed Remarketing Period” means (1) the period beginning on a Purchase Date for Index Floating Rate Bonds of a Series on which the Purchase Price for all of the Index Floating Rate Bonds of such Series is not available or any of the other conditions to Conversion were not satisfied and ending on the earlier of (a) the day that is one Business Day after the Business Day the Remarketing Agent provides notice to the Authority and the Bond Registrar that all of the Index Floating Rate Bonds of such Series can be remarketed and (b) if the Authority elects to convert to the Index Floating Rate Bonds of such Series to another Interest Rate Mode, the Conversion Date; or (2) such longer period as may be approved by the Designated Authority Representative prior to the issuance of the 2015 Variable Rate Bonds of such Series.

“Delayed Remarketing Rate” means during any Delayed Remarketing Period for Index Floating Rate Bonds of a Series an interest rate equal to nine percent (9%) per annum.

“Designated Authority Representative” means, for purposes of this Series Resolution (including Appendix A), the Chief Financial Officer or in his absence, the Chief Executive Officer or such other person as may be designated by resolution of the Board.

“Electronic Notice” means telecopy transmission or similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

“Escrow Agent” means the trustee or escrow agent or any successor trustee or escrow agent serving as refunding trustee to carry out the Refunding Plan.

“Escrow Agreement” means an escrow agreement between the Authority and the Escrow Agent.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that if such day is not a Business Day, then the Federal Funds Rate for such day shall be the rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day.

“Fixed Rate” means the fixed interest rate or rates for the 2015 Variable Rate Parity Bonds of a Series, determined as set forth in Subsection 4(c)(7) and in Appendix A.

“Fixed Rate Bonds” means 2015 Variable Rate Parity Bonds that are converted to bear interest at a Fixed Rate.

“Fixed Rate Conversion Date” means the day on which interest begins to accrue on the 2015 Variable Rate Parity Bonds of a Series at a Fixed Rate following Conversion as set forth in Subsection 4(c)(7) and in Appendix A.

“Fixed Rate Period” means the period during which the 2015 Variable Rate Parity Bonds of a Series are Fixed Rate Bonds.

“Index Floating Rate” means the LIBOR Index Rate or the SIFMA Index Rate, as applicable.

“Index Floating Rate Bonds” means the 2015 Variable Rate Parity Bonds of a Series that bear interest at an Index Floating Rate.

“Index Floating Rate Conversion Date” means the day on which (i) the then-current Index Floating Rate Period is changed to a new Index Floating Rate Period as set forth in Section 4(c) or (ii) the date on which the interest rate on the 2015 Variable Rate Parity Bonds of a Series is converted to the Index Floating Rate.

“Index Floating Rate Period” means a SIFMA Index Rate Period or a LIBOR Rate Period.

“Initial Period” means for the 2015 Variable Rate Parity Bonds of a Series the initial SIFMA Index Rate Period or LIBOR Index Rate Period as determined by the Designated Authority Representative prior to the Closing Date for the 2015 Variable Rate Parity Bonds of such Series, commencing on such Closing Date and ending on the next succeeding Purchase Date of the 2015 Variable Rate Parity Bonds of such Series, in each case as determined by the Designated Authority Representative pursuant to Section 4(a).

“Interest Payment Date” means (a) for 2015 Parity Bonds that bear interest at fixed rates as of the Closing Date, May 1 and November 1, or on such other dates as the Designated Authority Representative shall determine pursuant to Section 10 of this Series Resolution, (b) the first Business Day of each month and any Conversion Date, or such other date as the Designated Authority Representative shall determine pursuant to Section 10 of this Series Resolution, for Index Floating Rate Bonds; and (c) the date or dates specified in Appendix A as Interest Payment Dates in the case of 2015 Variable Rate Parity Bonds that bear interest at Weekly Rates, Daily Rates, Short-Term Rates, Long-Term Rates or Fixed Rates.

“Interest Payment Period” means (a) for Index Floating Rate Bonds, the period from and including the Closing Date or the Index Floating Rate Conversion Date, as applicable, to and including the last calendar day of the month in which such Closing Date occurs or subsequent month if so specified in the Bond Purchase Contract for the Initial Period (or the calendar day immediately preceding such Index Floating Rate Conversion Date) and thereafter, the period from and including the first calendar day of each month to and including the last calendar day of such month (or the calendar day immediately preceding a day that is an Index Floating Rate Conversion Date for such Index Floating Rate Bonds), and (b) with respect to 2015 Variable Rate Parity Bonds that bear interest at Weekly Rates, Daily Rates, Short-Term Rates, Long-Term Rates or Fixed Rates, the periods specified in Appendix A as Interest Rate Periods.

“Interest Rate Mode” means the period in which the 2015 Variable Rate Parity Bonds of a Series bear interest the Index Floating Rates, the Daily Rates, the Weekly Rates, the Long-Term Rates, the Short-Term Rates or the Fixed Rates.

“Letter of Representations” means the Blanket Issuer Letter of Representations with DTC dated December 9, 1998, setting forth certain understandings of the Authority with respect to DTC’s services, as it may be amended from time to time.

“LIBOR Index” means, for any Computation Date, the rate for deposits in U.S. dollars with a one-month maturity as published by Reuters on Reuters Screen LIBOR01 Page (or published by such other service selected by the Authority, which has been approved or nominated by the ICE Benchmark Administration as an authorized vendor for the purpose of publishing London interbank offered rates for U.S. dollar deposits) as of 11:00 AM, London time, on such Computation Date; provided that if such rate is not available on the Computation Date and/or the Authority or the Calculation Agent is not able to determine such rate, the “LIBOR Index” means the LIBOR Index then in effect during the immediately preceding LIBOR Index Rate Period; or, at the direction of a Designated Authority Representative (i) a replacement index based upon the arithmetic mean of the quotations, if any, of the interbank offered rate by first class banks in London or New York for deposits with comparable maturities or (ii) the Calculation Agent’s Federal Funds Rate as of the first day of any LIBOR Index Rate

Period for which such LIBOR Index is unavailable or cannot be determined; provided that the Calculation Agent shall give prompt written notice to the Authority setting forth such change in interest rate, the nature of the circumstances giving rise to such change, and the method of calculating such change if based upon a replacement index. The Calculation Agent's internal records of applicable interest rates shall be determinative in the absence of manifest error.

"LIBOR Index Rate" means a per annum rate of interest established on each Computation Date equal to the sum of (a) the product of (1) the LIBOR Index multiplied by (2) the Applicable Factor plus (b) the Applicable Spread.

"LIBOR Index Rate Conversion Date" means (a) the day on which the 2015 Variable Rate Parity Bonds of a Series begin to bear interest at the LIBOR Index Rate or (b) if the 2015 Variable Rate Parity Bonds of a Series have previously borne interest at the LIBOR Index Rate during a LIBOR Index Rate Period then ending, the Index Floating Rate Conversion Date occurring at the end of the then-ending LIBOR Index Rate Period.

"LIBOR Index Rate Period" means the period from and including a LIBOR Index Rate Conversion Date to but excluding the earlier of (a) the immediately succeeding Purchase Date and (b) the Maturity Date.

"LIBOR Index Reset Date" means the first calendar day of each calendar month.

"Liquidity Facility Provider" means the issuer of a Liquidity Facility.

"Long-Term Interest Period" means each period during which a particular Long-Term Rate is in effect as set forth in Appendix A.

"Long-Term Rate" means an interest rate for the 2015 Variable Rate Parity Bonds of a Series that is determined for a term of at least 12 months, as set forth in Appendix A.

"Long-Term Rate Bonds" means 2015 Variable Rate Parity Bonds of a Series that bear interest at a Long-Term Rate.

"Long-Term Rate Conversion Date" means the day on which interest begins to accrue on the 2015 Variable Rate Parity Bonds of a Series at a Long-Term Rate following Conversion as set forth in Appendix A.

"Long-Term Rate Mandatory Purchase Date" means the first day after the last day of each Long-Term Interest Period.

"Long-Term Rate Period" means a period during which the 2015 Variable Rate Parity Bonds of a Series are Long-Term Rate Bonds.

"Maximum Rate" means the lower of (a) 12 percent per annum or (b) the maximum rate, if any, permitted by law.

"MSRB" means the Municipal Securities Rulemaking Board.

"Opinion of Bond Counsel" means an opinion of nationally recognized bond counsel acceptable to the Authority and the Bond Registrar.

"Par Call Date" means, for Index Floating Rate Bonds of a Series, each date on which Index Floating Rate Bonds of such Series are subject to redemption at a redemption price equal to 100 percent of the principal amount thereof.

"Purchase Date" means (a) the date on which Index Floating Rate Bonds are subject to mandatory purchase as set forth in Section 4; and (b) in the case of Short-Term Rate Bonds, Long-Term Rate Bonds, Daily Rate Bonds or Weekly Rate Bonds, the date or dates set forth in Appendix A as Purchase Dates.

"Purchase Price" means 100 percent of the principal amount thereof plus, if the Purchase Date is not an Interest Payment Date therefor, accrued and unpaid interest thereon to such Purchase Date.

"Record Date" for the 2015 Parity Bonds means the 15th day of the month immediately preceding an Interest Payment Date, regardless of whether the 15th day is a Business Day; except that for 2015 Variable Rate Parity Bonds that bear interest at Index Floating Rates, Short-Term Rates, Daily Rates or Weekly Rates, "Record Date" means the Business Day immediately preceding an Interest Payment Date.

"Refunded Bonds" means all or a portion of the Refunding Candidates designated by the Designated Authority Representative to be refunded with proceeds of the 2015 Parity Refunding Bonds.

"Refunding Candidates" means \$397,955,000 aggregate principal amount of the Outstanding 2007A Parity Bonds maturing on or after November 1, 2018.

"Refunding Plan" means:

- (1) The issuance of the 2015 Parity Refunding Bonds and the deposit with the Escrow Agent appointed by the Designated Authority Representative of proceeds of the 2015 Parity Refunding Bonds, together with other money of the Authority allocated to the Refunding Plan, which amounts may be used to acquire the Defeasance Obligations; and
- (2) The application of such money and/or Defeasance Obligations (a) to the payment of the interest on the Refunded Bonds when due up to May 1, 2017; and (b) to the redemption of the Refunded Bonds on November 1, 2017, at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued thereon to November 1, 2017, the date fixed for redemption, and without premium.

"Remarketing Agent" means the remarketing agent or agents appointed with respect to the 2015 Variable Rate Parity Bonds, all as set forth in Appendix A.

"Short-Term Interest Period" means each period during which a particular Short-Term Rate is in effect with respect to a particular Short-Term Rate Bond as set forth in Appendix A.

“Short-Term Rate” means, with respect to a particular Short-Term Rate Bond, an interest rate that is determined on a periodic basis for such Short-Term Rate Bond as set forth in Appendix A.

“Short-Term Rate Bonds” means 2015 Variable Rate Parity Bonds of a Series that bear interest at a Short-Term Rate.

“Short-Term Rate Conversion Date” means the day on which interest begins to accrue on the 2015 Variable Rate Parity Bonds of a Series at one or more Short-Term Rates following Conversion as set forth in Appendix A.

“Short-Term Rate Mandatory Purchase Date” means the first day after the last day of each Short-Term Interest Period.

“Short-Term Rate Period” means a period during which the 2015 Variable Rate Parity Bonds of a Series are Short-Term Rate Bonds.

“SIFMA” means the Securities Industry and Financial Markets Association (formerly the Bond Market Association).

“SIFMA Index” means, for any Computation Date, the level of the index that is (a) compiled from the weekly interest rate resets of tax-exempt variable rate issues reported to the MSRB’s Short-term Obligation Rate Transparency (“SHORT”) system that meet specific criteria established from time to time by SIFMA and (b) issued on Wednesday of each week, or if any Wednesday is not a Business Day, the next succeeding Business Day. If the SIFMA Index is no longer published, then the “SIFMA Index” shall mean the S&P Municipal Bond 7 Day High Grade Rate Index. If the S&P Municipal Bond 7 Day High Grade Rate Index is no longer published, then “SIFMA Index” shall mean the prevailing rate determined by the Calculation Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Calculation Agent to be comparable under the circumstances to the criteria used by SIFMA to determine the SIFMA Index immediately prior to the date on which SIFMA ceased publication of the SIFMA Index.

“SIFMA Index Rate” means a per annum rate of interest established on each Computation Date equal to the sum of the Applicable Spread plus the SIFMA Index.

“SIFMA Index Rate Conversion Date” means (a) the day on which 2015 Variable Rate Parity Bonds of a Series begin to bear interest at the SIFMA Index Rate or (b) if the 2015 Variable Rate Parity Bonds of a Series have previously borne interest at the SIFMA Index Rate during a SIFMA Index Rate Period then ending, the Index Floating Rate Conversion Date occurring at the end of the then ending SIFMA Index Rate Period.

“SIFMA Index Rate Period” means each period from and including the Closing Date or a SIFMA Index Rate Conversion Date to but excluding the earlier of (a) the immediately succeeding Purchase Date and (b) the Maturity Date.

“SIFMA Index Reset Date” means Thursday of each week.

“Tax-Exempt 2015 Parity Bonds” means the 2015 Parity Bonds that are Tax-Exempt Parity Bonds.

“Tender Agent” means the Bond Registrar or any successor thereto appointed in accordance with the 2015 Parity Bond Resolutions.

“2015 Parity Bond Resolutions” means, together, the Parity Bond Master Resolution and this Series Resolution.

“2015 Parity Bonds” means the 2015 Parity Improvement Bonds and the 2015 Parity Refunding Bonds.

“2015 Parity Improvement Bonds” means The Central Puget Sound Regional Transit Authority Sales Tax Improvement Bonds authorized pursuant to the 2015 Parity Bond Resolutions to be issued separately or together with 2015 Parity Refunding Bonds in one or more Series to pay, or to reimburse the Authority for the payment of, a portion of the costs of acquiring and constructing improvements to the Authority’s high-capacity transportation facilities.

“2015 Parity Refunding Bonds” means The Central Puget Sound Regional Transit Authority Sales Tax Refunding Bonds authorized pursuant to the 2015 Parity Bond Resolutions to be issued in one or more series, separately or together with 2015 Parity Improvement Bonds, to refund all or a portion of the Outstanding Refunding Candidates.

“2015 Project Account” means the account of the Authority designated as the “2015 Project Account” established pursuant to Section 13(b) of this Series Resolution within the Project Fund.

“2015 Refunding Bond Proceeds Account” means the account of the Authority designated as the “2015 Parity Bond Proceeds Account” established pursuant to Section 13(a) of this Series Resolution.

“2015 Term Parity Bonds” means the 2015 Parity Bonds that are Term Parity Bonds.

“2015 Variable Rate Parity Bonds” means the Variable Rate Parity Bonds authorized pursuant to this Series Resolution.

“Undelivered Bond” means any 2015 Variable Rate Parity Bond that is subject to purchase pursuant to Section 4 on a Purchase Date and that is not tendered and delivered for purchase on such Purchase Date but as to which the Tender Agent holds in the Purchase Fund sufficient funds to pay the Purchase Price of such 2015 Variable Rate Parity Bond.

“Underwriters” means the Underwriters named in Section 10(c) of this Series Resolution.

“Weekly Interest Period” means each period during which a particular Weekly Rate is in effect as set forth in Appendix A.

“Weekly Rate” means an interest rate for the 2015 Variable Rate Parity Bonds determined on each Wednesday as set forth in Appendix A.

“Weekly Rate Bonds” means 2015 Variable Rate Parity Bonds that bear interest at a Weekly Rate.

“Weekly Rate Conversion Date” means the day on which interest begins to accrue on the 2015 Variable Rate Parity Bonds of a Series at a Weekly Rate following Conversion as set forth in Appendix A.

“Weekly Rate Period” means a period during which the 2015 Variable Rate Parity Bonds of a Series are Weekly Rate Bonds.

Section 2. Compliance with Future Parity Bonds Conditions. (a) As required by Section 7 of the Parity Bond Master Resolution (and in addition to any conditions that might be required pursuant to the TIFIA Loan Agreement), the Authority finds as follows:

- (1) The 2015 Parity Refunding Bonds of each Series will be issued for the purpose of refunding outstanding Parity Bonds of the Authority resulting in debt service savings.
- (2) At the time of issuance of the 2015 Parity Refunding Bonds of each Series there will be no deficiency in the Parity Bond Account, and if the 2015 Parity Refunding Bonds of one or more Series will be Covered Parity Bonds, the Authority shall deposit the amount of such Parity Reserve Account Requirement or otherwise provide for such Parity Reserve Account Requirement on or prior to the date of issuance of such Covered Parity Bonds, in accordance with Section 9(b) of the Parity Bond Master Resolution.
- (3) In the case of 2015 Parity Refunding Bonds of one or more Series that are not Covered Bonds, the Authority shall deposit or otherwise provide for the amount of such Parity Reserve Account Requirement for the 2015 Parity Refunding Bonds of such Series in accordance with Section 9(c) of the Parity Bond Master Resolution.
- (4) No Default has occurred and is continuing.
- (5) The Designated Authority Representative will certify that Annual Parity Bond Debt Service on the 2015 Parity Refunding Bonds of each Series in any Fiscal Year will not exceed Annual Parity Bond Debt Service by more than \$5,000 on the Refunded Bonds to be refunded, or if the Designated Authority Representative cannot certify to such information, an Authority Parity Bond Certificate will be delivered on or prior to the Closing Date of the 2015 Parity Refunding Bonds.

(b) As required by Section 6 of the Parity Bond Master Resolution (and in addition to any conditions that might be required pursuant to the TIFIA Loan Agreement), the Authority finds as follows:

- (1) At the time of issuance of the 2015 Parity Improvement Bonds of each Series there will be no deficiency in the Parity Bond Account.
- (2) If 2015 Parity Improvement Bonds of one or more Series will be Covered Parity Bonds with a Parity Reserve Account Requirement greater than zero, an amount equal to the Parity Reserve Account Requirement (including for any 2015 Parity Improvement Bonds to be issued as Covered Parity Bonds) shall be on deposit or otherwise shall be provided for in the Parity Reserve Account on or prior to the date of issuance of such Covered Parity Bonds.
- (3) If 2015 Parity Improvement Bonds of a Series will not be Covered Parity Bonds and if the Parity Reserve Account Requirement or any alternate reserve requirement for such 2015 Parity Improvement Bonds is more than zero, the Authority shall deposit an amount equal to any Parity Reserve Account Requirement or other reserve requirement for the 2015 Parity Improvement Bonds of such Series, if necessary.
- (4) No Default has occurred and is continuing.
- (5) An Authority Parity Bond Certificate will be delivered upon the issuance of the 2015 Parity Improvement Bonds of each Series, stating that:
 - (i) **Prior Bonds Coverage Test.** Local Option Taxes received during the Base Parity Period were not less than 1.5 times Maximum Annual Prior Bond Debt Service on all Prior Bonds that will be outstanding upon the issuance of the 2015 Parity Improvement Bonds (the “Prior Bonds Coverage Requirement”); and
 - (ii) **Parity Bond Coverage Test for Period While Motor Vehicle Tax Not Included as Pledged Taxes.** Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement (and after all the Motor Vehicle Tax has been applied for that purpose) were not less than 1.5 times Maximum Annual Parity Bond Debt Service during the period that the Motor Vehicle Tax will not be included as Pledged Taxes to secure the 2015 Parity Improvement Bonds; and
 - (iii) **Parity Bond Coverage Test for Period While Motor Vehicle Tax and/or Additional Taxes Are Included as Pledged Taxes.** Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement, were not less than 1.5 times Maximum Annual Parity Bond Debt Service during the period that the Motor Vehicle Tax and/or Additional Taxes will be included as Pledged Taxes to secure the 2015 Parity Improvement Bonds.

Section 3. Authorization and Description of 2015 Parity Bonds. (a) For the purposes of refunding all or a portion of the Refunding Candidates, making a deposit if necessary

to the Parity Reserve Account or to an alternate reserve account and paying costs of issuing the 2015 Parity Refunding Bonds and effecting the Refunding Plan, the Authority is authorized to borrow money on the credit of the Authority and to issue the 2015 Parity Refunding Bonds in an aggregate principal amount not to exceed \$400,000,000. The 2015 Parity Refunding Bonds may be issued as one or more separate Series and/or may be combined with fixed-rate 2015 Parity Improvement Bonds. The 2015 Parity Refunding Bonds shall be Tax-Exempt Parity Bonds; shall be issued as fixed-rate Parity Bonds in Authorized Denominations; shall be dated the Closing Date; and shall bear interest from their date until the 2015 Parity Refunding Bonds bearing such interest have been paid or their payment has been duly provided for, payable semiannually on each Interest Payment Date. The 2015 Parity Refunding Bonds shall mature on November 1 in the years and amounts and shall bear interest at the rates per annum as shall be determined pursuant to Section 10 hereof.

Interest on the 2015 Parity Refunding Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Any amount received as original issue premium on the 2015 Parity Refunding Bonds may be disregarded in determining the principal amount of 2015 Parity Refunding Bonds issued within the authorization of this Series Resolution.

(b) For the purposes of paying, or reimbursing the Authority for the payment of, a portion of the costs of acquiring high-capacity transportation facilities, making any deposit, if necessary, to the Parity Reserve Account or to any alternate reserve account, paying interest on the 2015 Parity Improvement Bonds during construction and paying costs of issuing the 2015 Parity Bonds, the Authority is authorized to borrow money on the credit of the Authority and to issue the 2015 Parity Improvement Bonds in an aggregate principal amount that together with the aggregate principal amount of 2015 Parity Refunding Bonds being issued, does not exceed \$1.0 billion (\$1,000,000,000). The 2015 Parity Improvement Bonds that are not 2015 Variable Rate Parity Bonds may be issued in one or more separate Series and/or may be combined with 2015 Parity Refunding Bonds, and 2015 Parity Improvement Bonds issued as 2015 Variable Rate Parity Bonds shall be issued as one or more separate Series, all as determined by the Designated Authority Representative. Unless otherwise determined by the Designated Authority Representative, the 2015 Parity Improvement Bonds shall be Tax-Exempt Parity Bonds, and unless otherwise determined by the Designated Authority Representative, a portion of the 2015 Parity Improvement Bonds shall be issued initially as 2015 Variable Rate Parity Bonds bearing interest at Index Floating Rates (not to exceed 12 percent per annum), subject to conversion as provided in Section 4. The 2015 Parity Improvements Bonds not issued as 2015 Variable Rate Parity Bonds and issued as a separate Series shall be issued as fixed-rate Parity Bonds in Authorized Denominations; shall be dated the Closing Date; and shall bear interest from their date until the 2015 Parity Improvement Bonds bearing such interest have been paid or their payment has been duly provided for, payable semiannually on each Interest Payment Date. The 2015 Parity Improvement Bonds of each Series shall be dated the Closing Date and shall mature on November 1 in the years and amounts determined pursuant to Section 10 of this Series Resolution.

Interest on the 2015 Parity Improvement Bonds not issued as 2015 Variable Rate Parity Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the 2015 Parity Improvement Bonds issued as 2015 Variable Rate Parity Bonds shall be calculated on the basis of (a) with respect to Daily Rate Bonds, Weekly Rate Bonds and Short-Term Bonds, a 365- or 366-day year, as applicable, for the number of days actually elapsed, (b) with respect to Index Floating Rate Bonds bearing interest as the LIBOR Index Rate, a 360-day year for the actual days elapsed, (c) with respect to Index Floating Rate Bonds bearing interest as the SIFMA Index Rate, a 365-day year for the actual days elapsed, and (d) with respect to Long-Term Rate Bonds and Fixed Rate Bonds, a 360-day year of twelve 30-day months.

Any amount received as original issue premium on the 2015 Parity Improvement Bonds may be disregarded in determining the principal amount of 2015 Parity Improvement Bonds issued within the authorization of this Series Resolution.

(c) The principal amount of the 2015 Parity Bonds, the outstanding 1999 Prior Bonds, the outstanding 2009 Prior Bonds, the Outstanding 2007A Parity Bonds, the Outstanding 2009 Parity Bonds, the Outstanding 2012 Parity Bonds and any other outstanding indebtedness of the Authority payable from taxes and not authorized by the voters shall not exceed 1.5 percent of the value of the taxable property within the boundaries of the Authority determined as of the Closing Date.

(d) In addition to (1) amounts in the Parity Bond Account and in the Additional Taxes Accounts and (2) the Pledged Taxes and amounts in the Local Option Tax Accounts and the Tax Stabilization Subaccount and earnings thereon, to the extent amounts and earnings in the Local Option Tax Accounts and the Tax Stabilization Subaccount represent revenues from Pledged Taxes, to the extent pledged to the payment of the Parity Bonds, including the 2015 Parity Bonds, pursuant to Section 5(d) of the Parity Bond Master Resolution, there are hereby pledged for the payment of the 2015 Parity Bonds proceeds of the 2015 Parity Improvement Bonds deposited in the 2015 Project Account in the Project Fund and in any other account or subaccount established by the Authority to hold proceeds of the 2015 Parity Improvement Bonds; and such pledge is hereby declared to be a charge on the amounts in such accounts, superior to all other charges of any kind or nature.

(e) The 2015 Variable Rate Parity Bonds initially shall bear interest at the Index Floating Rate. The 2015 Variable Rate Parity Bonds of a Series may be converted to a new Index Floating Rate or to another Interest Rate Mode in accordance with the provisions of this Series Resolution.

Section 4. Index Floating Rate Bonds. (a) The Designated Authority Representative shall determine whether the 2015 Variable Rate Bonds shall be issued in more than one Series and whether the initial Index Floating Rate Period for 2015 Variable Rate Bonds of a Series shall be a SIFMA Index Rate Period, determined as provided in Section 4(b)(1), or a LIBOR Index Rate Period, determined as provided in Section 4(b)(2). The Calculation Agent shall notify the Authority of the Index Floating Rate for each Index Floating Rate Period in accordance with Subsection 4(b). All Index Floating Rate Bonds of a Series shall bear interest accruing at the same Index Floating Rate.

(b) (1) The initial SIFMA Index Rate Period, if any, shall commence on and be effective from the Closing Date and shall continue through the end of the Initial Period for the 2015 Variable Rate Parity Bonds of such Series. On a date determined by the Underwriter no earlier than ten calendar days prior to the Closing Date, the Underwriter shall determine the first Conversion Date and the Applicable Spread, which shall not exceed 100 basis points (1.0 percent) unless otherwise approved by the Designate Authority Representative pursuant to Section 10. During each SIFMA Index Rate Period, the Index Floating Rate Bonds shall bear interest at the SIFMA Index Rate, commencing on and including the first day of such period to but excluding the last day of such period. The Calculation Agent shall determine the SIFMA Index Rate on each Computation Date during the SIFMA Index Rate Period, and such rate shall become effective on the SIFMA Index Reset Date next succeeding such Computation Date (or on such Computation Date if such Computation Date is the SIFMA Index Reset Date) and interest at such rate shall accrue until such rate is recalculated on the next succeeding Computation Date during such SIFMA Index Rate Period. The SIFMA Index Rate shall be rounded upward to the second decimal place. Promptly following the determination of the SIFMA Index Rate, the Calculation Agent shall give notice thereof to the Authority. The determination of the SIFMA Index Rate by the Calculation will be conclusive and binding upon the Owners and the beneficial owners of the SIFMA Index Rate Bonds. If the SIFMA Index Rate is not determined by the Calculation Agent on the Computation Date, the rate of interest borne by such Index Floating Rate Bonds shall be the rate determined on the immediately preceding Computation Date until the Calculation Agent next determines the SIFMA Index Rate as required hereunder.

(2) The initial LIBOR Index Rate Period, if any, shall commence on and be effective from the Closing Date and shall continue through the end of the Initial Period for the 2015 Variable Rate Parity Bonds of such Series. On a date determined by the Underwriter no earlier than ten calendar days prior to such Closing Date, the Underwriter shall determine the first Conversion Date for the 2015 Variable Rate Parity Bonds of such Series; the Applicable Factor, which shall not exceed 70 percent; and the Applicable Spread, which shall not exceed 100 basis points (1.0 percent), in each case unless otherwise approved by the Designated Authority Representative. During each LIBOR Index Rate Period, the Index Floating Rate Bonds shall bear interest at the LIBOR Index Rate. The Calculation Agent shall determine the LIBOR Index Rate on each Computation Date during the LIBOR Index Rate Period, and such rate shall become effective on the LIBOR Index Reset Date next succeeding such Computation Date and interest at such rate shall accrue each day during such LIBOR Index Rate Period, commencing on and including the first day of such period to but excluding the last day of such period. The LIBOR Index Rate shall be rounded upward to the third decimal place. Promptly following the determination of the LIBOR Index Rate, the Calculation Agent shall give notice thereof to the Authority. The determination of the LIBOR Index Rate by the Calculation will be conclusive and binding upon the Owners and the beneficial owners of the LIBOR Index Rate Bonds. If the LIBOR Index Rate is not determined by the Calculation Agent on the Computation Date, the rate of interest borne by such Index Floating Rate Bonds shall be the rate determined on the immediately preceding Computation Date until the Calculation Agent next determines the LIBOR Index Rate as required hereunder.

(c) **Conversions.** The interest rate on all (but not less than all) Index Floating Rate Bonds of a Series shall be converted to a new Index Floating Interest Rate unless, at the option of

the Authority, the interest rate with respect to all (but not less than all) Index Floating Rate Bonds is to be converted from an Index Floating Rate to a new Interest Rate Mode, subject to the satisfaction of the conditions set forth below and as set forth in Appendix A.

(1) **Conversion Date.** For Index Floating Rate Bonds of each Series, the Conversion Date shall be a Par Call Date or the date on which the then-current Index Floating Rate Period for such Series ends. Interest shall accrue on such Index Floating Rate Bonds at the new interest rate commencing on such Conversion Date, whether or not a Business Day. Any action required to be taken on such Conversion Date, if such day is not a Business Day, may be taken on the next succeeding Business Day as if it had occurred on such Conversion Date.

(2) **Notice of Intent to Convert.** The Authority shall give written notice of its intent to exercise its option to effect any such Conversion to the Remarketing Agent, the Tender Agent and the Bond Registrar by Electronic Notice not fewer than five days (or such shorter period as shall be acceptable to the applicable parties) prior to the date on which the Bond Registrar is required to provide notice to the Owners. Such notice shall specify the proposed Conversion Date. If the Authority does not elect in a timely fashion to convert to a new Interest Rate Mode, the Index Floating Rate Bonds shall continue to be Index Floating Rate Bonds until changed by timely notice.

In addition, if an Index Floating Rate is to be in effect immediately following such Conversion Date, such notice shall state (i) whether such Index Floating Rate shall be a SIFMA Index Rate or a LIBOR Index Rate, (ii) the Applicable Spread to be in effect, (iii) if applicable, the Applicable Factor to be in effect, (iv) if applicable, each Par Call Date, and (v) the date on which such Index Floating Rate Period shall end (which date shall be a Conversion Date or the Maturity Date). The Authority shall provide notice in writing to the Remarketing Agent of the Applicable Factor to be in effect. The Remarketing Agent shall determine each Par Call Date, the date on which such Index Floating Rate Period shall end and the Applicable Spread to be in effect.

(3) **Notice of Conversion and Mandatory Tender.** Not fewer than 15 days prior to the proposed Conversion Date, the Bond Registrar shall give Electronic Notice, confirmed by first class mail, of the Conversion and of mandatory tender of such Index Floating Rate Bonds, to the Owners of such Index Floating Rate Bonds of such Series at their addresses as they appear on the Bond Register as of the date notice of the election is received by the Bond Registrar from the Authority. The notice given pursuant to this paragraph shall set forth the information required by Subsection 6(e)(4) of Appendix A and shall state that if not all of the Index Floating Rate Bonds of such Series are remarketed in the new Interest Rate Mode on the applicable Conversion Date, then such notice of Conversion shall be of no force and effect, such Index Floating Rate Bonds shall not be subject to mandatory tender and the Index Floating Rate Bonds shall not be converted to the New Interest Rate Mode.

(4) **Opinion of Bond Counsel.** Any Conversion of 2015 Index Floating Rate Bonds of a Series to a new Interest Rate Mode shall be subject to the condition that, on or before the Conversion Date, the Authority shall have delivered to the Bond Registrar and the Remarketing Agent, if any, with respect to the Index Floating Rate Bonds of such Series, an Opinion of Bond Counsel to the effect that the Conversion is authorized by this Series

Resolution and if the Index Floating Rate Bonds of such Series are Tax-Exempt 2015 Parity Bonds, that such Conversion will not, in and of itself, cause the interest on such Index Floating Rate Bonds to be includable in the gross income of Owners for federal income tax purposes.

(5) **Conditions to Conversion.** Notwithstanding the Authority's delivery of notice of the exercise of its option to effect a Conversion, such Conversion to a new Interest Rate Mode, and in the case of conditions (E) and (F), a Conversion to a new Index Floating Rate Period, shall not take effect if:

(A) the Authority withdraws such notice of the exercise of its option to effect Conversion not later than the Business Day preceding the date on which the interest rate in the new Interest Rate Mode is to be determined;

(B) the Calculation Agent or the Remarketing Agent, as applicable, fails to determine, when required, the interest rate for the new Interest Rate Mode;

(C) the notice to Owners of Index Floating Rate Bonds of such Series is not given when required;

(D) the Authority fails to deliver to the Bond Registrar or the Remarketing Agent, as applicable, the Opinion of Bond Counsel referred to in Subsection (c)(4) of this Section 4 or in the applicable provisions of Appendix A or otherwise fails to satisfy any of the conditions to conversion to the new Interest Rate Mode specified in Appendix A;

(E) sufficient funds are not available by Noon (New York City time) on the Conversion Date to pay the Purchase Price for all of the Index Floating Rate Bonds required to be purchased on such Conversion Date; or

(F) not all of the Index Floating Rate Bonds of such Series are remarketed in the new Interest Rate Mode on the applicable Conversion Date.

In any of such events,

(A) the Conversion Date shall not occur, whether or not notice of the Conversion has been given to the Owners;

(B) the mandatory tender of the Index Floating Rate Bonds on the Conversion Date shall not occur, whether or not notice of the Conversion has been given to the Owners; and

(C) the Index Floating Rate Bonds shall bear interest at the Delayed Remarketing Rate during a Delayed Remarketing Period.

(6) **Delayed Remarketing Period.** During a Delayed Remarketing Period, the Remarketing Agent shall continue to remarket the Index Floating Rate Bonds of such Series. The Remarketing Agent shall provide notice to the Authority and the Bond Registrar no later than the Business Day after determining that all of the Index Floating Rate Bonds of such Series can be remarketed. Upon receipt of such notice from the Remarketing Agent, the Authority shall

direct the Bond Registrar to provide notice to the Owners of the Index Floating Rate Bonds of such Series that such Index Floating Rate Bonds shall be subject to mandatory tender on a Business Day no later than the Business Day following such notice to the Bond Registrar. The Bond Registrar shall give Electronic Notice, confirmed by first class mail, of the mandatory tender of the Index Floating Rate Bonds to the Owners of such Index Floating Rate Bonds at their addresses as they appear on the Bond Register as of the date such direction is received by the Bond Registrar from the Authority. Such notice of mandatory tender shall include the information required under Subsection (3).

During a Delayed Remarketing Period, the Index Floating Rate Bonds of such Series shall continue to be subject to optional redemption by the Authority, and interest on the Index Floating Rate Bonds of such Series shall continue to accrue and be payable on the applicable Interest Payment Dates and on the last day of the Delayed Remarketing Period. During a Delayed Remarketing Period, the Authority also may elect to convert the Index Floating Rate Bonds of such Series to a new Interest Rate Mode or may give notice of an Authority Elective Purchase Date or may redeem, or may purchase in lieu of redemption, all or a portion of the Index Floating Rate Bonds of such Series, as provided in this Series Resolution.

(7) **Withdrawal of Notice of Conversion.** Any notice of withdrawal of a Conversion notice or notice of an Authority Elective Purchase Date shall be given by the Authority to the Bond Registrar, the Remarketing Agent, the Tender Agent and the Calculation Agent by telephone, promptly confirmed in writing, and thereafter shall be promptly given to the Owners of the Index Floating Rate Bonds by the Bond Registrar by Electronic Notice, confirmed by first class mail.

Section 5. Redemption of 2015 Parity Bonds of Each Series. Unless otherwise provided in a Bond Purchase Contract approved by the Designated Authority Representative in accordance with Section 10, the 2015 Parity Bonds of each Series will subject to redemption as provided below:

(a) **Optional Redemption.** As provided in Section 10, the Designated Authority Representative may designate all or certain maturities of the 2015 Parity Bonds of each Series as being subject to redemption at the option of the Authority prior to their stated maturity dates, and may specify the dates on and after and the price at which, those designated 2015 Parity Bonds may be redeemed. Unless otherwise provided in the Bond Purchase Contract, the Index Floating Rate Bonds of each Series that are in an Index Floating Rate Mode shall be subject to redemption at the option of the Authority, on any Conversion Date or Purchase Date or on any Business Day within the six calendar months preceding a Conversion Date, in whole or in part, in the amounts designated by the Designated Authority Representative, at a redemption price equal to 100 percent of the principal amount of the Index Floating Rate Bonds of such Series being redeemed, plus interest accrued thereon to the date fixed for redemption, without premium.

(b) **Mandatory Redemption.** The Designated Authority Representative may approve the designation of one or more maturities of the 2015 Parity Bonds of each Series as 2015 Term Parity Bonds and the dates and the principal amounts of 2015 Term Parity Bonds to be redeemed in accordance with mandatory sinking fund redemption schedules for each 2015 Term Parity Bond of such Series.

If the Authority redeems pursuant to optional redemption provisions, purchases for cancellation or defeases 2015 Term Parity Bonds, the principal amount of the 2015 Term Parity Bonds of such Series and maturity so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) shall be credited against one or more scheduled mandatory sinking fund redemptions for 2015 Term Parity Bonds of the same Series and maturity as determined by the Designated Authority Representative at that time.

(c) **Partial Redemption.** Portions of the principal amount of any 2015 Parity Bond, in any Authorized Denomination, may be redeemed, provided that 2015 Parity Bonds of such Series and maturity that remain Outstanding will be in Authorized Denominations. If less than all of the principal amount of any 2015 Parity Bond is redeemed, upon surrender of that 2015 Parity Bond to the Bond Registrar, there shall be issued to the Owner, without charge, a new 2015 Parity Bond (or 2015 Parity Bonds, at the option of the Owner) of the same Series, maturity and interest rate in any Authorized Denomination in the aggregate principal amount remaining unredeemed.

(d) **Selection of 2015 Parity Bonds for Redemption.** If fewer than all of the Outstanding 2015 Parity Bonds within a Series, maturity and interest rate are to be redeemed prior to maturity, 2015 Parity Bonds of such Series, maturity and interest rate shall be selected for redemption by lot within such Series, maturity and interest rate in such manner as the Bond Registrar shall determine. Notwithstanding the foregoing, so long as the 2015 Parity Bonds are registered in the name of DTC or its nominee, selection of 2015 Parity Bonds for redemption within a Series, maturity and interest rate shall be in accordance with the Letter of Representations.

(e) **Notice and Effect of Redemption.** The Authority shall cause notice of any redemption of 2015 Parity Bonds to be given not less than 20 (15 calendar days in the case of 2015 Variable Rate Parity Bonds, and five (5) calendar days in the case of 2015 Variable Rate Parity Bonds during a Delayed Remarketing Period) but not more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid (by Electronic Notice in the case of 2015 Variable Rate Parity Bonds, confirmed by such written notice), to the Owner of any 2015 Parity Bond to be redeemed, at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not notice is actually received by that Owner. Notwithstanding the foregoing, notice of redemption of any 2015 Parity Bonds registered in the name of DTC or its nominee shall be made in accordance with the Letter of Representations.

In addition, the redemption notice shall be mailed by the Bond Registrar within the same period to each of the Rating Agencies, but these additional mailings shall not be a condition precedent to the redemption of 2015 Parity Bonds.

In the case of an optional redemption, the notice may state that the such redemption is conditioned on sufficient money being available for such purpose on the date fixed for redemption, and that the notice and optional redemption shall be of no effect to the extent that sufficient funds are not available if the Authority rescinds the notice of redemption for any

reason. Any 2015 Parity Bonds subject to a rescinded notice of redemption shall remain Outstanding, and the rescission shall not constitute a Default.

If notice of redemption has been duly given (and in the case of a conditional notice of optional redemption if sufficient funds are deposited with the Bond Registrar and if such conditional notice is not rescinded), then on the date fixed for redemption each 2015 Parity Bond or portion thereof so called for redemption shall become due and payable at the redemption price specified in such notice. From and after the date fixed for redemption, if money for the payment of the redemption price of any 2015 Parity Bond or portion thereof so called for redemption that becomes payable is held by the Bond Registrar, interest thereon shall cease to accrue and that 2015 Parity Bond or portion thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security hereunder, and the Owner of such 2015 Parity Bond or portion thereof shall have no rights in respect thereof except to receive payment of the redemption price upon delivery of such 2015 Parity Bond to the Bond Registrar.

(f) **Purchase in the Open Market.** The Authority reserves the right and option to purchase any or all of the 2015 Parity Bonds in the open market at any time at any price acceptable to the Authority, plus accrued interest to the date of purchase.

(g) **2015 Parity Bonds to be Canceled.** Except as provided in Section 4 or Section 6 for 2015 Variable Rate Parity Bonds, all 2015 Parity Bonds purchased or redeemed under this Section shall be surrendered to the Bond Registrar and canceled.

Section 6. Purchase of 2015 Variable Rate Parity Bonds. (a) 2015 Variable Rate Parity Bonds shall be subject to mandatory tender on the Purchase Dates specified in Section 4(c) in the case of Index Floating Rate Bonds or as provided in Appendix A in the case of other 2015 Variable Rate Parity Bonds; provided, however, that if the funds available for the purchase of 2015 Variable Rate Parity Bonds subject to purchase on a Purchase Date are insufficient to purchase all of such 2015 Variable Rate Parity Bonds (including Undelivered Bonds), then no purchase of any 2015 Variable Rate Parity Bonds shall occur on such Purchase Date and, on such Purchase Date, the Bond Registrar as Tender Agent shall (1) return all of such 2015 Variable Rate Parity Bonds that were tendered or deemed tendered to the Owners thereof, (2) return all moneys received by the Tender Agent for the purchase of such 2015 Variable Rate Parity Bonds to the respective persons that provided such moneys (in the respective amounts in which such moneys were so provided), and (3) notify the Bond Registrar of the foregoing.

(b) Any Index Floating Rate Bonds of a Series not so purchased when required shall bear interest at the Delayed Remarketing Rate during a Delayed Remarketing Period, as set forth in Section 4(c)(6) of this Series Resolution. Any other 2015 Variable Rate Parity Bonds not so purchased when required also shall bear interest at the Delayed Remarketing Rate from such Purchase Date until the date that all of such 2015 Variable Rate Parity Bonds have been purchased. The Authority shall not be obligated to purchase (i) any 2015 Index Floating Rate Bonds of a Series or (ii) any 2015 Variable Rate Parity Bond for which a Liquidity Facility or a Credit Facility was provided if available funds from remarketing such 2015 Variable Rate Parity Bonds or from such Liquidity Facility or Credit Facility are insufficient, and such failure to purchase shall not be a Default or an event of default under any other resolution or agreement of the Authority.

Section 7. Failure to Pay 2015 Parity Bonds. If any 2015 Parity Bond is not paid when properly presented at its maturity or date fixed for redemption, the Authority shall be obligated to pay interest on that 2015 Parity Bond at the same rate provided in that 2015 Parity Bond from and after its maturity or date fixed for redemption until that 2015 Parity Bond, principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Account.

Section 8. Form and Execution of 2015 Parity Bonds. The Designated Authority Representative is authorized to approve the form of the 2015 Parity Bonds of each Series, which shall be prepared in a form consistent with the provisions of the 2015 Parity Bond Resolutions and State law and shall be signed by the Chair of the Board and the Chief Executive Officer, either or both of whose signatures may be manual or in facsimile, and the seal of the Authority or a facsimile reproduction thereof shall be impressed or printed thereon.

Only 2015 Parity Refunding Bonds bearing a Certificate of Authentication generally in the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of the 2015 Parity Bond Resolutions: "Certificate Of Authentication. This Bond is one of the fully registered The Central Puget Sound Regional Transit Authority Sales Tax Refunding [and Improvement] Bonds, Series ____, described in the 2015 Parity Bond Series Resolution."

Only 2015 Parity Improvement Bonds bearing a Certificate of Authentication in the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of the 2015 Parity Bond Resolutions: "Certificate Of Authentication. This Bond is one of the fully registered The Central Puget Sound Regional Transit Authority Sales Tax [Refunding and] Improvement Bonds, Series ____, described in the 2015 Parity Bond Series Resolution."

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the 2015 Parity Bond of such Series so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of the 2015 Parity Bond Resolutions.

If any officer whose manual or facsimile signature appears on the 2015 Parity Bonds ceases to be an officer of the Authority authorized to sign bonds before the 2015 Parity Bonds bearing his or her manual or facsimile signature are authenticated or delivered by the Bond Registrar or issued by the Authority, those 2015 Parity Bonds nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the Authority as though that person had continued to be an officer of the Authority authorized to sign bonds. Any 2015 Parity Bond also may be signed on behalf of the Authority by any person who, on the actual date of signing of the 2015 Parity Bond, is an officer of the Authority authorized to sign bonds, although he or she did not hold the required office on the Closing Date of the 2015 Parity Bonds.

Section 9. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the 2015 Parity Bonds, which shall be open to inspection by the Authority at all times. The Bond Registrar is authorized, on behalf of the Authority, to authenticate and deliver 2015 Parity Bonds

transferred or exchanged in accordance with the provisions of the 2015 Parity Bonds and the 2015 Parity Bond Resolutions, to serve as the Authority's paying agent and/or Calculation Agent for the 2015 Parity Bonds and to carry out all of the Bond Registrar's powers and duties under the Parity Bond Master Resolution and this Series Resolution. The Authority reserves the right in its discretion to appoint special paying agents, tender agents, registrars, or trustees in connection with the payment of some or all of the principal of, premium, if any, or interest on the 2015 Parity Bonds of one or more Series. If a new Bond Registrar is appointed by the Authority (other than the Washington State fiscal agent), notice of the name and address of the new Bond Registrar shall be mailed to the Owners of the 2015 Parity Bonds appearing on the Bond Register at the time the Bond Registrar prepares the notice. The notice may be mailed together with the next interest payment due on the 2015 Parity Bonds, but, to the extent practicable, shall be mailed no later than the Record Date for any principal payment or redemption date of any 2015 Parity Bond.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the 2015 Parity Bonds. The Bond Registrar may become the Owner of 2015 Parity Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners of the 2015 Parity Bonds.

This Section and other relevant portions of this Series Resolution and of the Parity Bond Master Resolution shall constitute a "system of registration" as that term is used in RCW 39.46.030.

Section 10. Terms and Sale of 2015 Parity Bonds; Other Interest Rate Modes of 2015 Variable Rate Bonds. (a) The Board has determined that it is in the best interest of the Authority to delegate to the Designated Authority Representative pursuant to RCW 39.46.040(2) the authority to determine whether at the time of pricing, the issuance of the 2015 Parity Improvement Bonds is in the best interest of the Authority and whether as provided in Section 16, at the time of pricing the issuance of the 2015 Parity Refunding Bonds is in the best interest of the Authority; to determine the number of Series (and the aggregate principal amounts thereof) and whether the 2015 Parity Bonds of such Series are to bear interest at fixed rates or be issued as 2015 Variable Rate Parity Bonds; to designate all or a portion of the 2015 Parity Bonds as "green bonds;" and to approve the final principal amount, interest rates (or the initial Interest Rate Mode or Modes, the initial Interest Period or Interest Periods and the Applicable Factor(s), Applicable Spread(s) and Alternate Rate(s) in the case of 2015 Variable Rate Parity Bonds), the prices, payment dates, maturity dates, maturity amounts, the Parity Reserve Account Requirement, if any, and redemption provisions of the 2015 Parity Bonds of each Series, the tender provisions in the case of any 2015 Variable Rate Parity Bonds and the minimum savings to be achieved by the Refunding Plan, all in the manner provided herein, provided that:

- (1) The aggregate principal amount of the 2015 Parity Refunding Bonds does not exceed \$400,000,000, and the aggregate principal amount of 2015 Parity Improvement Bonds and 2015 Parity Refunding Bonds together does not exceed \$1,000,000,000;

- (2) One or more rates of interest may be fixed for the 2015 Parity Bonds of each Series, the maximum rate for 2015 Variable Rate Parity Bonds of each Series shall not exceed the 12 percent per annum; and no rate of interest for any maturity of the other 2015 Parity Bonds may exceed 5.50 percent per annum;
- (3) The combined true interest cost to the Authority as of the Closing Date for all 2015 Parity Bonds issued under this Series Resolution shall not exceed 5.0 percent; provided, that for purposes of determining the true interest cost of the 2015 Variable Rate Parity Bonds of each Series, the assumed interest rate shall be equal to the initial Index Floating Rate of the 2015 Variable Rate Bonds of such Series determined as if the 2015 Variable Rate Parity Bonds of such Series were to be delivered on the date of pricing;
- (4) The purchase price for the 2015 Parity Bonds may not be less than 98 percent of the aggregate principal amount;
- (5) The 2015 Parity Bonds shall be subject to optional and mandatory redemption provisions (or not), including designation of 2015 Term Parity Bonds, if any, as determined by the Designated Authority Representative.
- (6) There is a minimum net present value savings of 3 percent of the Refunded Bonds calculated by taking into account the overall savings achieved by refunding the Refunded Bonds;
- (7) The 2015 Parity Bonds shall be dated the Closing Date, which date for the issuance and delivery of the 2015 Parity Bonds is not later than February 23, 2016; and
- (8) Principal shall be payable annually on each November 1, and the final maturity shall not be later than November 1, 2055.

In determining the final principal amount of the 2015 Parity Bonds, interest rates, payment dates, maturity dates, the Parity Reserve Account Requirement, if any, and redemption provisions of the 2015 Parity Bonds, and minimum savings to be achieved by the Refunding Plan, the Designated Authority Representative, in consultation with other Authority officials and staff and advisors, shall take into account those factors that, in his or her judgment, will result in the lowest true interest cost on the 2015 Parity Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable to the 2015 Parity Bonds.

(b) The 2015 Parity Bonds shall be sold by negotiated sale to any or all of: J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Goldman, Sachs & Co., RBC Capital Markets, LLC and Wells Fargo Bank, National Association, as determined by the Designated Authority Representative. Subject to the terms and conditions set forth in this Section 10, upon the determination by the Designated Authority Representative that the conditions of this Section 10 have been met, the Designated Authority Representative is hereby authorized to approve and to execute and deliver on behalf of

the Authority a purchase contract or purchase contracts to be presented by the Underwriters (each a “Bond Purchase Contract”).

The 2015 Parity Bonds of each Series shall be printed at Authority expense and shall be delivered to or for the account of the Underwriters in accordance with the 2015 Parity Bond Resolutions, with the approving legal opinion of Bond Counsel, regarding the 2015 Parity Bonds of each Series.

(c) The Board has determined further that it also is in the best interest of the Authority to delegate to the Designated Authority Representative the authority to determine whether and when to change the Interest Rate Mode of the 2015 Variable Rate Parity Bonds of one or more Series; to designate at one time or from time to time an Authority Elective Purchase Date for 2015 Variable Rate Parity Bonds of one or more Series; and at any time before the Closing Date and/or on or after a Conversion Date or other Purchase Date, to revise or clarify any of the provisions in Appendix A that may apply to the 2015 Variable Rate Bonds of a Series.

Section 11. Authorization of Official Statements and Remarketing Circulars. (a) The Board authorizes and approves the preparation of one or more preliminary official statements in connection with the offering of the 2015 Parity Bonds pursuant to Section 10 and authorizes the Designated Authority Representative to “deem final” such preliminary official statement or preliminary official statements as of their dates, except for the omission of information dependent upon the pricing of the 2015 Parity Bonds and the completion of the sale. The Authority agrees to deliver or to cause to be delivered, within seven business days after the date of the sale of the 2015 Parity Bonds of each Series and in sufficient time to accompany any confirmation that requests payment from any customer of the Underwriters, copies of a final official statement or final official statements and by the time and in sufficient quantity to comply with Section (b)(4) of the Rule and the rules of the MSRB.

In addition, the Board authorizes and approves the preparation, execution by the Designated Authority Representative and delivery to the Underwriters of a final official statement or final official statements for the 2015 Parity Bonds, in the form of the preliminary official statement(s), with such modifications and amendments thereto as shall be deemed necessary or desirable by the Designated Authority Representative.

(b) The Board also authorizes the preparation, execution by the Designated Authority Representative and delivery from time to time of remarketing circulars or other disclosure documents in connection with remarketing 2015 Variable Rate Parity Bonds of one or more Series.

Section 12. Preservation of Tax Exemption of Interest on Tax-Exempt 2015 Parity Bonds. The Authority covenants that it will take all actions necessary to prevent interest on Tax-Exempt 2015 Parity Bonds from being included in gross income for federal income tax purposes, and that it will neither take any action nor make or permit any use of proceeds of Tax-Exempt 2015 Parity Bonds or other funds of the Authority treated as proceeds of Tax-Exempt 2015 Parity Bonds at any time during the term of the Tax-Exempt 2015 Parity Bonds which will cause interest on the Tax-Exempt 2015 Parity Bonds to be included in gross income for federal income tax purposes. The Authority also covenants that it will, to the extent the arbitrage rebate

requirement of Section 148 of the Code is applicable to the Tax-Exempt 2015 Parity Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the Tax-Exempt 2015 Parity Bonds, including the calculation and payment of any penalties that the Authority has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the 2015 Parity Bonds from being included in gross income for federal income tax purposes.

Section 13. Deposit, Use and Investment of 2015 Parity Bond Proceeds; Establishment of Accounts. (a) The net proceeds, including premium, if any, received from the sale and delivery of the 2015 Parity Refunding Bonds shall be paid to the Escrow Agent as outlined in Section 14, or into the “2015 Refunding Parity Bond Proceeds Account” of the Authority or such other accounts or subaccounts of the Authority as the Chief Financial Officer may designate and shall be used to (i) carry out the Refunding Plan, (ii) fund a portion of the Parity Reserve Account Requirement or any alternate reserve account requirements, if necessary, and (iii) pay costs of issuing the 2015 Parity Refunding Bonds and of effecting the Refunding Plan.

The Chief Financial Officer may establish and may transfer, record, allocate or restrict proceeds of the 2015 Refunding Parity Bonds not deposited with the Escrow Agent among such accounts or subaccounts of the Authority and make such transfers, recordings, allocations, restrictions or deposits on terms he or she may deem necessary, appropriate or desirable to carry out the purposes of this Series Resolution.

(b) A portion of the net proceeds, including premium, if any, of the 2015 Parity Improvement Bonds shall be deposited into the 2015 Project Account in the Project Fund held by the Authority and applied to the payment (or to reimburse the Authority for the payment) of costs of the acquiring high-capacity transportation facilities, including interest on all or a portion of the 2015 Parity Improvement Bonds during construction; a portion shall be deposited into the Parity Reserve Account or to any alternate reserve account, if required; and the remainder shall be applied to pay costs of issuing the 2015 Parity Improvement Bonds.

The Chief Financial Officer may establish and may transfer, record, allocate or restrict proceeds of the 2015 Parity Improvement Bonds not deposited into the 2015 Project Account among such accounts or subaccounts of the Authority and make such transfers, recordings, allocations, restrictions or deposits on terms he or she may deem necessary, appropriate or desirable to carry out the purposes of this Series Resolution.

(c) Until needed to pay the costs described herein, the Authority may invest principal proceeds of the 2015 Parity Bonds temporarily in any legal investment, and the investment earnings shall be deposited in such accounts as may be designated by the Designated Authority Representative. Earnings subject to a federal tax or rebate requirement may be withdrawn from any such account and used for those tax or rebate purposes.

Section 14. Refunding of the Refunded Bonds, Appointment of Escrow Agent. The Designated Authority Representative is authorized to appoint an Escrow Agent in connection with the Refunded Bonds.

(b) **Use of 2015 Parity Refunding Bond Proceeds.** A sufficient amount of the proceeds of the sale of the 2015 Parity Refunding Bonds shall be deposited immediately upon the receipt thereof with the Escrow Agent and used to discharge the obligations of the Authority relating to the Refunded Bonds under Resolution No. R2007-22 and Resolution No. R2007-27 by providing for the payment of the amounts required to be paid by the Refunding Plan. Any 2015 Parity Refunding Bond proceeds or other money deposited with the Escrow Agent not needed to carry out the Refunding Plan or to pay costs of issuance of the 2015 Parity Refunding Bonds or other costs of the Refunding Plan shall be returned to the Authority and deposited in the Parity Bond Account to pay interest on the 2015 Parity Refunding Bonds on the first interest payment date or otherwise as determined by the Designated Authority Representative after consultation with Bond Counsel.

(c) **Administration of Refunding Plan.** The Escrow Agent is authorized and directed to make the payments required to be made by the Refunding Plan from the money deposited with the Escrow Agent pursuant to this Series Resolution. All money deposited with the Escrow Agent and any income therefrom shall be held irrevocably, invested in Defeasance Obligations and applied in accordance with the provisions of Resolution No. R2007-22 and Resolution No. R2007-27, the 2015 Parity Bond Resolutions, chapter 39.53 RCW and other applicable statutes of the State, and the Escrow Agreement. All necessary and proper fees, compensation and expenses of the Escrow Agent and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the 2015 Parity Refunding Bonds shall be paid out of the proceeds of the 2015 Parity Refunding Bonds.

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

(e) **Authorization for Replacement Bonds.** If necessary, the Authority may issue replacement bonds in principal amounts reflecting the defeased and nondefeased portions of the Refunding Candidates. The replacement bonds shall be printed, executed and authenticated in the same manner as the 2007A Parity Bonds.

Section 15. Redemption of the Refunded Bonds. The Authority calls for redemption on November 1, 2017, and hereby instructs the Escrow Agent or Bond Registrar to give notice of such redemption, of all of the Refunded Bonds stated to mature on and after November 1, 2018, at a redemption price equal to 100 percent of the principal amount thereof, plus accrued interest. Such call for redemption and such instruction shall be irrevocable after the delivery of the 2015 Parity Refunding Bonds to the Underwriters. The date on which the Refunded Bonds are to be called for redemption is the first date on which the Refunded Bonds may be called.

The proper Authority officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required, pursuant to Resolution Nos. R2007-27 and R2007-27 to effect the redemption of the Refunded Bonds on November 1, 2017.

Section 16. Authority Findings with Respect to Refunding. The Board authorizes the Designated Authority Representative to issue the 2015 Parity Refunding Bonds if it will achieve debt service savings to the Authority and is in the best interest of the Authority and its taxpayers and in the public interest. In making such finding and determination, the Designated Authority Representative will give consideration to the fixed maturities of the 2015 Parity Refunding Bonds and the Refunded Bonds, the costs of issuance of the 2015 Parity Refunding Bonds and the expected income from the investment of the proceeds of the issuance and sale of the 2015 Parity Refunding Bonds pending payment and redemption of the Refunded Bonds.

The Designated Authority Representative also may purchase Defeasance Obligations to be deposited with the Escrow Agent, together with the income therefrom, and with any necessary beginning cash balance, which will be sufficient to redeem the Refunded Bonds and will discharge and satisfy the obligations of the Authority under Resolution No. R2007-22 with respect to the Refunded Bonds. Immediately upon the delivery of such Defeasance Obligations to the Escrow Agent and the deposit of any necessary beginning cash balance, the Refunded Bonds shall be deemed not to be Outstanding and shall cease to be entitled to any lien, benefit or security under Resolution No. R-2007-22 authorizing their issuance except the right to receive payment from the Defeasance Obligations and beginning cash balance so set aside and pledged.

Section 17. Continuing Disclosure. (a) The Authority covenants and agrees that it will comply with and will carry out all of the provisions of the Continuing Disclosure Certificate. The Continuing Disclosure Certificate shall be in the form included in the Preliminary Official Statement approved by the Designated Authority Representative, together with such additions or other changes as may be approved by the Designated Authority Representative executing such Certificate. Notwithstanding any other provision of this Series Resolution or the Parity Bond Master Resolution, failure of the Authority to comply with the Continuing Disclosure Certificate shall not constitute a Default, provided, however, that any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under the Continuing Disclosure Certificate. For purposes of this Section, "Beneficial Owner" means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds, (including persons holding Bonds through nominees, depositories or other intermediaries).

(b) The Chief Financial Officer of the Authority (or such other officer of the Authority who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the duties of the Authority set forth in the Continuing Disclosure Certificate, including, without limitation, the following actions:

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

- (B) Determining whether any listed event has occurred and preparing and disseminating notice of its occurrence;
- (C) Determining whether any person other than the Authority is an "obligated person" within the meaning of the Rule with respect to the 2015 Parity Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of enumerated events for that person in accordance with the Rule;
- (D) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the Authority in carrying out the Authority's duties under the Continuing Disclosure Certificate; and
- (E) Effecting any necessary amendment of the Continuing Disclosure Certificate.

Section 18. Authorized Budget Amendment; Amendment of Section 1a (Debt Service) of Resolution No. R2014-26. The Designated Authority Representative is hereby authorized and directed to determine the amount of debt service on 2015 Parity Bonds that will be payable in connection with the issuance of the 2015 Parity Bonds and to amend or cause to be amended the Authority's Adopted 2015 Budget to include such amounts; and the authorization provided to the Authority by the Board in Section 1a of Resolution No. R2014-36 and the Adopted 2015 Budget each is hereby amended by such amounts.

Section 19. Resolution a Contract. This Series Resolution, together with the Parity Bond Master Resolution and the Continuing Disclosure Certificate, shall constitute a contract with the Owners of the 2015 Parity Bonds.

Section 20. Severability. If any one or more of the provisions of this Series 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 Series Resolution or of the 2015 Parity Bonds issued pursuant to the terms thereof.

Section 21. Ratification of Prior Acts. Any action taken by or on behalf of the Authority and consistent with the intent of this Series Resolution but prior to the effective date of this Series Resolution, including but not limited to issuing requests for proposals for financing or underwriting services, executing engagement letters for financing or underwriting services based on responses to such requests, preparing and issuing disclosure materials relating to the 2015 Parity Bonds, and executing contracts or other documents, is hereby ratified, approved, and confirmed.

Section 22. Effective Date. This resolution shall take effect immediately upon its adoption.

ADOPTED by the Board of The Central Puget Sound Regional Transit Authority at a regular meeting thereof held the 23rd day of July, 2015.

APPENDIX A

ADDITIONAL TERMS OF 2015 VARIABLE RATE PARITY BONDS

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Series Resolution, including this Appendix A, and of any resolution supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“Alternate Credit Facility” means a Credit Facility delivered to the Bond Registrar in accordance with Section 8(b) of this Appendix to replace the Credit Facility then in effect.

“Alternate Liquidity Facility” means a Liquidity Facility delivered or made available to the Tender Agent in accordance with Section 8(c) of this Appendix to replace the Liquidity Facility then in effect.

“Authority Elective Purchase Date” means, with respect to 2015 Variable Rate Parity Bonds during a Daily Rate Period or Weekly Rate Period, any Business Day designated by the Authority, with the consent of the Liquidity Provider, if any, and during any Index Floating Rate Period, as described in Section 6(e)(7) of this Appendix A.

“Bank Bond” means a 2015 Variable Rate Parity Bond (or a beneficial interest therein) that, as more fully described in Section 4 of this Appendix A, is purchased (or provided to be purchased) by the Tender Agent pursuant to this Series Resolution with amounts requested by the Tender Agent and paid or provided by the Liquidity Facility Provider under the Liquidity Facility relating to such 2015 Variable Rate Parity Bond (which Bond shall remain a Bank Bond unless and until such 2015 Variable Rate Parity Bond ceases to be a Bank Bond as described in Section 4).

“Bank Rate” means, the rate of interest borne by a Bank Bond, as specified and/or determined in accordance with the Liquidity Facility or the Liquidity Facility Agreement relating to such Bank Bond.

“Credit Facility Agreement” means, with respect to a Credit Facility then in effect, the separate agreement, if any, under and pursuant to which such Credit Facility is issued.

“Credit Facility Date” means a date on which a Credit Facility is accepted, including a substitution, by the Bond Registrar and becomes effective. The date of any renewal or extension of the expiration date of a Credit Facility then in effect shall not be considered to be a Credit Facility Date for purposes of this Series Resolution.

“Credit Facility Fund” means the fund by that name established pursuant to Section 8(a)(3) of this Appendix A.

“Credit Facility Provider Failure” means the dissolution, cessation of operations, bankruptcy or seizure of operations by a regulatory agency of a Credit Facility Provider or the failure of a Credit Facility Provider to honor a proper draw request under a Credit Facility.

Dow Constantine
Board Chair

ATTEST:

Kathryn Flores
Board Administrator

“Expiration Date” means the earlier of the Stated Expiration Date or any date upon which a Liquidity Facility or a Credit Facility expires in accordance with its terms, other than any date that is also a Termination Date or a Conversion Date.

“Interest Payment Date” means;

(a) with respect to Daily Rate Bonds and Weekly Rate Bonds, the first Business Day of each month and any day that is a Conversion Date for such Daily Rate Bonds or Weekly Rate Bonds, other than a Conversion Date between the Daily Interest Period and the Weekly Interest Period;

(b) with respect to Short-Term Rate Bonds, the first Business Day after the last day of each Short-Term Rate Period and any day that is a Conversion Date for such Short-Term Rate Bonds;

(c) with respect to Long-Term Rate Bonds, each Payment Date and any day that is a Conversion Date for such Long-Term Rate Bonds;

(d) with respect to Fixed Rate Bonds, each Payment Date;

(e) the Maturity Date for such 2015 Variable Rate Parity Bonds; and

(f) with respect to each Bank Bond, has the meaning set forth in the Liquidity Facility or the Liquidity Facility Agreement relating to such Bank Bond.

“Interest Payment Period” means:

(b) with respect to Daily Rate Bonds, Weekly Rate Bonds or Short-Term Rate Bonds, the period from and including an Interest Payment Date for such Daily Rate Bonds, Weekly Rate Bonds or Short-Term Rate Bonds, as applicable, to but excluding the next succeeding Interest Payment Date for such Daily Rate Bonds, Weekly Rate Bonds or Short-Term Rate Bonds; and

(c) with respect to Fixed Rate Bonds or Long-Term Rate Bonds, the period from and including the Fixed Rate Conversion Date or the Long-Term Rate Conversion Date, as applicable, to and including the calendar day immediately preceding the next Interest Payment Date for such Fixed Rate Bonds or Long-Term Rate Bonds and thereafter, the period from and including each Interest Payment Date for such Fixed Rate Bonds or Long-Term Rate Bonds to and including the calendar day immediately preceding the next Interest Payment Date for such Fixed Rate Bonds or Long-Term Rate Bonds.

“Liquidity Account” means the account by that name in each Purchase Fund established pursuant to Section 6(d)(1) and Section 8(c) of this Appendix A.

“Liquidity Facility Agreement” means, with respect to a Liquidity Facility then in effect, the separate agreement, if any, under and pursuant to which such Liquidity Facility is issued (it being understood and acknowledged that there may but need not be a Liquidity Facility Agreement with respect to a Liquidity Facility).

“Liquidity Facility Date” means a date on which a Liquidity Facility is accepted, including a substitution, by the Tender Agent and becomes effective in accordance with Section 8(c) of this Appendix A. The date of any renewal or extension of the expiration date of a Liquidity Facility then in effect shall not (but any amendment of the automatic termination events, suspension events or conditions to purchase shall) be considered to be a Liquidity Facility Date for purposes of this Series Resolution.

“Liquidity Facility Request” has the meaning assigned to that term in Section 6(d)(3)(a) of this Appendix A.

“Mandatory Sinking Account Payment” means the amount required by this Series Resolution to be paid by the Authority on any single date for the retirement of 2015 Variable Rate Parity Bonds.

“Non-reinstatement Date” means, with respect to a Liquidity Facility, the date which is seven calendar days (or if such seventh calendar day is not a Business Day, the Business Day immediately preceding such seventh calendar day) after the date on which the Bond Registrar receives written notice from the Liquidity Facility Provider to the effect that an event of default under the related Liquidity Facility Agreement has occurred and following a draw under the Liquidity Facility and in accordance with the terms of the Liquidity Facility the amount so drawn will not be reinstated.

“Optional Liquidity Payments” has the meaning given in Section 8(d)(2) of this Appendix A.

“Payment Date” means each semiannual date on which a payment of principal shall mature or interest shall be due with respect to Fixed Rate Bonds and Long-Term Rate Bonds determined by the Remarketing Agent pursuant to Section 2(e) or Section 3 of this Appendix A.

“Purchase Date” means for 2015 Variable Rate Bonds other than Index Rate Bonds, each date on which such 2015 Variable Rate Bonds are subject to optional or mandatory purchase pursuant to Section 6 of this Appendix A.

“Purchase Fund” means the fund by that name established pursuant to Section 6(d)(1) of this Appendix A.

“Purchase Price” means with respect to a Daily Rate Bond, a Weekly Rate Bond, a Short-Term Rate Bond or a Long-Term Rate Bond subject to purchase on a Purchase Date, an amount equal to the principal amount thereof plus, if such Purchase Date is not an Interest Payment Date therefor, accrued and unpaid interest thereon to such Purchase Date.

“Remarketing Account” means the account by that name in the Purchase Fund established pursuant to Section 6(d)(1) of this Appendix A.

“Remarketing Agreement” means a remarketing agreement entered into by the Authority and the Remarketing Agent and any other similar agreement entered into with a successor Remarketing Agent with respect to 2015 Variable Rate Parity Bonds of a Series or in conjunction with a Daily Rate Conversion Date, a Weekly Rate Conversion Date, a Short Term

Rate Conversion Date or a Long-Term Rate Conversion Date, in each case, as such agreement may from time to time be amended or supplemented in accordance with its terms and the terms of the Liquidity Facility, if any, and the related Liquidity Facility Agreement.

“Required Liquidity Payments” has the meaning given in Section 8(d)(1) of this Appendix A.

“Required Stated Amount” means the Outstanding principal amount of the 2015 Variable Rate Parity Bonds of a Series (1) plus accrued interest on the 2015 Variable Rate Parity Bonds of such Series (A) for no less than 37 days at a rate equal to the lower of the Maximum Rate or the maximum rate then applicable to the 2015 Variable Rate Parity Bonds of such Series, if the 2015 Variable Rate Parity Bonds of such Series bear interest at Daily Rates or Weekly Rates; or (B) for no less than 185 days at the then-effective Long-Term Rate if the 2015 Variable Rate Parity Bonds of such Series bear interest at the Long-Term Rate; or (C) for no less than the length of the Short Term Interest Period then in effect plus 5 days at the Short Term Rate then in effect, if the 2015 Variable Rate Parity Bonds of such Series bear interest at a Short Term Rate; or (2) in each case plus accrued interest at the rate for the number of days required by a rating agency and approved by the Designated Authority Representative.

“Stated Expiration Date” means the date on which a Liquidity Facility or a Credit Facility is scheduled to expire in accordance with its terms, as such date may be extended from time to time in accordance with such Liquidity Facility or Liquidity Facility Agreement relating to such Liquidity Facility or Credit Facility or Credit Facility Agreement relating to such Credit Facility.

“Termination Date” means, with respect to a Liquidity Facility, the date which is seven calendar days (or if such seventh calendar day is not a Business Day, the Business Day immediately preceding such seventh calendar day) after the date on which the Bond Registrar receives written notice from the Liquidity Facility Provider under such Liquidity Facility which (a) advises the Bond Registrar of the occurrence and continuance of an “Event of Default” under and as defined in such Liquidity Facility or the related Liquidity Facility Agreement, and (b) directs the Bond Registrar to cause a mandatory tender of the Bonds to which such Liquidity Facility relates by reason of such “Event of Default.”

“Undelivered Bond Payment Account” means the account by that name in the Purchase Fund established pursuant to Section 6(d)(1) of this Appendix A.

Section 2. Determination of Interest Rates on 2015 Variable Rate Parity Bonds other than Index Floating Rate Bonds; Conversions Between Interest Rate Modes other than Fixed Rate

(a) *Determination of Interest Rates.*

(1) Same Interest Rate Mode. All 2015 Variable Rate Parity Bonds of a Series shall operate in the same Interest Rate Mode.

(2) Maximum Rate. Interest on the 2015 Variable Rate Parity Bonds shall not exceed the maximum nonusurious lawful rate of interest, if any, permitted by applicable State law.

(3) Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds or Long-Term Rate Bonds. Subject to the further provisions of this Section with respect to particular Daily Rates, Weekly Rates, Short-Term Rates or Long-Term Rates or Conversions between Daily Rates and Weekly Rates or to Short-Term Rates or Long-Term Rates, the interest rate on the 2015 Variable Rate Parity Bonds of a Series during any Daily Rate Period, Weekly Rate Period, Short-Term Interest Period or Long-Term Interest Period shall be determined by the Remarketing Agent as provided in this Section, and notice thereof shall be given as follows:

(A) The interest rate for the Daily Rate Period, Weekly Rate Period, Short-Term Interest Period or Long-Term Interest Period in question shall be determined by the Remarketing Agent on the date or dates and at the applicable time or times required below. The interest rate to be determined for the Daily Rate Period, Weekly Rate Period, Short-Term Interest Period or Long-Term Interest Period shall be the lowest rate of interest that, in the reasonable judgment of the Remarketing Agent, would cause such 2015 Variable Rate Parity Bonds of such Series to have a price equal to the principal amount thereof under prevailing market conditions for the relevant period as of the date of determination, except as otherwise provided in Section 2(d)(1) in the case of Short-Term Interest Rates.

(B) If the Remarketing Agent fails for any reason to determine the Daily Rate, Weekly Rate, Short-Term Rate or Long-Term Rate for any Daily Rate Period, Weekly Rate Period, Short-Term Rate Period or Long-Term Rate Period, as applicable, when required hereunder, or a court holds that the Daily Rate, Weekly Rate, Short-Term Rate or Long-Term Rate for any Daily Rate Period, Weekly Rate Period, Short-Term Rate Period or Long-Term Rate Period, as applicable, is invalid, illegal or unenforceable, then the interest rate on such 2015 Variable Rate Parity Bonds shall be equal to the Alternate Rate, until the interest rate on such Variable Rate Parity Bonds is again validly determined by the Remarketing Agent.

(C) All Daily Rate Bonds shall bear interest accruing at the same Daily Rate, all Weekly Rate Bonds shall bear interest accruing at the same Weekly Rate, and all Long-Term Rate Bonds of a Series shall bear interest accruing at the same Long-Term Rate.

(4) Bank Bonds. Bank Bonds shall bear interest at the Bank Rate determined in accordance with the Liquidity Facility or the Liquidity Facility Agreement relating to such Bank Bond, as set forth in Section 4 of this Appendix A.

(b) *Daily Rates.*

(1) Interest Period. Whenever 2015 Variable Rate Parity Bonds of a Series are to bear interest accruing at a Daily Rate, Daily Interest Periods shall commence on each Business Day and shall extend to, but not include, the next succeeding Business Day.

(2) Effective Period. The interest rate for each Daily Interest Period shall be effective from and including the commencement date thereof and shall remain in effect to, but not including, the next succeeding Business Day.

(3) Determination Time. Each Daily Rate shall be determined by the Remarketing Agent by 10:00 a.m., New York City time, on the commencement date of the Daily Interest Period to which it relates. Notice of each Daily Rate shall be given by the Remarketing

Agent to the Bond Registrar, the Tender Agent and the Authority, by Electronic Notice. The Bond Registrar shall inform the Owners of such 2015 Variable Rate Parity Bonds of each Daily Rate determined by the Remarketing Agent upon request.

(c) *Weekly Rates.*

(1) Interest Period. Whenever the 2015 Variable Rate Parity Bonds of a Series are to bear interest accruing at a Weekly Rate, Weekly Interest Periods shall commence on Wednesday of each week and end on Tuesday of the following week; provided, however, that (A) in the case of a Conversion to a Weekly Rate from another Interest Rate Mode, the initial Weekly Interest Period for such 2015 Variable Rate Parity Bonds shall commence on the Weekly Rate Conversion Date and end on the next succeeding Tuesday and (B) in the case of a Conversion from a Weekly Rate to a Daily Rate, Short-Term Rate or Long-Term Rate, the last Weekly Interest Period prior to Conversion shall end on the last day immediately preceding the applicable Conversion Date.

(2) Effective Period. The interest rate for each Weekly Interest Period shall be effective from and including the commencement date of such Weekly Interest Period and shall remain in effect through and including the last day thereof.

(3) Determination Time. Each Weekly Rate shall be determined by the Remarketing Agent by 10:00 a.m., New York City time, on the commencement date of the Weekly Interest Period to which it relates. Notice of each Weekly Rate shall be given by the Remarketing Agent to the Bond Registrar, the Tender Agent, the Authority, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, by Electronic Notice not later than 10:30 a.m., New York City time, on the date of determination. The Bond Registrar shall inform the Owners of such 2015 Variable Rate Parity Bonds of each Weekly Rate determined by the Remarketing Agent upon request.

(d) *Short-Term Rates.*

(1) Interest Period. Whenever the 2015 Variable Rate Parity Bonds of a Series are to bear interest accruing at a Short-Term Rate, each Short-Term Interest Period shall be determined by the Remarketing Agent by 4:00 p.m., New York City time, on the Business Day immediately preceding that Short-Term Interest Period; provided that each Short-Term Rate Period (A) shall be from 1 to 270 days in length, but (i) if a Liquidity Facility is in effect, shall not exceed the number of days of interest coverage provided by such Liquidity Facility minus five days and shall not extend beyond the date that is seven days before the Stated Expiration Date of such Liquidity Facility and (ii) shall not exceed the number of days remaining prior to the Conversion Date if the Remarketing Agent has given or received notice of any Conversion to a different Interest Payment Period, (B) shall commence on a Business Day (except in the case of a Conversion to a Short-Term Rate Period, the initial Short-Term Rate shall commence on the Conversion Date), and (C) shall end on a day preceding a Business Day or the day preceding the Maturity Date. The Remarketing Agent may, in the reasonable exercise of its judgment, determine one or more Short-Term Interest Periods that result in a Short-Term Rate or Short-Term Rates on such 2015 Variable Rate Parity Bonds that are higher than would be borne by such 2015 Variable Rate Parity Bonds with a shorter Short-Term Interest Period to increase the

likelihood of achieving the lowest net interest cost during the term of such 2015 Variable Rate Parity Bonds. The determination of each Short-Term Interest Period by the Remarketing Agent shall be based upon the relative market yields of such 2015 Variable Rate Parity Bonds and other securities that bear interest at a variable rate or at fixed rates that, in the reasonable exercise of the judgment of the Remarketing Agent, are otherwise comparable to such 2015 Variable Rate Parity Bonds, or any fact or circumstance relating to such 2015 Variable Rate Parity Bonds or affecting the market for such 2015 Variable Rate Parity Bonds or affecting such other comparable securities in a manner that, in the reasonable exercise of the judgment of the Remarketing Agent, will affect the market for such 2015 Variable Rate Parity Bonds. The Remarketing Agent, in its discretion, may consider such information and resources as it deems appropriate in making the determinations described in this paragraph.

(2) Effective Period. The interest rate for each Short-Term Interest Period shall be effective from and including the commencement date of that interest period and shall remain in effect through and including the last day thereof.

(3) Short-Term Interest Periods. 2015 Variable Rate Parity Bonds of a Series that are Short-Term Rate Bonds may bear interest for different Short-Term Interest Periods and at different Short-Term Rates; provided that all Short-Term Rate Bonds of such Series with the same Short-Term Interest Period shall bear interest accruing at the same Short-Term Rate; and provided further that all the 2015 Variable Rate Parity Bonds of a Series shall be Short-Term Rate Bonds if any of the 2015 Variable Rate Parity Bonds of such Series are Short-Term Rate Bonds.

(4) Determination Time. Each such interest rate shall be determined by the Remarketing Agent by 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of the Short-Term Interest Period to which it relates. Notice of each Short-Term Rate shall be given by the Remarketing Agent to the Bond Registrar, the Tender Agent, the Authority, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, by Electronic Notice not later than 5:00 p.m., New York City time, on the date of determination. The Bond Registrar shall inform the Owners of such Short-Term Rate Bonds of each Short-Term Rate determined by the Remarketing Agent upon request.

(e) *Long-Term Rates.*

(1) Interest Period. Whenever 2015 Variable Rate Parity Bonds of a Series are to bear interest accruing at a Long-Term Rate, Long-Term Interest Periods shall commence on a Long-Term Rate Conversion Date or, thereafter, the effective date of a subsequent Long-Term Interest Period, and end on a day which is at least 12 months after such Long-Term Rate Conversion Date which is the day preceding (A) the effective date of a subsequent Long-Term Interest Period, (B) the Conversion Date on which a different Interest Payment Period shall become effective or (C) the Maturity Date, provided that if a Liquidity Facility or Credit Facility is in effect, each Long-Term Interest Period shall not extend to a date beyond the fifth day next preceding the Stated Expiration Date of such Liquidity Facility or Credit Facility. The term of each Long-Term Interest Period shall be specified in writing by the Authority to the Remarketing Agent, the Bond Registrar, the Tender Agent, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, at least 5 days prior to its commencement.

(2) Effective Period. The interest rate for each Long-Term Interest Period shall be effective from and including the commencement date of that Long-Term Interest Period and shall remain in effect through and including the last day thereof.

(3) Determination Time. Each Long-Term Rate shall be determined by the Remarketing Agent by 4.00 p.m., New York City time, on the Business Day immediately preceding the commencement date of the Long-Term Interest Period to which it relates. Notice of each Long-Term Rate shall be given by the Remarketing Agent to the Bond Registrar, the Tender Agent, the Authority, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, by Electronic Notice not later than 5:00 p.m., New York City time, on the date of determination. The Bond Registrar shall inform the Owners of each Long-Term Rate determined by the Remarketing Agent upon request.

(4) Remarketing. The Long-Term Rate for each Long-Term Interest Period for the 2015 Variable Rate Parity Bonds of a Series shall be the rate of interest per annum borne by such 2015 Variable Rate Parity Bonds which shall be the lowest rate of interest that, in the judgment of the Remarketing Agent, would cause such 2015 Variable Rate Parity Bonds to have a price equal to the principal amount thereof plus accrued interest, if any, under prevailing market conditions as of the date of determination. Notwithstanding the foregoing and the provisions of Section 7(c) of this Appendix A, the Long-Term Rate for a Long-Term Interest Period for such 2015 Variable Rate Parity Bonds may be the rate of interest per annum determined by the Remarketing Agent to be the interest rate which, if borne by such 2015 Variable Rate Parity Bonds, would enable the Remarketing Agent to sell such 2015 Variable Rate Parity Bonds on the date and at the time of such determination at a price which will result in the lowest net interest cost for such 2015 Variable Rate Parity Bonds, after taking into account any premium or discount at which such 2015 Variable Rate Parity Bonds are sold by the Remarketing Agent, provided that in connection with selling such 2015 Variable Rate Parity Bonds at a premium or discount:

(A) The Remarketing Agent certifies to the Authority, the Bond Registrar and the Tender Agent, in a form acceptable to the Remarketing Agent and the Authority, that the sale of such 2015 Variable Rate Parity Bonds at the interest rate and premium or discount specified by the Remarketing Agent is expected to result in the lowest net interest cost for such 2015 Variable Rate Parity Bonds on the commencement date of the Long-Term Interest Period;

(B) The Authority consents in writing to the sale of such 2015 Variable Rate Parity Bonds by the Remarketing Agent at such premium or discount;

(C) In the case of 2015 Variable Rate Parity Bonds to be sold at a discount, the Authority agrees to transfer to the Tender Agent on the commencement date of such Long-Term Interest Period, in immediately available funds, for deposit in the Authority Purchase Account, an amount equal to such discount;

(D) On or before the date of the determination of the Long-Term Rate, the Authority causes to be delivered to the Bond Registrar and the Remarketing Agent notice that Bond Counsel expects to be able to give, on or before the commencement date of the Long-Term

Interest Period, an Opinion of Bond Counsel to the effect that such Conversion of the interest rate will not, in and of itself, cause the interest on such 2015 Variable Rate Parity Bonds to be includable in the gross income of Owners for federal income tax purposes; and

(E) On or before the commencement date of the Long-Term Interest Period, the Authority causes to be delivered to the Bond Registrar and the Remarketing Agent an Opinion of Bond Counsel to the effect that such Conversion will not, in and of itself, cause the interest on such 2015 Variable Rate Parity Bonds to be includable in the gross income of Owners for federal income tax purposes.

(g) Conversions to Interest Rate Modes other than Fixed Rate. At the option of the Authority, the interest rate with respect to all (but not less than all) of the 2015 Variable Rate Parity Bonds of a Series (other than Fixed Rate Bonds) may be converted to a Daily Rate, Weekly Rate, Short-Term Rate, Long-Term Rate, or Index Floating Rate as follows:

(1) Conversion Date. In any such case, the Conversion Date shall be the first day following the last day of an Interest Payment Period for the Interest Rate Mode from which the 2015 Variable Rate Parity Bonds of such Series are to be converted; provided, however, that for Long-Term Rate Bonds, such Conversion shall occur only on a date that such Long-Term Rate Bonds are subject to purchase or any date such Long-Term Rate Bonds are subject to optional redemption. Interest shall accrue on the such 2015 Variable Rate Parity Bonds at the new interest rate commencing on such Conversion Date, whether or not a Business Day. Any action required to be taken on such Conversion Date, if such day is not a Business Day, may be taken on the next succeeding Business Day as if it had occurred on such Conversion Date.

(2) Notice of Intent to Convert. The Authority shall give written notice of its intent to exercise its option to effect any such Conversion to the Remarketing Agent, the Tender Agent, the Bond Registrar, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, by Electronic Notice not fewer than five days (or such shorter period as shall be acceptable to the applicable parties) prior to the date on which the Bond Registrar is required to provide notice to the Owners. Such notice shall specify the proposed Conversion Date. If the Authority does not elect in a timely fashion to convert to a new Interest Rate Mode, the Interest Rate Mode then in effect shall continue until changed by timely notice.

(3) Notice of Conversion and Mandatory Tender. For such 2015 Variable Rate Parity Bonds other than Short-Term Rate Bonds, not fewer than 15 days prior to the proposed Conversion Date, the Bond Registrar shall give Electronic Notice, confirmed by first class mail, of the Conversion and of the mandatory tender of such 2015 Variable Rate Parity Bonds to the Owners thereof at their addresses as they appear on the Bond Register as of the date notice of the election is received by the Bond Registrar from the Authority. The notice given pursuant to this paragraph shall set forth the information required by Section 6(c)(4) of this Appendix A.

(4) Opinion of Counsel. Any Conversion pursuant to this Section shall be subject to the conditions that, on or before the Conversion Date, the Authority shall have caused to be delivered to the Bond Registrar, the Remarketing Agent, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, with respect to the affected 2015 Variable Rate

Parity Bonds, an Opinion of Bond Counsel to the effect that the Conversion is authorized by this Series Resolution and in the case of 2015 Variable Rate Parity Bonds that are Tax-Exempt Parity Bonds, will not, in and of itself, cause the interest on such 2015 Variable Rate Parity Bonds to be includable in the gross income of Owners for federal income tax purposes.

(5) Conditions to Conversion. Notwithstanding the Authority's delivery of notice of the exercise of its option to effect a Conversion pursuant to paragraph 2 of this Subsection 2(g), such Conversion to the new Interest Rate Mode shall not take effect if:

(A) the Authority withdraws such notice of the exercise of its option to effect Conversion not later than the Business Day preceding the date on which the interest rate at the new Interest Rate Mode is to be determined;

(B) the Calculation Agent or the Remarketing Agent, as applicable, fails to determine, when required, the interest rate for the new Interest Rate Mode;

(C) the notice to Owners of the 2015 Variable Rate Parity Bonds required by paragraph (3) of this Subsection 2(g) is not given when required;

(D) the Authority fails to deliver to the Bond Registrar, the Remarketing Agent, the applicable Liquidity Facility Provider and the applicable Credit Facility Provider the Opinion of Bond Counsel referred to in paragraph (4) of this Subsection 2(g).

(E) sufficient funds are not available by Noon (New York City time) on the Conversion Date to purchase all of the 2015 Variable Rate Parity Bonds required to be purchased on such Conversion Date; or

(F) not all of the 2015 Variable Rate Parity Bonds of such Series are remarketed in the new Interest Rate Mode on the applicable Conversion Date.

In any of such events,

(A) the Conversion Date shall not occur, whether or not notice of the Conversion has been given to the Owners;

(B) such 2015 Variable Rate Parity Bonds:

(i) bearing interest at an Index Floating Rate shall bear interest at the Delayed Remarketing Rate;

(ii) bearing interest at a Daily Rate shall continue to bear interest at a Daily Rate determined as otherwise provided in Section 2(b) of this Appendix A;

(iii) bearing interest at a Weekly Rate shall continue to bear interest at a Weekly Rate determined as otherwise provided in Section 2(c) of this Appendix A;

(iv) bearing interest at a Short-Term Rate shall bear interest as determined in Section 2(d) of this Appendix A, until all such 2015 Variable Rate Parity Bonds have been remarketed;

(v) bearing interest at a Long-Term Rate shall bear interest as determined in Section 2(e) of this Appendix A, until all such 2015 Variable Rate Parity Bonds have been remarketed; and

(C) the mandatory tender of such 2015 Variable Rate Parity Bonds on the Conversion Date pursuant to Section 6(e) shall not occur, whether or not notice of the Conversion has been given to the Owners thereof. Notice of withdrawal of a Conversion notice shall be given by the Authority to the Bond Registrar, the Remarketing Agent, the Tender Agent, the Calculation Agent, if any, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, by telephone, promptly confirmed in writing, and shall thereafter be promptly given to the Owners of such 2015 Variable Rate Parity Bonds (other than Long-Term Rate Bonds or Short-Term Rate Bonds) by the Bond Registrar by Electronic Notice, confirmed by first class mail.

Section 3. Fixed Rate Conversion at Option of the Authority

(a) At the option of the Authority, all (but not less than all) of the 2015 Variable Rate Parity Bonds of a Series with interest payable at an Index Floating Rate, Daily Rate, Weekly Rate, Short-Term Rate or Long-Term Rate may be converted to bear interest accruing at a Fixed Rate to their maturity. Any such Conversion shall be made as follows:

(b) The Fixed Rate Conversion Date shall be the first day following an Interest Payment Period for such 2015 Variable Rate Parity Bonds in the then-current Interest Rate Mode; provided, however, that for Long-Term Rate Bonds, such Conversion shall occur only on a date that such Long-Term Rate Bonds are subject to purchase pursuant to Section 6 of this Appendix A.

(c) The Authority shall give written notice of its intent to exercise its option to effect any such Conversion to (1) in all cases, the Bond Registrar, and each Rating Agency then maintaining a rating on such 2015 Variable Rate Parity Bonds and (2) in the case of Index Floating Rate Bonds, Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds or Long-Term Rate Bonds, the Remarketing Agent, the Tender Agent, the Liquidity Facility Provider, if any, and Credit Facility Provider, if any, by Electronic Notice confirmed in writing not less than five days (or such shorter period as shall be acceptable to the applicable parties) prior to (A) the date on which the Bond Registrar is required to notify the Owners thereof of the Conversion pursuant to Section 2 of this Appendix A or (B) the Conversion Date (if such 2015 Variable Rate Parity Bonds are Short-Term Rate Bonds or Long-Term Rate Bonds). Such notice shall specify the proposed Fixed Rate Conversion Date. Additionally, such notice shall confirm the appointment, subject to and in accordance with the requirements of this Series Resolution (including Section 7(b) of this Appendix A) of a qualified Remarketing Agent to act as Remarketing Agent in connection with the mandatory tender of such 2015 Variable Rate Parity Bonds by reason of such Conversion and the appointment, subject to and in accordance with this Series Resolution (including Section 6(b) of this Appendix A), of a qualified Tender Agent to act

as Tender Agent in such connection; provided, however, that no such confirmation and no such appointments shall be required if such 2015 Variable Rate Parity Bonds are then Index Floating Rate Bonds, Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds or Long-Term Rate Bonds and the Remarketing Agent and the Tender Agent then acting are obligated to perform their duties and responsibilities with respect to the mandatory tender of such 2015 Variable Rate Parity Bonds by reason of such Conversion.

(d) For 2015 Variable Rate Parity Bonds other than Short-Term Rate Bonds, Long-Term Rate Bonds or Index Floating Rate Bonds, not fewer than 15 days prior to the proposed Fixed Rate Conversion Date, the Bond Registrar shall give Electronic Notice, confirmed by first class mail, of the Conversion and of mandatory tender of such 2015 Variable Rate Parity Bonds to the Owners thereof at their addresses as they appear on the Bond Register as of the date notice of the election is received by the Bond Registrar from the Authority. The notice shall set forth the information required by Section 6(e) of this Appendix A.

(e) All 2015 Variable Rate Parity Bonds of a Series shall have the same maturity date and bear interest at the same Fixed Rate on and after the Fixed Rate Conversion Date unless on the date the Remarketing Agent determines the Fixed Rate the Remarketing Agent also determines that such 2015 Variable Rate Parity Bonds would bear a lower effective net interest cost if such 2015 Variable Rate Parity Bonds were serial bonds or serial bonds and term bonds with the maturity (or Mandatory Sinking Account Payment) dates and principal amounts matching the Mandatory Sinking Account Payments, in which event such 2015 Variable Rate Parity Bonds shall become serial bonds or serial bonds and term bonds with such maturity (or Mandatory Sinking Account Payment) dates and principal amounts and shall bear separate Fixed Rates for each maturity. Notice of any mandatory sinking fund schedule shall be provided by the Remarketing Agent to the Bond Registrar. The Fixed Rate shall be the rate of interest per annum borne by such 2015 Variable Rate Parity Bonds on and after such Fixed Rate Conversion Date and shall be the lowest rate of interest that, in the judgment of the Remarketing Agent, would cause such 2015 Variable Rate Parity Bonds to have a price equal to the principal amount thereof plus accrued interest, if any, under prevailing market conditions as of the date of determination. Not later than 12:00 noon, New York City time, on the Business Day prior to the Conversion Date, the Remarketing Agent shall determine the Fixed Interest Rate for such 2015 Variable Rate Parity Bonds to be converted. Such determination shall be conclusive and binding upon the Authority, the Bond Registrar, the Remarketing Agent, Beneficial Owners and the Owners, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any. No later than 4:00 p.m., New York City time, on the date of determination of the Fixed Rate, the Remarketing Agent shall communicate the Fixed Rate by Electronic Notice to the Bond Registrar, the Authority, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, (in the case of Conversion of Index Floating Rate Bonds, Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds or Long-Term Rate Bonds).

(f) Any Conversion pursuant to this Section shall be subject to the conditions that, on or before the Fixed Rate Conversion Date, the Authority shall have caused to be delivered to the Bond Registrar, the Remarketing Agent, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, an Opinion of Bond Counsel to the effect that the Conversion is authorized by this Series Resolution and in the case of 2015 Variable Rate Parity Bonds that are Tax-Exempt Parity Bonds, will not, in and of itself, cause interest on such 2015 Variable Rate

Parity Bonds to be includable in the gross income of Owners thereof for federal income tax purposes.

(g) Notwithstanding the Authority's delivery of notice of the exercise of its option to effect Conversion to a Fixed Rate pursuant to Section 3(c) of this Appendix A, such Conversion to the Fixed Rate shall not take effect if:

(1) the Authority withdraws such notice of Conversion not later than 10:00 a.m., New York City time, on the Business Day preceding the date on which the Fixed Rate is to be determined;

(2) the Remarketing Agent fails to determine the Fixed Rate;

(3) the notice to Owners required by Section 3(d) of this Appendix A is not given when required;

(4) the Authority fails to deliver to the Bond Registrar, the Remarketing Agent, the Liquidity Facility Provider, if any, or the Credit Facility Provider, if any, the Opinion of Bond Counsel referred to in Section 3(f) of this Appendix A; or

(5) sufficient funds are not available, by Noon (New York City time), on the Fixed Rate Conversion Date to purchase all 2015 Variable Rate Parity Bonds required to be purchased on the Fixed Rate Conversion Date.

In any of such events,

(A) the Conversion Date shall not occur, whether or not notice of the Conversion has been given to the Owners,

(B) such 2015 Variable Rate Parity Bonds:

(i) bearing interest at an Index Floating Rate shall bear interest at the Delayed Remarketing Rate;

(ii) bearing interest at a Daily Rate shall continue to bear interest at a Daily Rate determined as otherwise provided in Section 2(b) of this Appendix A;

(iii) bearing interest at a Weekly Rate shall continue to bear interest at a Weekly Rate determined as otherwise provided in Section 2(c) of this Appendix A;

(iv) bearing interest at a Short-Term Rate shall bear interest as determined in Section 2(d) until all such 2015 Variable Rate Parity Bonds have been remarketed;

(v) bearing interest at a Long-Term Rate shall bear interest as determined in Section 2(e) of this Appendix A until all such 2015 Variable Rate Parity Bonds of such Series have been remarketed; and

(C) the mandatory tender of such 2015 Variable Rate Parity Bonds on the Conversion Date shall not occur, whether or not notice of the Conversion has been given to the Owners of the 2015 Variable Rate Parity Bonds of such Series.

(h) Notice of withdrawal of a Conversion notice shall be given by the Authority to the Bond Registrar, the Remarketing Agent, the Tender Agent, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, by telephone, promptly confirmed in writing, and shall thereafter be promptly given to the Owners of such 2015 Variable Rate Parity Bonds (other than Short-Term Rate Bonds or Long-Term Rate Bonds) by the Bond Registrar by Electronic Notice, confirmed by first class mail.

(i) Notwithstanding the foregoing and any other provisions of this Appendix A, the Fixed Rate for the 2015 Variable Rate Parity Bonds of a Series may be the rate of interest per annum determined by the Remarketing Agent to be the interest rate which, if borne by such 2015 Variable Rate Parity Bonds, would enable the Remarketing Agent to sell such 2015 Variable Rate Parity Bonds on the date and at the time of such determination at a price which will result in the lowest net interest cost for such 2015 Variable Rate Parity Bonds, after taking into account any premium or discount at which the 2015 Variable Rate Parity Bonds are sold by the Remarketing Agent, provided that in connection with selling such 2015 Variable Rate Parity Bonds at a premium or discount:

(1) The Authority consents in writing to the sale of such 2015 Variable Rate Parity Bonds by the Remarketing Agent at such premium or discount;

(2) In the case of 2015 Variable Rate Parity Bonds to be sold at a discount, the Authority agrees to transfer to the Tender Agent on the Fixed Rate Conversion Date, in immediately available funds, for deposit in the Authority Purchase Account, an amount equal to such discount;

(3) In the case of 2015 Variable Rate Parity Bonds to be sold at a premium, the Remarketing Agent shall transfer to the Bond Registrar for deposit in the Bond Fund an amount equal to such premium;

(4) On or before the date of the determination of the Fixed Rate, the Authority causes to be delivered to the Bond Registrar, the Authority, and the Remarketing Agent notice that Bond Counsel expects to be able to give an Opinion of Bond Counsel to the effect that such determination of the interest rate will not, in and of itself, cause the interest on such 2015 Variable Rate Parity Bonds to be includable in the gross income of Owners for federal income tax purposes; and

(5) On or before the Fixed Rate Conversion Date, the Authority causes to be delivered to the Bond Registrar and the Remarketing Agent an Opinion of Bond Counsel to the effect that such determination of the Fixed Rate will not, in and of itself, cause the interest on such 2015 Variable Rate Parity Bonds to be includable in the gross income of Owners for federal income tax purposes.

If any Fixed Rate Bond shall be duly presented for payment and funds have not been duly provided by the Authority on such applicable date, then interest shall continue to accrue

thereafter on the unpaid principal amount thereof at the rate provided for in such Fixed Rate Bond until it is paid.

Section 4. Bank Bonds. Notwithstanding anything in this Series Resolution to the contrary, (a) each Bank Bond shall bear interest on the outstanding principal amount thereof at the Bank Rate applicable to such Bank Bond in accordance with the Liquidity Facility or the Liquidity Facility Agreement relating to such Bank Bond (as calculated by the Liquidity Provider with respect to such Liquidity Facility in accordance with such Liquidity Facility or such Liquidity Facility Agreement and advised by such Liquidity Provider to the Bond Registrar) for each day from and including the day such Bank Bond becomes a Bank Bond to and excluding the day such Bank Bond ceases to be a Bank Bond (as hereinafter described) or is paid in full or is surrendered to the Bond Registrar for cancellation, (b) interest on each Bank Bond shall be calculated on the basis of a 365-day year or a 360-day year, as applicable to the Bank Rate, in accordance with the Liquidity Facility or the Liquidity Facility Agreement relating to such Bank Bond and the actual number of days elapsed, and (c) interest on each Bank Bond shall be payable on such dates as are specified in the Liquidity Facility or the Liquidity Facility Agreement relating to such Bank Bond (each such date an "Interest Payment Date" for such Bank Bond), A Bank Bond shall cease to be a Bank Bond only (1) if such Bank Bond is remarketed and transferred or otherwise released by the Tender Agent upon authorization of the Liquidity Provider with respect to the Liquidity Facility relating to such Bank Bond, or (2) if such Bank Bond otherwise ceases to be a Bank Bond in accordance with the terms of the Liquidity Facility or the Liquidity Facility Agreement relating to such Bank Bond (it being acknowledged and agreed that it shall be presumed for all purposes of this Series Resolution that each Bank Bond shall cease to be a Bank Bond pursuant to this clause (2) only if the Authority, the Remarketing Agent, the Tender Agent and the Bond Registrar have received written notice to that effect from the Liquidity Provider with respect to the Liquidity Facility). Subject to the effectiveness of a book-entry system with respect to the 2015 Variable Rate Parity Bonds, payment of interest on Bank Bonds due on any Interest Payment Date therefor shall be made by the Bond Registrar by wire transfer of immediately available funds to the Liquidity Provider with respect to the Liquidity Facility, in accordance with the payment instructions for such Liquidity Provider set forth in such Liquidity Facility or the related Liquidity Facility Agreement or in accordance with such other payment instructions as shall be furnished to the Bond Registrar by such Liquidity Provider for such purpose. If all 2015 Variable Rate Parity Bonds of a Series are Bank Bonds, then payments of interest on Bank Bonds with respect to which a book-entry system is in effect, for the purposes of such book-entry system, shall be in the amounts determined on the terms of the Bank Rate applicable to the respective Bank Bonds and on the Interest Payment Dates with respect thereto, without supplement as provided in the succeeding paragraphs of this Section.

If an Interest Payment Date for any Bank Bonds occurs on a date which would not be an Interest Payment Date for such Bank Bonds if such Bank Bonds were not Bank Bonds (e.g., the date of remarketing of such Bank Bonds), then the Authority shall pay to the Liquidity Provider, or the Authority shall instruct the Bond Registrar to withdraw from the Bond Fund and pay to the Liquidity Provider (in either case, by wire transfer as provided above), the full amount of the interest due on such Bank Bonds on such Interest Payment Date, calculated at the Bank Rate and on the basis of a 365-day year or a 360-day year, as applicable to such Bank Rate in accordance

with the Liquidity Facility or the Liquidity Facility Agreement relating to such Bank Bonds, and the actual number of days elapsed.

If any 2015 Variable Rate Parity Bonds shall be Bank Bonds on an Interest Payment Date for such 2015 Variable Rate Parity Bonds, then, except if all 2015 Variable Rate Parity Bonds of such Series are Bank Bonds, the Authority shall pay to the Liquidity Provider, or the Authority shall instruct the Bond Registrar to withdraw from the Bond Fund and pay to the Liquidity Provider (in either case, by wire transfer as provided above), the amount of the difference between (a) interest due on such Bank Bonds on such Interest Payment Date, calculated at the Bank Rate and on the basis of a 365-day year or a 360-day year, as applicable to such Bank Rate in accordance with the Liquidity Facility or the Liquidity Facility Agreement and the actual number of days elapsed, and (b) interest that would be due on such Bank Bonds on such Interest Payment Date if such Bank Bonds were not Bank Bonds.

Section 5. Redemption of 2015 Variable Rate Parity Bonds.

(a) *Index Floating Rate Period.* Unless otherwise provided in the Bond Purchase Contract or as determined by the Remarketing Agent in connection with the remarketing of the Index Floating Rate Bonds of a Series at 100 percent of the principal amount thereof, the Index Floating Rate Bonds of such Series shall be subject to redemption at the option of the Authority, on any Conversion Date or Purchase Date or on any Business Day within the six calendar months preceding a Conversion Date, in whole or in part, in the amounts designated by the Designated Authority Representative, at a redemption price equal to 100 percent of the principal amount of the Index Floating Rate Bonds of such Series to be redeemed, plus interest accrued thereon to the date fixed for redemption, without premium.

(b) *Daily Rate Bonds.* The Daily Rate Bonds of a Series are subject to redemption prior to their respective stated maturities by the Authority on any Business Day, in whole or in part in such amounts as are designated by the Designated Authority Representative at a redemption price equal to the principal amount of the Daily Rate Bonds of such Series called for redemption, plus interest accrued thereon, if any, to the date fixed for redemption, without premium.

(b) *Weekly Rate Bonds.* The Weekly Rate Bonds of a Series are subject to redemption prior to their respective stated maturities by the Authority on any Business Day, in whole or in part in such amounts as are designated by the Designated Authority Representative at a redemption price equal to the principal amount of the Weekly Rate Bonds of such Series called for redemption, plus interest accrued thereon, if any, to the date fixed for redemption, without premium.

(c) *Short-Term Rate Bonds.* The Short-Term Rate Bonds of a Series are subject to redemption prior to their respective stated maturities, by the Authority on any Interest Payment Date for such Short-Term Rate Bonds, in whole or in part in such amounts as are designated by the Designated Authority Representative at a redemption price equal to the principal amount of the Short-Term Bonds of such Series called for redemption, plus interest accrued thereon, if any, to the date fixed for redemption, without premium.

(d) *Long-Term Rate Bonds and Fixed Rate Bonds.* Long-Term Rate Bonds of a Series are subject to redemption by the Authority on any Purchase Date therefor, and Long-Term Rate Bonds of a Series and Fixed Rate Bonds of a Series are subject to redemption by the Authority on any date after expiration of the applicable call protection period described below, as a whole or in part in such amounts and in such maturities as are designated by the Designated Authority Representative at a redemption price equal to 100 percent of the principal amount of the Long-Term Rate Bonds of a Series or Fixed Rate Bonds of a Series, as applicable, called for redemption, plus accrued interest therein, if any, to the date fixed for redemption, without premium.

Length of Long-Term Rate Period or Years Remaining to Maturity as of Fixed Rate Conversion Date	Initial Redemption Dates (Anniversary of Fixed Rate Conversion Date or Long-Term Conversion Date)
Equal to or less than 5 years (or as set forth in the Bond Purchase Contract)	Not subject to optional redemption
Greater than 5 years (or as set forth in the Bond Purchase Contract)	5 th (or such other) anniversary

The foregoing notwithstanding, if the Authority delivers to the Bond Registrar and the Remarketing Agent prior to any Conversion Date or Purchase Date for 2015 Variable Rate Parity Bonds of a Series that are Long-Term Rate Bonds or that are being converted to Fixed Rate Bonds (1) a notice containing alternative call protection or redemption periods and/or redemption prices for Long-Term Rate Bonds or Fixed Rate Bonds of such Series or converting mandatory sinking fund redemption dates and amounts to serial maturity dates and amounts (or *vice versa*) and (2) if the 2015 Variable Rate Parity Bonds of such Series are Tax-Exempt Parity Bonds, an Opinion of Bond Counsel addressed to the Bond Registrar and the Remarketing Agent to the effect that such modifications will not, in and of themselves, cause the interest on such Long-Term Rate Bonds or Fixed Rate Bonds, as applicable, to be includable in the gross income of Owners for purposes of federal income taxation, then on and after such Conversion Date, such Long-Term Rate Bonds or Fixed Rate Bonds, as applicable, shall be subject to redemption by the Authority and/or shall mature pursuant to the alternative redemption provisions and/or maturity schedule set forth in that notice, and this Subsection 5(d) shall be deemed to be modified as set forth in such notice.

(e) *Bank Bond Optional Redemption.* Bank Bonds of a Series are subject to optional redemption under and in accordance with Section 5(a) of this Series Resolution and Section 5 of this Appendix A and in such connection, and notwithstanding anything to the contrary in this Series Resolution (including this Appendix A), Bank Bonds of a Series shall be selected for redemption pursuant to such Sections prior to the selection of other 2015 Variable Rate Parity Bonds of such Series for redemption.

(f) *Bank Bond Mandatory Redemption.* Bank Bonds are subject to special mandatory redemption by the Authority, in whole or in part, on any date, at a redemption price equal to 100 percent of the principal amount of the Bank Bonds to be redeemed, plus accrued and unpaid interest thereon (at the Bank Rate) to the date fixed for redemption, on the dates, in

the amounts and in the manner set forth in the Liquidity Facility or the related Liquidity Facility Agreement.

(g) *Rights of Credit Facility Provider.* At any time a Credit Facility is in effect, the 2015 Variable Rate Parity Bonds secured by such Credit Facility shall not be optionally redeemed pursuant to this Section 5 unless the Authority has obtained the prior written consent of the Credit Facility Provider or has deposited with the Bond Registrar at least one Business Day prior to the day fixed for such redemption, an amount sufficient to reimburse the Credit Facility Provider for moneys to be drawn to redeem such 2015 Variable Rate Parity Bonds. So long as a Credit Facility is in effect, the redemption price of such 2015 Variable Rate Parity Bonds optionally redeemed pursuant to Section 5 hereof shall be paid from the proceeds of a draw made under such Credit Facility; provided, however, that if the notice of optional redemption was not a conditional notice (or if the Authority otherwise agrees to redeem such Bonds) and if the Credit Facility Provider fails to honor such drawing, the amount provided by the Authority to the Bond Registrar for such purpose shall be applied to redeem such 2015 Variable Rate Parity Bonds on the date fixed for redemption.

(h) *Selection of 2015 Variable Rate Parity Bonds for Redemption.* Whenever provision is made in this Series Resolution for the redemption of less than all of the 2015 Variable Rate Parity Bonds of a Series, the Bond Registrar, as directed by the Designated Authority Representative, in writing, shall select the maturities to be redeemed, provided, that, with respect to Index Floating Rate Bonds or Long-Term Rate Bonds selected for redemption, such Index Floating Rate Bonds or Long-Term Rate Bonds shall be redeemed in the following order of priority (and in any manner which the Bond Registrar shall deem appropriate and fair within each priority other than the last priority, within which the Designated Authority Representative shall direct the manner of selection):

First: any such 2015 Variable Rate Parity Bonds which are Bank Bonds; and

Second: any such 2015 Variable Rate Parity Bonds which have been tendered to the Tender Agent for purchase, and are then registered in the name or for the account of the Tender Agent, on or prior to the date fixed for redemption; and

Third: any other 2015 Variable Rate Parity Bonds of such Series.

The Bond Registrar shall promptly notify the Authority in writing of the 2015 Variable Rate Parity Bonds of such Series or portions thereof so selected for redemption.

Whenever fewer than all the Outstanding 2015 Variable Rate Parity Bonds of a Series and maturity are to be redeemed, the 2015 Variable Rate Parity Bonds within such Series and maturity shall be selected in accordance with the operational arrangements of DTC then in effect (or, in the event such 2015 Variable Rate Parity Bonds are no longer in book-entry only form, randomly by the Bond Registrar) and the Authority may apply the portion of such 2015 Variable Rate Parity Bonds redeemed to the mandatory redemption schedule, if any, in the manner designated by the Designated Authority Representative.

(i) *Notice of Redemption.* Each notice of redemption shall state (1) the 2015 Variable Rate Parity Bonds of a Series or portions thereof which are to be redeemed, (2) the date fixed for

redemption, (3) the place or places where the redemption will be made, including the name and address of the Bond Registrar, (4) the Redemption Price, (5) the CUSIP numbers, if any, assigned to the 2015 Variable Rate Parity Bonds to be redeemed, (6) in case of any the 2015 Variable Rate Parity Bonds of a Series to be redeemed in part only, the amount of the 2015 Variable Rate Parity Bonds of such Series to be redeemed, (7) the original dated date, interest rate (in the case of Fixed Rate Bonds), and stated maturity date of each 2015 Variable Rate Parity Bond of such Series to be redeemed and (8) if funds shall not be irrevocably deposited with the Bond Registrar to pay the redemption price of the 2015 Variable Rate Parity Bonds of such Series to be redeemed plus interest accrued thereon (if any) to the date fixed for redemption on or prior to the date that the redemption notice is first given as aforesaid, such notice shall state that any optional redemption is conditional on such funds being deposited with the Bond Registrar on the date fixed for redemption. Each such notice shall also (a) state that if, on the date fixed for redemption, the Bond Registrar holds sufficient moneys therefor, then, on the date fixed for redemption, the redemption price of such 2015 Variable Rate Parity Bonds to be redeemed, plus interest accrued thereon (if any) to the date fixed for redemption, shall become due and payable and that from and after said date, interest on such 2015 Variable Rate Parity Bonds shall cease to accrue and be payable, and (b) require that on said date such 2015 Variable Rate Parity Bonds shall be surrendered.

The Bond Registrar shall take the following actions with respect to such notice of redemption:

(1) At least 15 days (or such minimum period as shall be required at the time by DTC) or five days during a Delayed Remarketing Period, but not more than 60 days prior to the date fixed for redemption, such notice shall be given to the respective Owners of the 2015 Variable Rate Parity Bonds designated for redemption by Electronic Notice, confirmed by first class mail, postage prepaid, at their addresses appearing on the Bond Register as of the close of business on the day before such notice is given; provided that failure of the Bond Registrar to give such notice to any Owner or any defect in such notice shall not affect the validity of the redemption of any other 2015 Variable Rate Parity Bonds; and provided further, however, that if the Index Floating Rate Bonds, Variable Rate Bonds, Short-Term Rate Bonds or Long-Term Rate Bonds are Bank Bonds, notice of redemption of such Bank Bonds shall be given not less than one (1) Business Day prior to the date fixed for redemption therefor, and such notice may be given telephonically or by Electronic Notice. Notwithstanding anything to the contrary contained herein, in the event all of the 2015 Variable Rate Parity Bonds of a Series to be redeemed are held in book-entry form, the notice shall be made by Electronic Notice and the notice period required pursuant to this Section 5 may be less than 15 days prior to the date fixed for redemption, as applicable, provided such notice period complies with the operational guidelines of DTC in effect 20 days prior to the date of the scheduled redemption.

(ii) The Bond Registrar, if requested by the Authority, also shall give notice of redemption by Electronic Notice to any securities depositories and/or securities information services as shall be designated by the Designated Authority Representative.

The Designated Authority Representative may instruct the Bond Registrar to provide conditional notice of any optional redemption which may be conditioned upon the receipt of moneys or any other event. The Bond Registrar shall rescind any redemption for which

conditional notice has been given as soon as practicable by notice of rescission if directed to do so by the Designated Authority Representative prior to the date of redemption. The Bond Registrar shall give notice of rescission by the same means as is provided for the giving of a notice of redemption. The redemption shall be deemed canceled once the Bond Registrar has given notice of rescission.

Section 6. Tender and Purchase of 2015 Variable Rate Parity Bonds.

(a) The Tender Agent. The Bond Registrar is hereby appointed by the Authority as the initial Tender Agent for the 2015 Variable Rate Parity Bonds. The Tender Agent shall designate its corporate office, and any Tender Agent other than the Bond Registrar shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Authority, the Bond Registrar and the Liquidity Facility Provider, if any, under which the Tender Agent will agree, particularly:

(1) To hold all Index Floating Rate Bonds, Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds and Long-Term Rate Bonds delivered to it for purchase hereunder as agent and bailee of and in escrow for the benefit of, the respective Owners which shall have so delivered such 2015 Variable Rate Parity Bonds until moneys representing the Purchase Price of such 2015 Variable Rate Parity Bonds shall have been delivered to or for the account of or to the order of such Owners;

(2) To hold all moneys, other than proceeds of drawings under the Liquidity Facility, delivered to it hereunder for the purchase of 2015 Variable Rate Parity Bonds as agent and bailee of, and in escrow for the exclusive benefit of, the person or entity which shall have so delivered such moneys until the 2015 Variable Rate Parity Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(3) To hold all moneys delivered to it hereunder from drawings under any Liquidity Facility for the purchase of Index Floating Rate Bonds, Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds and Long-Term Rate Bonds as agent and bailee of, and in escrow for the exclusive benefit of, the Owners who shall deliver 2015 Variable Rate Parity Bonds to it for purchase until the 2015 Variable Rate Parity Bonds purchased with such moneys shall have been delivered to or for the account of the Liquidity Facility Provider, if any;

(4) To keep such books and records as shall be consistent with prudent industry practice and, upon reasonable advance notice, to make such books and records available for inspection by the Authority, the Bond Registrar, the Remarketing Agent, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any; and

(5) To perform the foregoing duties and obligations subject to and in accordance with the provisions of this Series Resolution relating thereto and to perform such other duties and responsibilities (including, without limitation, with respect to the Purchase Fund) as are provided in this Series Resolution to be performed by the Tender Agent.

The Tender Agent in performing its duties as set forth herein shall have the rights and immunities including, but not limited to, exculpations and indemnifications, of the Bond Registrar as set forth in this Series Resolution to the same extent and as fully for all intents and

purposes as though such rights and immunities had been set forth at length with respect to the Tender Agent.

(b) Qualifications of Tender Agent.

(1) The Tender Agent shall be duly organized under the laws of the United States of America or any state or territory thereof and be (1) a commercial bank and trust company or (2) a national banking association, have a combined capital stock, surplus and undivided profits of at least Fifty Million Dollars (\$50,000,000) and be authorized by law to perform all duties imposed upon it by this Series Resolution. At all times at which the 2015 Variable Rate Parity Bonds are not held in book-entry only form, the Tender Agent shall have an office or agency in New York, New York. The Tender Agent may at any time resign and be discharged of the duties and obligations created by this Series Resolution by giving at least 60 days' notice to the Authority, the Bond Registrar, the Liquidity Facility Provider, if any, and the Remarketing Agent, provided that such resignation shall not take effect until the appointment and acceptance of a successor Tender Agent. The Tender Agent may be removed at any time by the Authority upon written notice to the Tender Agent, the Bond Registrar, each Liquidity Facility Provider, if any, and each Remarketing Agent, provided that such removal shall not take effect until the appointment of, and the acceptance of appointment by, a successor Tender Agent. Successor Tender Agents may be appointed from time to time by the Authority and with the written approval of each Liquidity Facility Provider, if any, such approval not to be unreasonably withheld.

(2) If no successor Tender Agent shall have been appointed and have accepted appointment within 30 days of the giving notice of resignation or notice of removal as aforesaid, the Authority may appoint, with the prior written approval of the Liquidity Facility Provider, if any, (such approval not to be unreasonably withheld), a successor Tender Agent to act until a successor Tender Agent is appointed pursuant to the foregoing provisions of this Section.

(3) If no appointment of a successor Tender Agent shall have been made pursuant to the foregoing provisions of this Section, the Tender Agent resigning or being removed or any Owner of the 2015 Variable Rate Parity Bonds (on behalf of itself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Tender Agent, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Tender Agent.

(4) Any successor Tender Agent appointed under this Series Resolution shall signify its acceptance of such appointment by executing and delivering to the Authority, the Bond Registrar, the Liquidity Facility Provider, if any, the Remarketing Agent and to its predecessor Tender Agent a written acceptance thereof, and thereupon (i) the successor Tender Agent, without further act, deed or conveyance, shall become vested with all the monies, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Tender Agent, with like effect as if originally named Tender Agent herein, and (ii) the predecessor Tender Agent shall pay over, transfer, assign and deliver to the successor Tender Agent all the right, title and interest of the Tender Agent in and to all money and all other property (including, without limitation, Bank Bonds) held by the Tender Agent subject to and in accordance with this Series Resolution; but nevertheless at the request of the Authority, the successor Tender Agent, any

Remarketing Agent or the Liquidity Facility Provider, the predecessor Tender Agent shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to the successor Tender Agent all the right, title and interest of the predecessor Tender Agent in and to all money and all other property (including, without limitation, Bank Bonds) held by it under this Series Resolution. Upon request of the successor Tender Agent, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to the successor Tender Agent all money, estates, properties, rights, powers, trusts, duties and obligations of the predecessor Tender Agent. Upon acceptance by a successor Tender Agent as provided in this subsection, the Authority shall give notice of the succession of such Tender Agent by Electronic Notice, confirmed by first class mail, to the Owners at the addresses shown on the Bond Register. If the Authority fails to deliver such notice within 15 days after the acceptance of appointment by the successor Tender Agent, the Bond Registrar shall cause such notice to be delivered to such Owners within 30 days of such acceptance at the expense of the Authority.

(5) Any entity into which the Tender Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Tender Agent may sell or transfer all or substantially all of its trust or trust-related business, provided such Person shall be eligible under Section 6(b) of this Appendix A, shall be the successor to such Tender Agent, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. Upon any such merger, consolidation or sale, the successor Tender Agent shall notify the Authority, the Remarketing Agent, the Bond Registrar and the Liquidity Facility Provider and, thereafter, shall deliver to the Owners of all Outstanding 2015 Variable Rate Parity Bonds at the addresses appearing on the Bond Register notice of the succession of such Tender Agent to the duties of the Tender Agent hereunder.

(c) Optional Tenders During Daily Rate Periods and Weekly Rate Periods.

(1) Owners of Daily Rate Bonds or Weekly Rate Bonds, as applicable, may elect to have their Daily Rate Bonds or Weekly Rate Bonds, or portions thereof in amounts equal to Authorized Denominations, purchased at the Purchase Price on the following Purchase Dates and upon the giving of the following Electronic Notice or written notice meeting the further requirements set forth in Subsection (c)(2) below:

(A) Daily Rate Bonds may be tendered for purchase at the Purchase Price payable in immediately available funds on any Business Day upon Electronic Notice or written notice of tender to the Tender Agent and the Remarketing Agent not later than 11:00 a.m., New York City time, on the designated Purchase Date.

(B) Weekly Rate Bonds may be tendered for purchase at the Purchase Price payable in immediately available funds on any Business Day upon delivery of a written notice of tender to the Tender Agent and the Remarketing Agent not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven days prior to the designated Purchase Date.

(2) Each notice of tender:

(A) Shall, in case of a written notice, be delivered to the Tender Agent and the Remarketing Agent at their respective designated corporate offices and be in form satisfactory to the Tender Agent and the Remarketing Agent;

(B) Shall state, whether delivered in writing or by Electronic Notice, (i) the principal amount of the Daily Rate Bond or Weekly Rate Bond, as applicable, to which the notice relates and the CUSIP number of such Daily Rate Bond or Weekly Rate Bond, as applicable, (ii) that the Owner irrevocably demands purchase of such Daily Rate Bond or Weekly Rate Bond, as applicable, or a specified portion thereof in an Authorized Denomination, (iii) the Purchase Date on which such Daily Rate Bond or Weekly Rate Bond, as applicable, or portion thereof is to be purchased and (iv) payment instructions with respect to the Purchase Price; and

(C) Shall automatically constitute, whether delivered in writing or by Electronic Notice, (1) an irrevocable offer to sell the Daily Rate Bond or Weekly Rate Bond, as applicable, (or portion thereof) to which such notice relates on the Purchase Date, to any purchaser selected by the Remarketing Agent, at a price equal to the Purchase Price, (2) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such Daily Rate Bond or Weekly Rate Bond, as applicable, (or portion thereof) upon receipt by the Tender Agent of funds sufficient to pay the Purchase Price thereof on the Purchase Date, (3) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Daily Rate Bond or Weekly Rate Bond, as applicable, to be purchased in whole or in part for other Daily Rate Bond or Weekly Rate Bond, as applicable, in an equal aggregate principal amount so as to facilitate the sale of such Daily Rate Bond or Weekly Rate Bond, as applicable, (or portion thereof to be purchased), and (4) an acknowledgment that such Owner will have no further rights with respect to such Daily Rate Bond or Weekly Rate Bond, as applicable, (or portion thereof) upon deposit of an amount equal to the Purchase Price thereof with the Tender Agent on the Purchase Date, except for the right of such Owner to receive such Purchase Price upon surrender of such Daily Rate Bond or Weekly Rate Bond, as applicable, to the Tender Agent.

The determination of the Tender Agent and the Remarketing Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Owner. The Tender Agent or the Remarketing Agent may waive any irregularity or nonconformity in any notice of tender.

(3) The right of Owners to tender Daily Rate Bonds or Weekly Rate Bonds, as applicable, for purchase pursuant to this Section shall terminate upon a Conversion Date with respect to such Daily Rate Bond or Weekly Rate Bond, as applicable, to an Interest Rate Mode that is not a Daily Rate Period or Weekly Rate Period.

(4) Notwithstanding anything to the contrary herein, all Daily Rate Bonds or Weekly Rate Bonds, as applicable, as to which Electronic Notice or written notice specifying the Purchase Date has been delivered pursuant to this Subsection (c) (and which have not been tendered to the Tender Agent) shall be deemed tendered on the Purchase Date specified. From and after the specified Purchase Date of a Daily Rate Bond or Weekly Rate Bond, as applicable,

tendered to the Tender Agent or deemed tendered pursuant to this Subsection (c), the former Owner of such Daily Rate Bond or Weekly Rate Bond, as applicable, shall be entitled solely to the payment of the Purchase Price of such Daily Rate Bond or Weekly Rate Bond, as applicable, tendered or deemed tendered, and no interest shall accrue thereon after the Purchase Date specified in such notice.

(5) The Tender Agent shall promptly return any notice of tender delivered pursuant to this Subsection (c) (together with the Daily Rate Bond or Weekly Rate Bond, as applicable, submitted therewith) that is incomplete or improperly completed or not delivered within the times required by this Subsection (c) to the Person or Persons submitting such notice and Daily Rate Bond or Weekly Rate Bond, as applicable, upon surrender of the receipt, if any, issued therefor.

(d) Purchase of 2015 Variable Rate Parity Bonds by Tender Agent.

(1) If the 2015 Variable Rate Parity Bonds of a Series are in a Daily Rate Period or a Weekly Rate Period, the Tender Agent shall establish a special trust fund to be designated the "Purchase Fund;" and, within the Purchase Fund, the Tender Agent shall establish four separate accounts to be designated the Remarketing Account, the Liquidity Account, the Authority Purchase Account and the Undelivered Bond Payment Account. Only the Tender Agent shall have any right of withdrawal from the Purchase Fund; and the Purchase Fund and such right of withdrawal shall be for the sole and exclusive benefit of the Owners of the Bonds subject to purchase on Purchase Dates (and the Liquidity Facility Provider, to the extent provided required to reimburse the Liquidity Provider; and the Authority shall have no legal, beneficial or equitable interest in the Purchase Fund. Amounts on deposit in the Purchase Fund shall be held uninvested and without bearing interest. Amounts in the Purchase Fund shall not be commingled with amounts in the purchase funds for any other series of bonds of the Authority; and amounts in a particular account of the Purchase Fund shall not be commingled with amounts in any other account of the Purchase Fund. Any moneys received by the Tender Agent by reason of the remarketing by the Remarketing Agent subject to purchase on a Purchase Date shall be deposited by the Tender Agent in the Remarketing Account of the Purchase Fund and applied by the Tender Agent to pay the purchase price of 2015 Variable Rate Parity Bonds if such Series or to reimburse the Liquidity Provider for the payment thereof in accordance with Section 8 of this Appendix A. Any moneys received by the Tender Agent representing amounts paid by the Liquidity Facility Provider, under the Liquidity Facility, for the purchase or for the provision of funds for the purchase of 2015 Variable Rate Parity Bonds subject to purchase on a Purchase Date shall be deposited by the Tender Agent in the Liquidity Account of the Purchase Fund with respect to such 2015 Variable Rate Parity Bonds and applied by the Tender Agent in accordance with Section 8 of this Appendix A.

Any moneys received by the Tender Agent representing amounts paid by the Authority for the purchase of such 2015 Variable Rate Parity Bonds subject to purchase on a Purchase Date shall be deposited by the Tender Agent in the Authority Purchase Account of the Purchase Fund and applied by the Tender Agent to pay or to reimburse the Liquidity Provider for the payment of the Purchase Price, as applicable, of such 2015 Variable Rate Parity Bonds in accordance with Section 8 of this Appendix A. Notwithstanding anything to the contrary contained herein, the Tender Agent shall not draw upon the Liquidity Facility in connection with

paying the Purchase Price of the 2015 Variable Rate Parity Bonds held by the Authority or Bank Bonds. Moneys shall be transferred to the Undelivered Bond Payment Account of the Purchase Fund from the other accounts of such Purchase Fund or to the Liquidity Facility Provider, in accordance with Section 6(d)(5); and moneys shall be applied from the Undelivered Bond Payment Account of the Purchase Fund in accordance with Section 6(d)(5).

(2) Upon:

(A) Receipt of any Electronic Notice or written notice of tender relating to Daily Rate Bonds, the Tender Agent shall notify the Authority, the Remarketing Agent and the Liquidity Facility Provider by telephonic notice of the amount of such Daily Rate Bonds to be tendered pursuant to such notice and the Tender Agent shall confirm such telephonic notice by Electronic Notice by 11:15 a.m., New York City time, on the Purchase Date, including in such telephonic notice and the confirmation thereof the amount of the Purchase Price of such Daily Rate Bonds and the portion, if any, thereof representing accrued and unpaid interest on such Daily Rate Bonds to the Purchase Date;

(B) Receipt of any Electronic Notice or written notice of tender relating to Weekly Rate Bonds, the Tender Agent shall, not later than 5:00 p.m., New York City time, on the next Business Day, send notice of such tender to the Authority, the Remarketing Agent and the Liquidity Facility Provider, if any, by Electronic Notice, including in such notice the amount of the Purchase Price of such Weekly Rate Bonds and the portion, if any, thereof representing accrued and unpaid interest on such Weekly Rate Bonds to the Purchase Date;

Simultaneously with the giving of notice of any mandatory tender of Daily Rate Bonds or Weekly Rate Bonds, as applicable, pursuant to Section 6(e), the Bond Registrar shall give notice by telephone or Electronic Notice, promptly confirmed by a written notice, to the Tender Agent, the Remarketing Agent and the Liquidity Facility Provider, if any, specifying the applicable Purchase Date, the aggregate principal amount and Purchase Price of Daily Rate or Weekly Rate Bonds subject to mandatory tender on such Purchase Date, and the portion, if any, of such Purchase Price representing accrued and unpaid interest on such Daily Rate or Weekly Rate Bonds to such Purchase Date.

(3) Not later than Noon, New York City time, on each Purchase Date (or such earlier time as may be required to effect a Liquidity Facility Request as provided in the following paragraph (A)) by the Liquidity Facility Provider, the Tender Agent shall determine the amount, if any, by which the Purchase Price of the Daily Rate or Weekly Rate Bonds to be purchased on such Purchase Date exceeds the amount of the proceeds of the remarketing of such Bonds by the Remarketing Agent on deposit in the Remarketing Account of the Purchase Fund at such time; and

(A) If a Liquidity Facility is in effect on such Purchase Date, then (A) not later than 12:15 p.m., New York City time, on such Purchase Date, the Tender Agent shall request (such request being referred to as a "Liquidity Facility Request") the purchase by the Liquidity Facility Provider under the Liquidity Facility, or the funding by the Liquidity Facility Provider under the Liquidity Facility of moneys for the purchase, of unremarketed Bonds having a Purchase Price equal to the amount of such excess (by submitting to such Liquidity Facility

Provider in accordance with such Liquidity Facility all such documents as are required for such purpose), and (B) not later than 2:45 p.m., New York City time, on such Purchase Date, the Tender Agent shall deposit the proceeds of such Liquidity Facility Request received by the Tender Agent in the Liquidity Account of the Purchase Fund; or

(B) If a Liquidity Facility is not in effect on such Purchase Date and the Authority is obligated to make Required Liquidity Payments or otherwise elects in its sole discretion to make Optional Liquidity Payments to provide funds for such payment, then (A) not later than 12:30 p.m., New York City time, on such Purchase Date, the Tender Agent shall notify the Authority that the amount of such excess is the amount payable by the Authority to the Tender Agent not later than 2:30 p.m., New York City time, on such Purchase Date for purposes of causing the Tender Agent to purchase, on behalf of the Authority, Bonds having a Purchase Price equal to such excess (and, thereby, for the Tender Agent to have sufficient funds to pay the Purchase Price of all Bonds subject to purchase on such Purchase Date), and (B) not later than 2:30 p.m., New York City time, on such Purchase Date, the Tender Agent shall deposit the amount received by the Tender Agent from the Authority for such purpose in the Authority Purchase Account of the Purchase Fund.

(4) Not later than 3:00 p.m., New York City time, on each Purchase Date, the Tender Agent shall disburse the Purchase Price of 2015 Variable Rate Parity Bonds to be purchased on such Purchase Date to the Owners thereof (upon surrender thereof for payment of such Purchase Price), from the following sources and in the following order of priority:

(1) Moneys on deposit in the Remarketing Account of the Purchase Fund (representing the proceeds of the remarketing by the Remarketing Agent);

(2) If a Liquidity Facility is in effect on such Purchase Date, moneys on deposit in the Liquidity Account of the Purchase Fund (representing the proceeds of a Liquidity Facility Request under the Liquidity Facility); and

(3) If a Liquidity Facility is not in effect on such Purchase Date, moneys on deposit in the Authority Purchase Account of the Purchase Fund (representing amounts paid by the Authority to the Tender Agent for the purchase of such 2015 Variable Rate Parity Bonds).

(5) Any moneys remaining in the Remarketing Account, the Liquidity Account or the Authority Purchase Account of the Purchase Fund and representing (but not exceeding) the Purchase Price of 2015 Variable Rate Parity Bonds subject to purchase on the applicable Purchase Date but not tendered and delivered for purchase on the applicable Purchase Date (following the payments from the Purchase Fund described in Section 8 of this Appendix A) shall be transferred by the Tender Agent to the Undelivered Bond Payment Account of the Purchase Fund not later than 3:30 p.m., New York City time, on the applicable Purchase Date and retained therein, subject to the provisions of Section 8, for application in accordance with Section 6(d)(6). Any moneys remaining in the Remarketing Account, the Liquidity Account and the Authority Purchase Account of the Purchase Fund on the applicable Purchase Date after the payments from the Purchase Fund and the transfer described in the preceding sentence of this Section shall be wire transferred by the Tender Agent, in immediately available funds, prior to

the close of business on such Purchase Date, to the Remarketing Agent, the Liquidity Facility Provider and the Authority, respectively.

(6) Moneys transferred to the Undelivered Bond Payment Account of the Purchase Fund on any Purchase Date shall be applied, on or after such Purchase Date, by the Tender Agent to pay the Purchase Price of Undelivered Bonds in respect of which they were so transferred, upon the surrender of such Bonds to the Tender Agent for such purpose.

(7) Subject only to the provisions of this Section 6 permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of the Purchase Price of the 2015 Variable Rate Parity Bonds tendered and/or deemed tendered for purchase in accordance with this Series Resolution all of the Required Liquidity Payments and other amounts held in the Purchase Fund (and the accounts therein).

(e) Mandatory Purchase of 2015 Variable Rate Parity Bonds.

(1) 2015 Variable Rate Parity Bonds shall be subject to mandatory tender for purchase by the Tender Agent at the Purchase Price on the following Purchase Dates:

(A) Each Conversion Date for the 2015 Variable Rate Parity Bonds, except for a Conversion between the Daily Rate Period and Weekly Rate Period (unless such Conversion Date is already a Purchase Date, in which case no separate mandatory tender by operation of this Section 6(e) shall occur);

(B) Each Short-Term Rate Mandatory Purchase Date;

(C) Each Long-Term Rate Mandatory Purchase Date;

(D) The fifth day next preceding the Expiration Date of the Liquidity Facility or Credit Facility in effect with respect to the 2015 Variable Rate Parity Bonds (unless, on or prior to the fifth day next preceding such Expiration Date, such Expiration Date is extended);

(E) Each Liquidity Facility Date or Credit Facility Date;

(F) The Termination Date of the Liquidity Facility, if any;

(G) The date the Authority elects to terminate the Liquidity Facility prior to its expiration;

(H) The Non reinstatement Date of the Liquidity Facility, if any; and

(I) Each Authority Elective Purchase Date for the 2015 Variable Rate Parity Bonds.

(2) 2015 Variable Rate Parity Bonds to be purchased pursuant to this Section 6(e) shall be delivered by the Owners thereof to the Tender Agent (together with necessary

assignments and endorsements) at or prior to 1:00 p.m., New York City time, on the applicable Purchase Date.

(3) Any 2015 Variable Rate Parity Bonds to be purchased by the Tender Agent pursuant to this Section 6(e) that are not delivered for purchase on or prior to the Purchase Date, for which there has been irrevocably deposited in trust with the Bond Registrar or the Tender Agent an amount sufficient to pay the Purchase Price of such 2015 Variable Rate Parity Bonds, shall be deemed to have been tendered to the Tender Agent for purchase, and the Owners of such 2015 Variable Rate Parity Bonds shall not be entitled to any payment (including any interest to accrue on or after the Purchase Date) other than the respective Purchase Prices of such 2015 Variable Rate Parity Bonds, and such 2015 Variable Rate Parity Bonds shall not be entitled to any benefits of this Series Resolution, except for payment of such Purchase Price out of the moneys deposited for such payment as aforesaid.

(4) In addition to any other requirements set forth in this Series Resolution, notices of mandatory tender of 2015 Variable Rate Parity Bonds delivered to Owners shall:

(A) Specify the proposed Purchase Date and the event which gives rise to the proposed Purchase Date;

(B) State that the 2015 Variable Rate Parity Bonds shall be subject to mandatory tender for purchase on such date;

(C) State that Owners may not elect to retain 2015 Variable Rate Parity Bonds subject to mandatory tender;

(D) State that all 2015 Variable Rate Parity Bonds subject to mandatory tender shall be required to be delivered to the designated corporate trust office of the Tender Agent at or before 1:00 p.m., New York City time, on the Purchase Date;

(E) State that if the Owner of any 2015 Variable Rate Parity Bond subject to mandatory tender fails to deliver such 2015 Variable Rate Parity Bond to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of funds sufficient to pay the Purchase Price thereof, such 2015 Variable Rate Parity Bond (or portion thereof) shall nevertheless be deemed purchased on the Purchase Date and ownership of such 2015 Variable Rate Parity Bond (or portion thereof) shall be transferred to the purchaser thereof;

(F) State that any Owner that fails to deliver any 2015 Variable Rate Parity Bond for purchase shall have no further rights thereunder or under this Series Resolution except the right to receive the Purchase Price thereof upon presentation and surrender of said 2015 Variable Rate Parity Bond to the Tender Agent and that the 2015 Variable Rate Parity Bond Registrar will place a stop transfer against the 2015 Variable Rate Parity Bonds subject to mandatory tender registered in the name of such Owner(s) on the Bond Register;

(G) State that provided that moneys sufficient to effect such purchase shall have been provided through (i) the remarketing of the 2015 Variable Rate Parity Bonds by the Remarketing Agent, (ii) the Liquidity Facility (if any) or (iii) funds provided by the Authority (if applicable), all such 2015 Variable Rate Parity Bonds shall be purchased;

(H) In the case of mandatory tender upon any proposed Conversion of the 2015 Variable Rate Parity Bonds, state that such Conversion and such mandatory tender will not occur by reason of the occurrence of certain events specified in Section 2(g)(5) or Section 3, as applicable (and summarize such events);

(I) In the case of mandatory tender on the fifth day next preceding the Expiration Date of the Liquidity Facility or Credit Facility, state that such mandatory tender will not occur, if, on or prior to such fifth day, such Expiration Date is extended; and

(J) In the case of mandatory tender on a Liquidity Facility Date or Credit Facility Date, state the information required by Subsections 6(e)(1)(E) and 6(e)(4) of this Appendix A.

(5) Notice of mandatory tender of the 2015 Variable Rate Parity Bonds by reason of a proposed Conversion Date shall be given in accordance with Section 2 or Section 3, as applicable; and notice of mandatory tender of the 2015 Variable Rate Parity Bonds by reason of a proposed Liquidity Facility Date or Credit Facility Date shall be given in accordance with Section 7(e) or Section 7(f), as applicable. Notice of mandatory tender of the 2015 Variable Rate Parity Bonds by reason of other events shall be given by the Bond Registrar (1) to the Owners of the 2015 Variable Rate Parity Bonds subject to mandatory tender (at their addresses as they appear on the Bond Register as of the date of such notice) by Electronic Notice, confirmed by first class mail, and (2) to the Authority, the Remarketing Agent, the Tender Agent, the Calculation Agent, if any, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, by Electronic Notice not fewer than 10 days prior to the applicable Purchase Date.

(6) If, following the giving of notice of mandatory tender of 2015 Variable Rate Parity Bonds, an event occurs that, in accordance with the terms of this Series Resolution causes such mandatory tender not to occur, then (1) the Bond Registrar shall so notify the Owners of such 2015 Variable Rate Parity Bonds (at their addresses as they appear on the Bond Register on the date of such notice), by Electronic Notice, confirmed by first class mail, as soon as may be practicable before the applicable Purchase Date, and (2) the Tender Agent shall return to their Owners any such 2015 Variable Rate Parity Bonds tendered to the Tender Agent in connection with such mandatory tender of such 2015 Variable Rate Parity Bonds.

(7) During any Daily Rate Period or Weekly Rate Period, on any Business Day designated by the Authority, and during any Index Floating Rate Period, on any Par Call Date designated by the Authority, in each case with the consent of the Liquidity Facility Provider, if any (each an "Authority Elective Purchase Date"), the 2015 Variable Rate Parity Bonds are subject to mandatory tender for purchase at the Purchase Price, payable in immediately available funds. Such Authority Elective Purchase Date shall be a Business Day not earlier than the 10th day following the second Business Day after receipt by the Tender Agent of such designation. If on an Authority Elective Purchase Date sufficient remarketing proceeds or other amounts provided by the Authority are not available for the purchase of all 2015 Variable Rate Parity Bonds, then the Authority's designation of such Authority Elective Purchase Date shall be deemed rescinded, and the Authority shall have no obligation to purchase the 2015 Variable Rate Parity Bonds tendered or deemed tendered on the Authority Elective Purchase

Date. The Bond Registrar shall give Electronic Notice of such rescission to the Owners, with a copy to the Authority, the Tender Agent, the Remarketing Agent and the Liquidity Facility Provider as soon as practicable and in any event not later than the next succeeding Business Day.

(f) Insufficient Funds for the Payment of Purchase Price.

(1) If the funds available for the purchase of 2015 Variable Rate Parity Bonds subject to purchase on a Purchase Date are insufficient to purchase all of such 2015 Variable Rate Parity Bonds (including Undelivered Bonds), then no purchase of any 2015 Variable Rate Parity Bonds shall occur on such Purchase Date and, on such Purchase Date, the Tender Agent shall (1) return all of such 2015 Variable Rate Parity Bonds that were tendered to the Owners thereof, (2) return all moneys received by the Tender Agent for the purchase of such 2015 Variable Rate Parity Bonds to the respective persons that provided such moneys (in the respective amounts in which such moneys were so provided), and (iii) notify the Bond Registrar of the foregoing.

(2) If 2015 Variable Rate Parity Bonds (other than Index Floating Rate Bonds and other than as described in the following paragraph (3)) are not purchased when required, such 2015 Variable Rate Parity Bonds shall bear interest at the Alternate Rate from such Purchase Date until such date that all of such 2015 Variable Rate Parity Bonds have been purchased.

(3) If Daily Rate Bonds or Weekly Rate Bonds secured by a Credit Facility or Liquidity Facility are not purchased on an Authority Elective Purchase Date or because the Credit Facility Provider or Liquidity Facility Provider has failed to honor a draw under its Credit Facility or Liquidity Facility, then such Daily Rate Bonds or Weekly Rate Bonds shall continue to bear interest at a Daily Rate or Weekly Rate, as applicable, determined as provided in Section 2 of this Appendix A, and if Index Floating Rate Bonds are not purchased on an Authority Elective Purchase Date, then such Index Floating Rate Bonds shall continue to bear interest at an Index Floating Rate for an Index Floating Rate Period determined as provided in Section 4 of this Series Resolution.

(4) If a Liquidity Facility or Credit Facility is in effect, and the Liquidity Facility Provider or Credit Facility Provider thereof has failed to honor its payment obligations under the Liquidity Facility or Credit Facility, twenty-five percent (25%) of the Owners of the 2015 Variable Rate Parity Bonds secured by such Facility (excluding 2015 Variable Rate Parity Bonds of such Series owned by the Authority and Bank Bonds), shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Bond Registrar, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Liquidity Facility or Credit Facility, or any other proceedings thereunder; provided that such direction shall be in accordance with applicable law and satisfactory evidence of the ownership of such Bond provided to the Bond Registrar.

Section 7. Remarketing of 2015 Variable Rate Parity Bonds.

(a) The Remarketing Agent

(1) One or more Remarketing Agents may be appointed from time to time by the Designated Authority Representative with the prior written consent of the Liquidity Facility Provider, if any (which consent shall not be unreasonably withheld). Each Remarketing Agent appointed in accordance with this Series Resolution shall designate its principal office and signify its acceptance of the duties and obligations imposed upon it as described herein by a written instrument of acceptance delivered to the Authority, the Bond Registrar and the Liquidity Facility Provider, or by executing and delivering a Remarketing Agreement, in either case under which the Remarketing Agent will agree, particularly:

(A) To hold all moneys delivered to it hereunder for the purchase of 2015 Variable Rate Parity Bonds as a fiduciary for the exclusive benefit of the person or persons that shall have so delivered such moneys until the 2015 Variable Rate Parity Bonds purchased with such moneys shall have been delivered to or for the account of such person or persons;

(B) To keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority and the Bond Registrar at all reasonable times;

(C) To determine the Variable Rates, Short-Term Rates, Long-Term Rates, and the Fixed Rate with respect to the Bonds and the Applicable Spread and give notice of such rates or spread, as applicable in accordance with the provisions of this Series Resolution, including this Appendix A;

(D) To offer for sale and use its best efforts to find purchasers for the 2015 Variable Rate Parity Bonds tendered for purchase, any such sale to be made at a price equal to 100% of the principal amount thereof plus accrued interest to the Purchase Date or at such other price as may be permitted under the terms of this Series Resolution, in accordance with the terms of this Series Resolution;

(E) To deliver to the Tender Agent all 2015 Variable Rate Parity Bonds held by it in accordance with the terms of this Series Resolution and the Remarketing Agreement; and

(5) To perform such other duties and responsibilities (including, without limitation, with respect to Bank Bonds) as are provided in this Series Resolution to be performed by the Remarketing Agent.

(2) One or more firms may serve as co-Remarketing Agents hereunder provided that each co-Remarketing Agent satisfies the requirements of Subsection 7(b) of this Appendix A. If co-Remarketing Agents have been appointed and are performing the duties of Remarketing Agent hereunder, all references herein to the Remarketing Agent shall be deemed to refer to all the Remarketing Agents acting jointly; provided that the Remarketing Agreement may provide that one firm may perform certain specified duties hereunder in its sole capacity.

(3) Except as may otherwise be provided in a remarketing agreement with the Authority, each Remarketing Agent may in good faith hold any 2015 Variable Rate Parity Bonds or any other form of indebtedness issued by the Authority; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations thereof; and make disbursements therefor and enter into any commercial or business arrangement therewith; all without any liability on the part of the Remarketing Agent for any real or apparent conflict of interest by reason of any such actions.

(b) Qualifications of Remarketing Agent. Each Remarketing Agent shall be authorized by law to perform all the duties imposed upon it hereunder. The Remarketing Agent may at any time resign and be discharged of the duties and obligations of the Remarketing Agent described in this Series Resolution by giving at least 30 days' notice to the Authority, the Bond Registrar, the Tender Agent, the Liquidity Facility Provider and the Credit Facility Provider, if any, and the Rating Agencies. The Remarketing Agent may be removed at any time upon written notice by the Authority to the Remarketing Agent, the Tender Agent, the Bond Registrar, the Liquidity Facility Provider and the Credit Facility Provider, if any, and the Rating Agencies.

(c) Sale of 2015 Variable Rate Parity Bonds by Remarketing Agent.

(1) Upon the receipt by the Remarketing Agent of (1) notice of tender of Daily Rate Bonds or Weekly Rate Bonds or (2) notice of mandatory tender of 2015 Variable Rate Parity Bonds, the Remarketing Agent shall offer for sale and use its best efforts subject to the terms of the Remarketing Agreement to solicit purchases of such Daily Rate Bonds or Weekly Rate Bonds subject to purchase on the applicable Purchase Date at a price equal to the Purchase Price; provided, however, that such Remarketing Agent shall not offer for sale or use its best efforts to solicit purchases of such Daily Rate Bonds or Weekly Rate Bonds subject to mandatory tender on the fifth day next preceding the Expiration Date of the Liquidity Facility or Credit Facility (unless, on or prior to such day, the Expiration Date of such Liquidity Facility or Credit Facility is extended), the Termination Date or the Non reinstatement Date; and provided further, however, that, so long as a Liquidity Facility or Credit Facility is in effect the Remarketing Agent shall not knowingly offer for sale or sell any Daily Rate Bonds or Weekly Rate Bonds to the Authority.

(2) The Remarketing Agent shall pay or direct the purchasers to pay the proceeds of all purchases of 2015 Variable Rate Parity Bonds made, solicited and arranged by such Remarketing Agent, to the Tender Agent (for deposit in the Remarketing Account of the Purchase Fund), at or prior to Noon, New York City time, on the applicable Purchase Date, in immediately available funds.

(3) At or prior to 4:30 p.m., New York City time, on the Business Day next preceding each Purchase Date (other than a optional tender Purchase Date with respect to a Daily Rate Bond), the Remarketing Agent shall give notice by telephone (promptly confirmed by Electronic Notice) to the Tender Agent specifying: (1) the aggregate principal amount and Purchase Price of 2015 Variable Rate Parity Bonds subject to purchase on such Purchase Date for which the Remarketing Agent has received indications of interest from prospective purchasers, and (2) the aggregate principal amount and Purchase Price of 2015 Variable Rate Parity Bonds subject to purchase on such Purchase Date for which the Remarketing Agent has not received indications of interest from prospective purchasers.

(4) The Remarketing Agent shall offer for sale and use its best efforts to arrange for the sale and remarketing of all Bank Bonds at a price equal to 100% of the principal amount thereof plus (unless all of the 2015 Variable Rate Parity Bonds are Bank Bonds or as otherwise provided in Section 6 or Section 8 or elsewhere in this Appendix A) accrued and unpaid interest thereon at the rate that would be borne by such Bank Bonds if such Bank Bonds were not Bank Bonds. In connection with each remarketing of Bank Bonds by the Remarketing Agent:

(A) The Remarketing Agent shall (A) provide to the Authority, the Liquidity Facility Provider, the Bond Registrar and the Tender Agent not less than one Business Day's prior notice of such remarketing, and (B) pay, or cause to be paid to such Liquidity Facility Provider, by wire transfer of immediately available funds, the proceeds of such remarketing;

(B) The Authority shall (A) in consultation with the Liquidity Facility Provider, calculate the amounts payable to the Liquidity Facility Provider pursuant to the Liquidity Facility or the related Liquidity Facility Agreement by reason of, and on the date of such remarketing (such amounts being referred to as the "Remarketing Payment Amount"), and (B) pay to the Liquidity Facility Provider, or direct the Bond Registrar to withdraw from the Bond Fund and pay to such Liquidity Facility Provider, in either case, on the date of such remarketing and by wire transfer of immediately available funds, an amount of money which, when added to the proceeds of such remarketing being delivered to the Liquidity Facility Provider on the date of such remarketing, equals the Remarketing Payment Amount;

(C) The Tender Agent shall confirm with the Liquidity Facility Provider the receipt by the Liquidity Facility Provider of the Remarketing Payment Amount, the reinstatement of the obligation of the Liquidity Facility Provider to make funds available under the Liquidity Facility and the authorization of the Liquidity Facility Provider to release such Bank Bonds or its security interest therein; and

(D) After, and only after, receipt by the Tender Agent of confirmation by the Liquidity Facility Provider of the reinstatement of the obligation of the Liquidity Facility Provider under the Liquidity Facility to purchase or make funds available for the purchase of such Bank Bonds following remarketing of such Bank Bonds and authorization by such Liquidity Facility Provider of such transfer or such authentication and delivery, the Tender Agent shall (A) while the Bonds are held in book-entry only form, cause the ownership interest in such Bank Bonds to be transferred to or for the benefit of such purchaser or purchasers as are specified by the Remarketing Agent for such purpose, and (B) if the Bonds are not then held in book-entry only form, cause the Bond Registrar to authenticate other 2015 Variable Rate Parity Bonds in lieu of such Bank Bonds and to deliver the same to or upon the instruction of the Remarketing Agent.

(5) The Remarketing Agent shall offer for sale and use its best efforts to arrange for the sale and remarketing of (1) all 2015 Variable Rate Parity Bonds subject to purchase on a Purchase Date that are purchased with moneys provided by the Authority to the Tender Agent for such purpose and all 2015 Variable Rate Parity Bonds that are purchased by the Authority

pursuant to the Liquidity Facility or the related Liquidity Facility Agreement and not surrendered by the Authority for cancellation.

(d) Delivery of 2015 Variable Rate Parity Bonds.

(1) Upon application of available moneys to the purchase of Bonds on a Purchase Date (and/or to the transfer thereof to the Undelivered Bond Payment Account of the Purchase Fund on a Purchase Date), the Tender Agent shall cause the Bond Registrar to register the transfer of Bonds purchased therewith in the names of the purchasers thereof in accordance with information provided by the Remarketing Agent for such purpose and to have such transferred Bonds available for delivery against payment therefor.

(2) Upon application of the moneys drawn under a Liquidity Facility to the purchase of 2015 Variable Rate Bonds of a Series on a Purchase Date (and/or to the transfer thereof to the Undelivered Bond Payment Account of the Purchase Fund on a Purchase Date), (A) the 2015 Variable Rate Parity Bonds purchased (or, in the case of such transfer, provided to be purchased) with such moneys shall constitute Bank Bonds (unless and until such Bonds cease to be Bank Bonds), and (B) if the 2015 Variable Rate Parity Bonds are held in book-entry only form, the ownership interest in such Bank Bonds shall be transferred on the books of DTC to or for the account of the Tender Agent or a participant acting on behalf of the Tender Agent and the Tender Agent shall, and shall cause such participant to, mark its own books and records to reflect the beneficial ownership of such Bank Bonds by the Liquidity Facility Provider, and (C) if the 2015 Variable Rate Parity Bonds are no longer held in book-entry only form, such Bonds shall be delivered by the Tender Agent to the Bond Registrar for registration of transfer and shall be registered by the Bond Registrar in the name of the Liquidity Facility Provider, or any nominee of the Liquidity Facility Provider, and delivered by the Bond Registrar to the Tender Agent and held by the Tender Agent as bailee and custodian of the Liquidity Facility Provider. The Tender Agent shall release and redeliver or transfer Bank Bonds (being remarketed by the Remarketing Agent). Any other disposition of Bank Bonds shall be made only at the written direction or with the prior written consent of the Liquidity Facility Provider.

(3) Upon the application of moneys to the purchase by the Authority of 2015 Variable Rate Parity Bonds of one or more Series on a Purchase Date (and/or to the transfer thereof to the Undelivered Bond Payment Account of the Purchase Fund on a Purchase Date), the 2015 Variable Rate Parity Bonds purchased (or, in the case of such transfer, provided to be purchased) with such moneys shall be registered in the name of the Authority and shall, at the direction of the Authority, be delivered to the Bond Registrar for cancellation (and canceled by the Bond Registrar) or delivered to the Tender Agent for the account of the Authority and remarketed.

(4) Any 2015 Variable Rate Parity Bonds canceled by the Bond Registrar pursuant to this Section and any 2015 Variable Rate Parity Bonds surrendered by the Authority to the Bond Registrar for cancellation shall be allocated to the next succeeding Mandatory Sinking Account Payment, then as a credit against such future Mandatory Sinking Account Payments as the Authority may specify in a certificate of the Designated Authority Representative. So long as a Liquidity Facility is in effect, the Bond Registrar shall notify the Liquidity Facility Provider of the aggregate principal amount of 2015 Variable Rate Parity

Bonds so canceled and shall submit to the Liquidity Facility Provider such documents, if any, as are required in accordance with the terms of the Liquidity Facility to cause the amounts available under the Liquidity Facility to be reduced in respect of such 2015 Variable Rate Parity Bonds so canceled.

(e) The Liquidity Facility.

(1) *Delivery of a Liquidity Facility.* In each case where a Liquidity Facility is to be delivered to the Tender Agent (including the delivery of a new Liquidity Facility in substitution for an existing Liquidity Facility), the Liquidity Facility shall become effective only if the 2015 Variable Rate Parity Bonds have been successfully purchased and remarketed on the related Purchase Date. Upon delivery of a Liquidity Facility with respect to the 2015 Variable Rate Parity Bonds, together with the documents described in clause (e) below, the Tender Agent shall accept such Liquidity Facility and, upon such acceptance, such Liquidity Facility shall be the Liquidity Facility and the issuer of such Liquidity Facility (or any agent acting on its or their behalf) shall be the Liquidity Facility Provider, in each case, for all purposes of this Series Resolution.

(2) *Mandatory Tender of Bonds in Connection with Delivery of a Liquidity Facility.* If a Liquidity Facility is delivered and accepted, those 2015 Variable Rate Parity Bonds will be subject to mandatory tender on the Purchase Date determined pursuant to and in accordance with Section 6(e) of this Appendix A. If an existing Liquidity Facility is in effect on that Purchase Date, funds for the purchase of the 2015 Variable Rate Parity Bonds tendered on that Purchase Date will be made available in accordance with the terms of that existing Liquidity Facility and not the new Liquidity Facility to be delivered on that Purchase Date.

(3) *Notice of Delivery of a Liquidity Facility, Conditional Mandatory Tender of Bonds.* The Authority shall notify the Bond Registrar, the Tender Agent, the Remarketing Agent and any then existing Liquidity Facility Provider or Credit Facility Provider of the proposed delivery of a Liquidity Facility and the related Liquidity Facility Date at least 20 days prior to such Liquidity Facility Date. The Bond Registrar shall give notice to the Owners of the 2015 Variable Rate Parity Bonds (at their addresses as they appear on the Bond Register as of the date of such notice), by Electronic Notice, confirmed by first class mail, of the proposed delivery of a Liquidity Facility and the related Liquidity Facility Date at least 15 days prior to such Liquidity Facility Date. Such notice shall also constitute the notice of mandatory tender of the 2015 Variable Rate Parity Bonds on the related Liquidity Facility Date; provided, however, that in addition to the information required by Section 6(e) of this Appendix A, such notice shall state that such mandatory tender of the 2015 Variable Rate Parity Bonds will not occur if on or prior to the proposed Liquidity Facility Date, the Tender Agent does not receive such Liquidity Facility, together with the Supporting Liquidity Facility Documents (as defined in paragraph (5) below). If, by reason of the conditions to such mandatory tender of the 2015 Variable Rate Parity Bonds (as stated in such notice), there is no mandatory tender of such Bonds on the proposed Liquidity Facility Date, (1) the Tender Agent shall so notify the Bond Registrar, (2) the Bond Registrar shall so notify the Owners of such Bonds (at their addresses as they appear on the Bond Register as of the date of such notice) by Electronic Notice, confirmed by first class mail, and (3) the Tender Agent shall return to their Owners any such 2015 Variable Rate Parity Bonds

tendered to the Tender Agent in connection with such mandatory tender of such 2015 Variable Rate Parity Bonds.

(4) *Termination and Expiration.* The Authority may elect at any time (1) to permit a Liquidity Facility to expire without delivering a new Liquidity Facility or (2) to terminate a Liquidity Facility prior to its expiration.

(5) *Supporting Liquidity Facility Documents.* In connection with the delivery of a Liquidity Facility, the Authority shall deliver, or shall cause to be delivered, the following documents (the “Supporting Liquidity Facility Documents”):

(A) written evidence from each Rating Agency then maintaining a rating on the 2015 Variable Rate Parity Bonds of the rating to be assigned by such Rating Agency to the 2015 Variable Rate Parity Bonds following the delivery of the Liquidity Facility with respect to such 2015 Variable Rate Parity Bonds;

(B) a written opinion of counsel, addressed to the Bond Registrar and the Tender Agent, to the effect that the Liquidity Facility is the legal, valid and binding obligation of the Liquidity Facility Provider, enforceable against such issuer or issuers in accordance with its terms (subject to customary exceptions relating to bankruptcy, insolvency and rights of creditors generally and to specific performance and equitable remedies);

(C) if such 2015 Parity Bonds are Tax-Exempt Parity Bonds, an Opinion of Bond Counsel to the effect that the delivery of the Liquidity Facility with respect to such 2015 Variable Rate Parity Bonds will not, in and of itself, cause the interest on such 2015 Variable Rate Parity Bonds to be includable in the gross income of Owners for purposes of federal income taxation; and

(D) if applicable, the written acknowledgment of the Liquidity Facility Provider with respect to the Liquidity Facility then in effect that all conditions precedent to termination of such existing Liquidity Facility that are contained in such Liquidity Facility or the Liquidity Facility Agreement relating thereto have been fulfilled (or provision satisfactory to the Liquidity Facility Provider has been made for such fulfillment).

(6) If there is a Liquidity Facility in effect with respect to 2015 Variable Rate Parity Bonds of a Series, the Tender Agent shall make Liquidity Facility Requests in accordance with this Appendix A and the terms of the Liquidity Facility then in effect.

(7) The Tender Agent shall not terminate or reduce the amounts available under a Liquidity Facility except by reason of (A) the redemption, cancellation and/or defeasance of 2015 Variable Rate Parity Bonds, (B) the Conversion of such 2015 Variable Rate Parity Bonds to an Interest Rate Mode which is not covered by such Liquidity Facility or (C) a new Liquidity Facility is delivered and becomes effective in accordance with the provisions of this Section. Notwithstanding the foregoing, the Authority may elect to terminate a Liquidity Facility at any time in accordance with the terms of the Liquidity Facility or the related Liquidity Facility Agreement.

(f) The Credit Facility.

(1) *Delivery of a Credit Facility.* In each case where a Credit Facility is to be delivered to the Bond Registrar (including the delivery of a new Credit Facility in substitution for the existing Credit Facility), the Credit Facility shall become effective with respect to the 2015 Variable Rate Parity Bonds of a Series only if the 2015 Variable Rate Parity Bonds have been successfully purchased and remarketed on the related Purchase Date. Upon delivery of a Credit Facility, together with the documents described in clause (5) below, the Bond Registrar shall accept such Credit Facility and, upon such acceptance, such Credit Facility shall be the Credit Facility and the issuer of such Credit Facility (or any agent acting on its or their behalf) shall be the Credit Facility Provider, in each case, for all purposes of this Series Resolution.

(2) *Mandatory Tender of Bonds in Connection with Delivery of a Credit Facility.* Pursuant to and in accordance with the terms in this Appendix A, if a Credit Facility is delivered and accepted, those 2015 Variable Rate Parity Bonds will be subject to mandatory tender on the Purchase Date determined pursuant to and in accordance with Section 6(e).

(3) *Notice of Delivery of a Credit Facility; Conditional Mandatory Tender of Bonds.* The Authority shall notify the Bond Registrar, the Tender Agent, the Remarketing Agent and any then existing Liquidity Facility Provider or Credit Facility Provider of the proposed delivery of a Credit Facility and the related Credit Facility Date at least 20 days prior to such Credit Facility Date. The Bond Registrar shall give notice to the Owners of the Bonds (at their addresses as they appear on the Bond Register as of the date of such notice), by Electronic Notice, confirmed by first class mail, of the proposed delivery of a Credit Facility and the related Credit Facility Date at least 15 days prior to such Credit Facility Date. Such notice shall also constitute the notice of mandatory tender of the 2015 Variable Rate Parity Bonds on the related Credit Facility Date; provided, however, that in addition to the information required by Section 6, such notice shall state that such mandatory tender of the 2015 Variable Rate Parity Bonds will not occur if, on or prior to the proposed Credit Facility Date, the Tender Agent does not receive such Credit Facility, together with the Supporting Credit Facility Documents (as defined in paragraph (e) below). If, by reason of the conditions to such mandatory tender of such 2015 Variable Rate Parity Bonds (as stated in such notice), there is no mandatory tender of such 2015 Variable Rate Parity Bonds on the proposed Credit Facility Date, (1) the Tender Agent shall so notify the Bond Registrar, (2) the Bond Registrar shall so notify the Owners of such 2015 Variable Rate Parity Bonds (at their addresses as they appear on the Bond Register as of the date of such notice) by Electronic Notice, confirmed by first class mail, and (3) the Tender Agent shall return to their Owners any such Bonds tendered to the Tender Agent in connection with such mandatory tender of such Bonds.

(4) *Expiration and Termination.* The Authority may elect at any time (1) to permit a Credit Facility to expire without delivering a new Credit Facility, (2) to terminate a Credit Facility prior to its expiration, or (3) upon expiration or termination of the Letter of Credit, to not provide a Credit Facility.

(5) *Supporting Credit Facility Documents.* In connection with the delivery of a Credit Facility after the Closing Date, the Authority shall deliver, or shall cause to be delivered, the following documents (the “Supporting Credit Facility Documents”):

(A) written consent of the Liquidity Facility Provider, if any;

(B) written evidence from each Rating Agency then maintaining a rating on such Bonds of the rating to be assigned by such Rating Agency to such 2015 Variable Rate Parity Bonds following the delivery of the Credit Facility (unless the Authority determines that such ratings are not necessary for the remarketing of the 2015 Variable Rate Parity Bonds);

(C) a written opinion of counsel, addressed to the Bond Registrar and the Tender Agent, to the effect that the Credit Facility is the legal, valid and binding obligation of the Credit Facility Provider, enforceable against such issuer or issuers in accordance with its terms (subject to customary exceptions relating to bankruptcy, insolvency and rights of creditors generally and to specific performance and equitable remedies);

(D) if such 2015 Parity Bonds are Tax-Exempt Parity Bonds, an Opinion of Bond Counsel to the effect that the delivery of the Credit Facility will not, in and of itself, cause the interest on such 2015 Variable Rate Parity Bonds to be includable in the gross income of Owners for purposes of federal income taxation; and

(E) if applicable, the written acknowledgment of the Credit Facility Provider with respect to the Credit Facility then in effect that all conditions precedent to termination of such existing Credit Facility that are contained in such Credit Facility or the Credit Facility Agreement relating thereto have been fulfilled (or provision satisfactory to such Credit Facility Provider has been made for such fulfillment).

(6) The Bond Registrar shall not terminate or reduce the amounts available under a Credit Facility except by reason of (1) the redemption, cancellation and/or defeasance of 2015 Variable Rate Parity Bonds, or (2) the Conversion of such 2015 Variable Rate Parity Bonds to an Interest Rate Mode which is not covered by such Credit Facility. Notwithstanding the foregoing, the Authority may elect to terminate a Credit Facility at any time in accordance with the terms of the Credit Facility or related Credit Facility Agreement.

Section 8. Credit Facilities and Funds.

(a) Credit Facility: Credit Facility Fund

(1) The Bond Registrar shall hold and maintain the Credit Facility, if any, for the benefit of the Owners of the 2015 Variable Rate Parity Bonds until such Credit Facility expires in accordance with its terms, is earlier terminated by the Authority or is replaced by an Alternate Credit Facility. Subject to the provisions of this Series Resolution, the Bond Registrar shall enforce all terms, covenants and conditions of the Credit Facility, including payment when due of any draws on such Credit Facility, and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, such Credit Facility, and will not consent to, agree to or permit any amendment or modification of such Credit Facility which would materially adversely affect the rights or security of the Owners of the 2015 Variable Rate Parity Bonds then so secured. The Bond Registrar shall be entitled to rely on a written opinion of counsel or an officer's certificate as to whether such an amendment or modification of the Credit Facility would materially adversely affect the rights or security of such Owners. If at any time during the term of a Credit Facility any successor Bond Registrar shall be appointed and

qualified under this Series Resolution, the resigning or removed Bond Registrar shall request that the Credit Facility Provider transfer such Credit Facility to the successor Bond Registrar. If the resigning or removed Bond Registrar fails to make this request, the successor Bond Registrar shall do so and shall delay accepting appointment hereunder until the Credit Facility Provider assents to such request. When a Credit Facility expires in accordance with its terms, is terminated by the Authority or is replaced by an Alternate Credit Facility, the Bond Registrar shall immediately surrender such Credit Facility to the Credit Facility Provider, provided, however, that the Bond Registrar shall not surrender such Credit Facility until all draws permitted upon such Credit Facility in accordance with its terms and as required hereby shall have been funded. All provisions herein relating to the rights of any Credit Facility Provider shall be of no force and effect if there is no Credit Facility in effect and all amounts payable to the Credit Facility Provider under the Credit Facility Agreement have been satisfied.

(2) While a Credit Facility is in effect, the Bond Registrar shall draw on the Credit Facility in accordance with the terms thereof so as to receive thereunder by 1:00 p.m., New York City time, on each Interest Payment Date and principal payment date, an amount, in immediately available funds, equal to the amount of interest and principal payable on the 2015 Variable Rate Parity Bonds on such Interest Payment Date and principal payment date. If the Credit Facility Provider fails to fund such a draw, the Bond Registrar shall promptly notify the Authority, demand payment by the Authority, and shall pay when due such amount of interest and principal payable on such Interest Payment Date and principal payment date from amounts on deposit in the Bond Fund in accordance with the terms of this Series Resolution. The proceeds of such draws shall be deposited in the Credit Facility Fund and shall be applied to pay principal of and interest on the 2015 Variable Rate Parity Bonds prior to the application of any other funds held by the Bond Registrar therefor. Notwithstanding the foregoing, if the Credit Facility Provider and the Liquidity Facility Provider are the same entity, the Bond Registrar shall not draw on the Credit Facility with respect to any payments due or made in connection with Bank Bonds. In no event shall the Bond Registrar draw on the Credit Facility with respect to any 2015 Variable Rate Parity Bonds registered in the name of the Authority.

(3) While a Credit Facility is in effect, the Bond Registrar shall establish, maintain and hold in trust a special fund designated as the "Credit Facility Fund" for the benefit of Owners. The Bond Registrar shall deposit in the Credit Facility Fund all moneys derived from a drawing under a Credit Facility for the purpose of paying the principal of and interest on the Bonds when due. Moneys held in the Credit Facility Fund shall remain uninvested, be held separate and apart from all other funds and accounts and shall not be commingled with any other moneys. Moneys in the Credit Facility Fund shall be withdrawn by the Bond Registrar from the Credit Facility Fund and applied to the payment of the principal of and interest on 2015 Variable Rate Parity Bonds on each Interest Payment Date and principal payment date for such 2015 Variable Rate Parity Bonds.

(b) Credit Facility: Alternate Credit Facility. While the 2015 Variable Rate Parity Bonds of a Series bear interest at a Daily Rate, a Weekly Rate or Short-Term Rate, the Authority may, at its sole option, maintain or furnish, as the case may be, a Credit Facility (or, if a Credit Facility is then in existence, an Alternate Credit Facility in substitution for the Credit Facility then in effect) or otherwise make funds available pursuant to a Credit Facility to the Bond Registrar to provide for the payment of principal of and interest on such 2015 Variable Rate

Parity Bonds in accordance with this Series Resolution. Any Credit Facility (or Alternate Credit Facility) shall be equal to the Required Stated Amount with a term of at least 360 days from the effective date thereof and shall be subject to the approval of the Liquidity Facility Provider (if any) if the Liquidity Facility Provider is a separate entity from the Credit Facility Provider. The Authority shall give at least forty-five (45) days' advance written notice to the Bond Registrar, the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any) of (1) its intent to furnish a Credit Facility or Alternate Credit Facility to the Bond Registrar, which notice shall specify the nature of such Credit Facility, the identity of the Credit Facility Provider and the proposed Credit Facility Date and (2) its intent to terminate the Credit Facility then in effect, which notice shall specify the proposed termination date for such Credit Facility.

(c) Liquidity Facility; Alternate Liquidity Facility. While the 2015 Variable Rate Parity Bonds of a Series bear interest at a Daily Rate, a Weekly Rate or Short-Term Rate, the Authority may, in its sole option, maintain or furnish, as the case may be, a Liquidity Facility (or, if a Liquidity Facility is then in existence, an Alternate Liquidity Facility in substitution for the Liquidity Facility then in effect) or otherwise make funds available pursuant to a Liquidity Facility to the Tender Agent to provide for the purchase of such Bonds upon their optional or mandatory tender in accordance with this Series Resolution. Any Liquidity Facility (or Alternate Liquidity Facility) shall be in an amount equal to the Required Stated Amount with a term of at least 360 days from the effective date thereof and shall be subject to the approval of the Credit Facility Provider (if any) if the Credit Facility Provider is a separate entity from the Liquidity Facility Provider. The Authority shall give at least forty-five (45) days' advance written notice to the Bond Registrar, the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any) and the Tender Agent of (1) its intent to furnish a Liquidity Facility or Alternate Liquidity Facility to the Tender Agent, which notice shall specify the nature of such Liquidity Facility, the identity of the Liquidity Facility Provider and the proposed Liquidity Facility Date and (2) its intent to terminate a Liquidity Facility then in effect, which notice shall specify the proposed termination date for such Liquidity Facility.

(d) Required and Optional Liquidity Payments.

(1) *Required Liquidity Payments.* The Authority will duly and punctually pay or cause to be paid to the Tender Agent, for deposit into the Purchase Fund pertaining to the 2015 Variable Rate Parity Bonds, as and when due, and in the amounts required to provide moneys for the payment of the Purchase Price of 2015 Variable Rate Parity Bonds tendered and/or deemed tendered for purchase and not remarketed pursuant to the terms of this Series Resolution on the following dates:

(A) each Conversion Date on which (i) the then current Index Floating Rate Period is changed to a new Index Floating Rate Period or (ii) the interest rate on the Bonds is converted from the Index Floating Rate to a different Interest Rate Mode;

(B) each Purchase Date for Daily Rate Bonds if a Liquidity Facility is not in effect;

(C) each Purchase Date for Weekly Rate Bonds if a Liquidity Facility is not in effect;

(D) each Short-Term Rate Mandatory Purchase Date if a Liquidity Facility is not in effect with respect to such Short-Term Rate Bonds; and

(E) each Long-Term Rate Mandatory Purchase Date if a Liquidity Facility is not in effect.

Collectively, (A) through (D) above are referred to as the "Required Liquidity Payments."

(2) *Optional Liquidity Payments.* The Authority may elect, in its discretion, to pay or cause to be paid to the Tender Agent, for deposit in the Purchase Fund, the amounts required to provide moneys for the payment of the Purchase Price of 2015 Variable Rate Parity Bonds tendered and/or deemed tendered for purchase and not remarketed pursuant to the terms of this Series Resolution on the following Purchase Dates:

(A) an Authority Elective Purchase Date;

(B) a Liquidity Facility Date or a Credit Facility Date; and

(C) a Purchase Date where a Liquidity Facility is in effect with respect to the 2015 Variable Rate Parity Bonds and the Liquidity Facility Provider has failed to provide funds for such purchase.

Collectively, (A) through (C) above are referred to as the "Optional Liquidity Payments."

(3) The failure of the Authority to make a Required Liquidity Payment as and when due shall constitute a default. The failure of the Authority to make an Optional Liquidity Payment as and when needed shall not constitute a default.

(e) Consent Rights of the Credit Facility Provider (if any); Credit Facility Provider (if any) Deemed Owner of 2015 Variable Rate Parity Bonds in Certain Circumstances. Whenever in this Series Resolution the consent of the Owners is required, the consent of the Credit Facility Provider (if any) shall also be required unless specifically stated otherwise in this Series Resolution. The Credit Facility Provider (if any) shall be deemed to be the Owner of all 2015 Variable Rate Parity Bonds secured by such Credit Facility then Outstanding for purposes of granting consent to Supplemental Resolutions. Notwithstanding any other provision hereof, any provision of this Series Resolution requiring the consent of, the giving of notice to, or control of proceedings by the Credit Facility Provider (if any) shall be in effect for so long as, and only during such time as such Credit Facility is in effect and no Credit Facility Provider Failure with respect to such Credit Facility shall have occurred and be continuing.

Section 9. Additional Authorizations; Continuing Disclosure. The Designated Authority Representative may, in his or her discretion, and without further action by the Board (1) effect Conversions of the 2015 Variable Rate Parity Bonds of each Series from one Interest Rate Mode to another and may execute documents and/or amendments to existing documents to effect such conversions; (2) negotiate terms of any Credit Facility or Liquidity Facility, including any fees and any extensions of one or more Expiration Dates, and execute the applicable Credit

Facility Agreement, Liquidity Facility Agreement and other necessary documents in this regard; (3) execute documents necessary to designate and effect one or more Authority Elective Purchase Dates; and (4) effective on a Conversion Date and subject to any required consents of Liquidity Facility Providers or Credit Facility Providers, amend any one or more provisions of this Appendix A, among other things to revise timing, mechanics and other terms of the 2015 Parity Bonds, to reflect, without limitation, then-current market conditions and rating agency requirements, to add or remove restrictions and to clarify ambiguities, among other purposes. The Designated Authority Representative also is authorized and directed to execute written undertakings to provide continuing disclosure for the benefit of holders of the 2015 Variable Rate Parity Bonds to enable each participating underwriter or Remarketing Agent, as the case may be, to comply with the Rule.

CERTIFICATE

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

1. That the attached resolution numbered R2015-17 (the "Series Resolution") is a true and correct copy of a resolution of the Authority, as finally adopted at a regular meeting of the Board held on the 23rd day of July, 2015, and duly recorded in my office.

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Authority this 23rd day of July, 2015.

Kathryn Flores
Board Administrator

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

The following is a form of the continuing disclosure certificate with respect to the 2015 Parity Bonds. Capitalized words or phrases which are not defined in this form or conventionally capitalized have the meanings given such words or phrases in the 2015 Parity Bond Resolutions.

A. Contract/Undertaking

Sound Transit enters into this undertaking (the “Undertaking”) constituting the written undertaking for the benefit of the beneficial owners of the 2015 Parity Bonds in order to assist the Underwriters of the 2015 Parity Bonds in complying with paragraph (b)(5) of Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. For purposes of this Undertaking, the term “holders of the 2015 Parity Bonds” shall have the meaning intended for such term under Rule 15c2-12.

Sound Transit undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

B. Financial Statements/Operating Data

1. Annual Disclosure Report. Sound Transit covenants that not later than nine months after the end of each Fiscal Year (the “Submission Date”), commencing September 2016 for the Fiscal Year ending December 31, 2015, Sound Transit shall provide or cause to be provided to the MSRB 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 Sound Transit’s Fiscal Year changes, Sound Transit 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.

2. Content of Annual Disclosure Reports. Sound Transit’s Annual Disclosure Report shall contain or include by reference the following:

- i. Audited financial statements. Audited financial statements prepared in accordance with applicable generally accepted accounting principles applicable to local governmental units of the State such as Sound Transit (except as otherwise noted therein), as such principles may be changed from time to time, 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 Sound Transit, and Sound Transit’s audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available.
- ii. Operating and Financial Information.
 - a. Aggregate principal amount of and debt service requirements for Prior Bonds, Parity Bonds and Junior Obligations Outstanding;
 - b. Amount of Local Option Taxes and Pledged Taxes collected by type;
 - c. Legal debt capacity;

- d. Restricted and unrestricted investments;
- e. Revenues, expenses and changes in net position;
- f. Debt service coverage on Prior Bonds and Parity Bonds;
- g. Any change (by type) in the rate or in the total amount of Local Option Taxes or Pledged Taxes that Sound Transit is authorized to impose; and
- h. Sufficiency Test calculation if Sound Transit is required to comply with the Sufficiency Test.

Any or all of the items listed above may be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the Securities and Exchange Commission.

Items listed in 2(ii) will be provided separately to the MSRB only to the extent that such information is not included in the information provided pursuant to item 2(i) above.

C. Listed Events

Sound Transit agrees to provide or cause to be provided to the MSRB timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the 2015 Parity Bonds:

- i. Principal and interest payment delinquencies;
- ii. Non-payment related defaults, if material;
- iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
- iv. Unscheduled draws on credit enhancements reflecting financial difficulties;
- v. Substitution of credit or liquidity providers, or their failure to perform;
- vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the 2015 Parity Bonds;
- vii. Modifications to rights of the holders of the 2015 Parity Bonds, if material;
- viii. 2015 Parity Bond calls (other than scheduled mandatory redemptions of Term Parity Bonds), if material, and tender offers;
- ix. Defeasances;
- x. Release, substitution or sale of property securing the repayment of the 2015 Parity Bonds, if material;
- xi. Rating changes;
- xii. Bankruptcy, insolvency, receivership or similar event of Sound Transit, as such “Bankruptcy Events” are defined in Rule 15c2-12;

- xiii. The consummation of a merger, consolidation, or acquisition involving Sound Transit or the sale of all or substantially all of the assets of Sound Transit other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

D. Notice Upon Failure to Provide Financial Data

Sound Transit agrees to provide or cause to be provided to the MSRB timely notice of its failure to provide the annual financial information described in subsection (B) above on or prior to the date set forth in subsection (B) above.

This Undertaking is subject to amendment after the primary offering of the 2015 Parity Bonds without the consent of any holder of any 2015 Parity Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. Sound Transit will give notice to the MSRB of the substance (or provide a copy) of any amendment to this Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

If Sound Transit or any other obligated person fails to comply with this Undertaking, Sound Transit will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after Sound Transit learns of that failure. No failure by Sound Transit or any other obligated person to comply with this Undertaking shall constitute a default with respect to the 2015 Parity Bonds. The sole remedy of any holder of a 2015 Parity Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel Sound Transit or any other obligated person to comply with this Undertaking.

E. Termination/Modification

Sound Transit's obligations under this Undertaking shall terminate upon the legal defeasance of all of the 2015 Parity Bonds. In addition, Sound Transit's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require Sound Transit to comply with this Undertaking become legally inapplicable in respect of the 2015 Parity Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to Sound Transit, and Sound Transit provides timely notice of such termination to the MSRB.

F. Designation of Official Responsible to Administer Undertaking

The Chief Financial Officer of Sound Transit (or such other officer of Sound Transit who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out this Undertaking of Sound Transit in respect of the 2015 Parity Bonds in accordance with Rule 15c2-12, including, without limitation, the following actions:

- i. Preparing and filing the annual financial information undertaken to be provided;
- ii. Determining whether any event specified in subsection (A) has occurred and preparing and disseminating notice of its occurrence;
- iii. Determining whether any person other than Sound Transit is an "obligated person" within the meaning of Rule 15c2-12 with respect to the 2015 Parity Bonds, and obtaining from

such person an undertaking to provide any annual financial information and notice of certain events for that person in accordance with Rule 15c2-12;

- iv. Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise Sound Transit in carrying out this Undertaking; and
- v. Effecting any necessary amendment of this Undertaking.

G. Additional Information

Nothing in this Undertaking shall be deemed to prevent Sound Transit 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 listed event, in addition to that which is required by this Undertaking. If Sound Transit chooses to include any information in any Annual Disclosure Report or notice of the occurrence of a listed event in addition to that specifically required by this Undertaking, Sound Transit shall have no obligation under the 2015 Parity Bond Resolutions to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of a listed event.

THE CENTRAL PUGET SOUND REGIONAL TRANSIT
AUTHORITY

Designated Authority Representative

APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

The boundaries of the District incorporate areas within King, Pierce and Snohomish Counties. (A map of the District is set forth on page vi of this Official Statement.) King County consists of 2,126 square miles, Pierce County consists of 1,676 square miles, and Snohomish County consists of 2,090 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 83.1 square miles, is the center of economic activity in the District.

The 2014 population of the District is estimated to be 2.8 million, which is approximately 80% of the population of the Counties (87% of King County's population, 84% of Pierce County's population and 59% of Snohomish County's population), and 41% of the State's 2014 population of 7.0 million.

As of June 2015, the Seattle-Bellevue-Everett-Tacoma metropolitan areas (approximately coextensive with the District boundaries) accounted for approximately 56% of the State's total employment. The District economy is diversified in the aerospace, manufacturing, trade, high technology, services, construction, tourism and government sectors.

**TABLE D-1
POPULATION IN THE COUNTIES**

Year	King County	Pierce County	Snohomish County	Total
2015	2,052,800	830,120	757,600	3,640,520
2014	2,017,250	821,300	741,000	3,579,550
2013	1,981,900	814,500	730,500	3,526,900
2012	1,957,000	808,200	722,900	3,488,100
2011	1,942,600	802,150	717,000	3,461,750
2010	1,931,249	795,225	713,335	3,439,809
2009	1,909,300	813,600	704,300	3,427,200
2008	1,884,200	805,400	696,600	3,386,200
2007	1,861,300	790,500	686,300	3,338,100
2006	1,835,300	773,500	671,800	3,280,600

Sources: 2010, U.S. Department of Commerce, Bureau of Census; all others, State Office of Financial Management.

TABLE D-2
ANNUAL AVERAGE NONAGRICULTURAL EMPLOYMENT IN THE COUNTIES ⁽¹⁾

	2011	2012	2013	2014	2015 ⁽²⁾
Total ⁽³⁾	1,695,400	1,736,500	1,786,900	1,840,700	1,882,300
Total Private	1,435,500	1,477,000	1,526,000	1,575,700	1,610,400
Mining, Logging & Construction	80,300	83,300	90,500	97,400	106,400
Manufacturing	174,900	183,900	187,800	187,400	187,500
Trade, Transportation and Utilities	308,300	316,500	327,500	341,200	696,700
Information	88,700	89,700	91,100	94,200	95,400
Financial Activities	92,000	93,300	97,100	99,100	101,100
Professional and Business Services	229,600	238,900	248,200	256,600	264,400
Education and Health Services	237,700	240,700	245,000	252,500	258,300
Leisure and Hospitality	159,000	164,100	171,400	177,800	179,200
Other Services	65,100	66,700	67,300	69,300	70,000
Government	260,000	259,500	260,800	264,900	271,900

(1) Not seasonally adjusted.

(2) Average through June 2015.

(3) Totals may not foot due to rounding.

Source: State Employment Security Department.

TABLE D-3
ANNUAL AVERAGE UNEMPLOYMENT IN THE COUNTIES ⁽¹⁾

Year	King County		Pierce County		Snohomish County	
	Labor Force	% Unemployed	Labor Force	% Unemployed	Labor Force	% Unemployed
2015 ⁽²⁾	1,179,710	4.1%	391,110	6.9%	401,940	4.5%
2014	1,158,230	4.6	383,900	7.2	395,320	5.1
2013	1,137,420	4.9	382,960	8.3	388,740	5.7
2012	1,122,930	6.4	386,180	9.1	385,700	7.5
2011	1,108,810	8.0	386,390	10.0	384,170	9.5
2010	1,105,910	9.0	395,850	10.4	386,510	10.7
2009	1,119,030	8.6	394,020	9.7	384,180	10.1
2008	1,091,720	4.4	393,080	5.7	373,780	5.2
2007	1,068,970	3.6	383,850	4.8	364,040	4.0
2006	1,049,960	4.2	371,220	5.1	360,390	4.6

(1) Not seasonally adjusted.

(2) Average through June 2015.

Source: State Employment Security Department.

**TABLE D-4
MAJOR EMPLOYERS IN THE COUNTIES**

Employer	Business Activity
The Boeing Company	Aerospace manufacturer
Microsoft Corporation	Software developer
Amazon.com Inc.	Online retailer
Providence Health System	Health care
Wal-Mart	Retailer
Fred Meyer Stores	Retailer
Franciscan Health System	Health care
Starbucks Corp.	Coffee
MultiCare Health System	Health care
Swedish Health Services	Health care
Costco Inc.	Membership warehouses
Nordstrom Inc.	Department stores
Group Health Cooperative	Health care
Alaska Air Group Inc.	Airline
Virginia Mason Medical Center	Health care
Target	Retailer

Source: Puget Sound Business Journal The Book of Lists, December 2014.

**TABLE D-5
PERSONAL INCOME IN THE COUNTIES
(\$000s)**

Year	King County	Pierce County	Snohomish County
2013	\$128,330,859	\$36,054,002	\$34,858,553
2012	124,291,775	35,464,135	34,179,014
2011	113,153,894	34,038,137	32,389,731
2010	105,389,106	32,654,784	30,352,011
2009	102,749,898	32,168,659	29,936,807
2008	108,175,459	32,646,328	30,658,351
2007	106,452,762	30,947,081	28,804,482
2006	99,215,829	28,673,176	25,977,150
2005	90,193,644	26,451,353	23,729,792
2004	89,451,783	24,728,559	22,198,296

Source: U.S. Bureau of Economic Analysis.

**TABLE D-6
PER CAPITA INCOME IN THE COUNTIES**

<u>Year</u>	<u>King County</u>	<u>Pierce County</u>	<u>Snohomish County</u>
2013	\$62,770	\$43,982	\$46,733
2012	61,911	43,672	46,631
2011	57,400	42,368	44,829
2010	54,395	41,050	42,424
2009	53,739	40,388	42,385
2008	57,693	41,566	44,137
2007	57,605	40,062	42,112
2006	54,425	37,559	38,731
2005	50,240	35,356	36,237
2004	50,387	33,411	34,494

Source: U.S. Bureau of Economic Analysis.

**TABLE D-7
NEW BUILDING PERMIT VALUES (RESIDENTIAL) IN THE COUNTIES**

<u>Year</u>	<u>Single-Family</u>		<u>Multi-Family</u>	
	<u>Total Permits</u>	<u>Total Value (\$000s)</u>	<u>Total Units</u>	<u>Total Value (\$000s)</u>
2014	8,502	\$2,684,834	13,164	\$1,721,209
2013	8,623	2,558,243	10,623	1,378,086
2012	7,909	2,158,147	9,473	1,318,612
2011	5,907	1,528,302	5,047	619,583
2010	6,092	1,502,676	3,820	375,101
2009	4,998	1,148,146	2,350	261,590
2008	6,638	1,551,485	8,772	1,182,837
2007	11,730	2,776,867	12,360	1,497,557
2006	14,230	3,174,265	9,856	1,202,679
2005	16,175	3,511,193	7,272	735,249

Source: U.S. Census Bureau.

TABLE D-8
TAXABLE RETAIL SALES IN THE COUNTIES
(\$000s)

Year	King County	Pierce County	Snohomish County	Total
2013	\$46,601,199	\$12,089,378	\$10,764,550	\$69,455,127
2012	43,506,804	10,983,336	9,970,619	64,460,759
2011	40,846,119	10,428,907	9,392,065	60,667,091
2010	39,275,353	10,547,025	9,327,728	59,150,106
2009	39,594,904	10,359,977	9,244,408	59,199,289
2008	45,711,920	11,621,810	10,320,565	67,654,295
2007	47,766,339	12,449,284	11,209,499	71,425,122
2006	43,993,479	12,068,965	10,438,480	66,500,924
2005	40,463,997	11,177,879	9,292,805	60,934,681
2004	37,253,104	10,055,822	8,276,392	55,585,318

Source: State Department of Revenue.

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APPENDIX E

GREEN BOND PROJECT DESCRIPTIONS AND SECOND PARTY-REVIEW

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY GREEN BONDS

SECOND-PARTY REVIEW BY SUSTAINALYTICS

July 27th, 2015



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1. PREFACE

The Central Puget Sound Regional Transit Authority (“Sound Transit”) plans to issue a series of green bonds (“Green Bonds”) and has engaged Sustainalytics to review and provide an opinion on the bonds’ green credentials. As part of this engagement, Sustainalytics reviewed relevant public and internal documents and held conversations with Sound Transit’s treasury and sustainability teams to understand the use of proceeds, management of proceeds and reporting aspects of its Green Bonds, as well as Sound Transit’s sustainability plan for its own operations. This report contains two sections: Framework Overview – summary of Sound Transit’s Green Bonds framework; and Sustainalytics’ Opinion – an opinion on the framework.

2. INTRODUCTION

Created in 1993, Sound Transit is a special-purpose municipal corporation, responsible for the construction and operation of high-capacity public transportation systems within its district, which is comprised of five subareas within the contiguous urbanized areas of Snohomish, King, and Pierce counties in Washington State - home to approximately 2.87 million people or 80% of the three-county population. Sound Transit plans, builds and operates express bus, light-rail and commuter train services, with an annual ridership of 33 million, which has grown by double digits for the last 3 years¹.

Sound Transit adopted its initial “System Plan” in 1996, which incorporated commuter rail, light rail, express bus, community connections (such as transit centers, park-and-ride lots and transit access improvements) and high-occupancy vehicle (“HOV”) facilities and other improvements. The three primary programs are electric light rail (“Link”), commuter rail (“Sounder”), and regional express buses (“ST Express”).

Link Light Rail: Light electric rail lines that connect a number of key economic centers of the Puget Sound region including the international airport, downtown Seattle, the state university and other major job centers and residential areas. Prior to Sound Transit, the region did not have any form of light rail mass transit.

Sounder Commuter Rail: An 83-mile commuter train service that connects the cities of Seattle, Everett, Tacoma and Lakewood. Sounder commuter rail uses diesel-powered locomotives and multi-level passenger coach trains that run mostly on BNSF Railway Company railroad freight tracks.

ST Express Bus Services: ST Express regional bus service includes limited-stop bus routes operating predominantly in peak travel directions, partnerships with WSDOT to develop HOV direct-access projects, and a variety of community connection facilities including transit centers, access improvements, and park-and-ride lots. ST Express also works to integrate its projects with other transit agencies in order to create a convenient and seamless system throughout the entire region.

¹ http://www.soundtransit.org/Documents/pdf/rider_news/ridership/Q1_%202015_Service_Delivery.pdf

The implementation of the initial phase of the System Plan (“Sound Move”), which was approved by voters in 1996, is currently under way and scheduled to be completed in 2016.

In 2008, voters approved “Sound Transit 2” as a second phase of the System Plan which is also currently under way, to finance the expansion of the existing light rail system, commuter rail and express bus service. The capital component of the System Plan is estimated to cost \$17.2 billion (in year-of-expenditure dollars) and is expected to be financed with a combination of sales tax, rental car tax and motor vehicle tax proceeds, federal, state and local grants and loans, bond proceeds, fares and other operating revenues, as well as interest earnings on money from such sources.

3. SOUND TRANSIT GREEN BONDS OVERVIEW

Use of Proceeds

Sound Transit plans to raise approximately \$1 billion (subject to market conditions) by issuing Green Bonds to:

- a) Reimburse Sound Transit for approximately \$600 million of recent capital expenditures under the three business lines; and
- b) Refinance all or a portion of the outstanding 2007A bond (up to \$400 million).

In addition, a nominal amount from the proceeds will be used to pay for cost associated with the issuance of Green Bonds.

A) Reimbursement of approximately \$600 million

Appendix A provides a list of projects and their estimated expenditures that are eligible for reimbursement under the Green Eligibility Criteria. These projects will be the source of the expenditures allocated to the reimbursement portion of the bond. Sound Transit plans to report the final list of projects and actual allocated amounts when the bond proceeds are fully allocated.

B) Refinance the outstanding 2007A bond (up to \$400 million)

All the refinancing portion of the 2007A bonds is related to Link Light Rail. This includes projects related to the Northgate Link Extension, the University Link Extension, the Initial Segment, the Tacoma Link and the Airport Link. All of which fall under the Transit Line New Build/Extension green category defined below.

Appendix B provides a detailed list of projects and estimated amounts allocated to the refinancing portion of the bond.

Green Eligibility Criteria

The projects that fall under the following green categories are eligible for reimbursement from the proceeds of the bond and eligible for green designation.

- **Transit Line New Build/ Expansion / Extension:** Includes the planning, permitting, design and construction of new build, extension or expansion of transit system.
- **Transit Operations, Maintenance and Improvements:** Includes
 - Operations related projects such as fare collection systems, communication systems, signalling, transit centers etc.

- Maintenance related project such as storage, layover, maintenance facilities, maintenance related electronic and electrical systems, refurbishments etc.
- Improvements related projects that, enhance commuter experience (safety and comfort) such as signage, noise reducing walls etc., and/or increase access to transit such pedestrian bridges, car and bike parking, HOV lane and track improvements etc.
- **Transit Planning and Evaluation:** Planning, assessment and analysis relating to transit including environmental assessments, capital investments evaluation, evaluation of transit alternatives etc.

Projects Selection Process

Sound Transit's Treasury and Bond Counsel set guidelines and priorities for the project selection for Green Bonds. The projects were selected based on the following considerations:

- The time period in which the expenditures were made;
- Preliminary expenditures that are eligible for reimbursement. These expenditures include design, engineering and surveying that occur before the commencement of a project.; and
- Expenditures that have not been allocated to grants or other bond issues.

Management of Proceeds

At the time of the financial close of Green Bonds transaction, it is expected that all the Green Bonds proceeds will be used for refunding of certain outstanding bonds (all or a portion of the Series 2007A bonds), to reimburse Sound Transit for approximately \$600 million of eligible capital expenditures and to pay associated cost of issuance. Given that the monies will have already been spent on transit projects, there will not be any bond proceeds to manage over time. In the event that any bond proceeds are not used for reimbursement, they will be spent on Link Light Rail eligible expenditures.

The refunding portion of Green Bonds proceeds will be used to pay the Series 2007A bond holders by calling the bonds at par in 2017. Until then, the refunding portion of Green Bonds proceeds will be held in cash or defeasance obligations. At the time of close of the Green Bonds transaction, the reimbursement portion of Green Bonds proceeds will be used to reimburse Sound Transit primarily for the eligible project expenditures as shown in Appendix A.

Reporting

Sound Transit publishes an annual sustainability progress report highlighting the environmental benefits of transit in its region of operation. This includes how operating the system benefits regional air quality and greenhouse gas ("GHG") emission savings per year. Sound Transit follows a methodology developed by the American Public Transportation Association (APTA) and The Climate Registry to account for savings from transit ridership, measured as carbon dioxide equivalents (CO₂e)². For the purposes of the bonds, Sound transit will report, in its annual sustainability progress report, the GHG emission savings of Link Light Rail.

In addition, Sound Transit plans to report the final list of projects and actual allocated amounts when the bond proceeds are fully allocated.

² <http://www.apta.com/resources/hottopics/sustainability/Documents/Quantifying-Greenhouse-Gas-Emissions-APTA-Recommended-Practices.pdf>

4. SUSTAINALYTICS' OPINION

Impact of mass transit on GHG reduction: Sound Transit offers a low carbon alternative to commuting by road in the system area. Sound transit reports that in 2014 the total CO₂e saved from mode shift, congestion reduction and land use change is 389,107 tons.³ For every ton of GHG emissions produced by the Sound Transit, 2.2 times that amount was saved throughout the region from mode shift and congestion benefits.

Regional GHG emission savings from Sound Transit in 2014 are indicated in the table below⁴.

Regional Tons CO ₂ e Saved			
Mode Shift Benefits	Congestion Benefits	Land Use Change	Total Benefits
96,221	39,178	253,707	389,107
Displacement ratio: CO ₂ e units saved in the region per unit of CO ₂ e from Sound Transit operations			
Mode Shift Benefits	Congestion Benefits	Land Use Change	Total Benefits
1.6	0.6	4.1	6.3

The expansion of the Link Light Rail will further reduce GHG emissions in the system area through mode shift and congestion benefits. Given that the proceeds of Green bonds are allocated primarily to Link Light Rail expansion, investors in Sound Transit Green Bonds can be fairly confident that their investments will result in positive environmental impact.

A sustainability-focused agency: Sustainalytics has reviewed Sound Transit's most recent corporate sustainability report (2014 Annual Sustainability Progress Report) and is of the opinion that Sound Transit is a sustainability-focused organization and is well positioned to issue Green Bonds. As per Sound Transit's Sustainability Plan – 2015 Update, the agency reports that its Sustainability Division coordinates across the agency to set both long-term and short-term sustainability goals, and ensures that these goals are monitored and reported on regularly. The progress on annual sustainability targets are integrated into the agency's internal quarterly financial reporting. Furthermore the agency reports that the division works with agency leaders to prioritize staff efforts and financial investments that integrate sustainability into everyday business. This demonstrates that sustainability is integrated into the agency's leadership decision-making processes.

Sustainability targets: The agency describes a number of sustainability priorities that align well with these Green Bonds, including advancing sustainability in early planning and design, reducing construction pollution, increasing revenue fleet fuel efficiency, and reducing vehicle pollution. The agency reports both long-term (2030) and shorter-term (2017) sustainability goals. Sound Transit has established and maintains an ISO 14001 certified Environmental & Sustainability Management System (ESMS) with environmental objectives and targets that are measurable, meaningful and understandable. The ESMS

³ Sound Transit reports the benefits from mode shift and congestion relief, but not land use change in the 2014 Sustainability Progress Report, as the data for that metric is not as robust as the other two data points.

⁴ http://www.soundtransit.org/Documents/pdf/about/environment/2014_SustainabilityProgressReport_Appendix.pdf

provides the management system for implementing the sustainability goals. The ESMS is managed by an intra-agency Steering Committee. This indicates a longer-term commitment to sustainability, oversight and overall transparency regarding sustainability goals. In January 2015, the agency also reported on the progress of its short-term goals (2012-2014), along with explanations for goals not met. Sound Transit reports that it has achieved more than 70% of its 2011 Sustainability Plan short-term goals and reached more than 80% of its annual targets since 2012.

Reduction of GHG emissions from its operations: Sound Transit reports both long- and short-term GHG reduction targets. The agency reports the sustainability priority of increasing revenue fleet fuel efficiency and reducing vehicle pollution, which includes targets for 2017 to reduce GHG emissions per vehicle revenue mile by 5%. Sound Transit also reports a long-term goal for this priority, which commits the agency to reduce GHG emissions per vehicle revenue mile by 80% by 2030. Furthermore, Sound Transit reports a further long-term commitment to achieve carbon-neutral electricity use by 2030 and carbon-neutral ST Express by 2050.

Conclusion

While cities generate around 80% of global economic output, they also account for around 70% of global energy use and energy-related GHG emissions. Leading cities across the world are demonstrating that more compact and connected urban development, built around mass public transport, can create cities that are economically dynamic and healthier, and have lower emissions.⁵ Reducing vehicle use through investment in light rail and other public transit in urban areas can greatly reduce cities' congestion and overall GHG emissions. Through these Green Bonds, Sound Transit aims to support projects that will provide low-carbon public transit to Central Puget Sound commuters and thereby, reducing the overall GHG emissions within the system area. Hence, investing in these Green Bonds can be seen as investing in mass transit that results in positive environmental impact.

Sound Transit Green Bonds follows the guidance provided by the Green Bond Principles 2015 and are in alignment with its four components – the use of proceeds, process of project evaluation and selection, management of proceeds and reporting.

The above two points should provide confidence to investors that Sound Transit Green Bonds are robust and credible.

⁵ http://2014.newclimateeconomy.report/wp-content/uploads/2014/08/New-climate-economy_executive-summary_web.pdf.

APPENDICES

Appendix A: List of projects available for the reimbursement portion of Green bonds

Project Code	Project Category	Project Name	Project Description	Estimated Totals
400007	Transit Line New Build/ Expansion / Extension	First Hill Streetcar	Sound Transit is financially supporting construction and operation of Seattle's First Hill Streetcar system. This system will provide transit connections between Capital Hill and the International District/Chinatown stations	\$123,900,000.00
400008	Transit Line New Build/ Expansion / Extension	Tacoma Link Expansion	Preliminary engineering and environmental review to expand Tacoma Link	\$900,000.00
4X100	Transit Line New Build/ Expansion / Extension	Northgate Link Extension	Extends the light rail 4.3 miles from the University of Washington Station north to the Northgate Station	\$258,400,000.00
4X115	Transit Line New Build/ Expansion / Extension	Lynnwood Link Extension	The planning, permitting, design and construction of an extension of light rail from Northgate to Lynnwood. Consistent with the FTA New Starts requirements, the project has undergone an alternatives analysis and environmental scoping	\$16,300,000.00
4x200	Transit Line New Build/ Expansion / Extension	University Link Extension	A 3.15 mile light rail extension connecting downtown Seattle to the University of Washington Station, connecting three major population and employment centers	\$464,200,000.00
4x300	Transit Line New Build/ Expansion / Extension	Initial Segment	The 13.9 mile Initial Segment of the light rail segment connecting South 154th Street in Tukwila with downtown Seattle	\$15,200,000.00
4x400	Transit Line New Build/ Expansion / Extension	Airport Link	The 1.7 mile extension of the Initial Segment connecting Tukwila with Sea-Tac Airport	\$500,000.00
4x420	Transit Line New Build/ Expansion / Extension	South 200th Link Extension	Extension of the light rail approximately 1.6 miles south from Sea-Tac Airport Station to Angle Lake Station at South 200th street	\$119,300,000.00
4x445	Transit Line New Build/ Expansion / Extension	Federal Way Link Extension	Extension of light rail approximately 7.6 miles from S. 200th Street in the city of SeaTac to the Federal Way Transit Center	\$2,800,000.00
4x600	Transit Line New Build/ Expansion / Extension	East Link Extension	Extends light rail to East King County via I-90 from Downtown Seattle to Downtown Bellevue	TBD
300027	Transit Line New Build/ Expansion / Extension	Point Defiance Bypass	Construction of a second track between South Tacoma and Lakewood	\$300,000.00
3x130	Transit Line New Build/ Expansion / Extension	M St - Lakewood Track & Signal	Reconstruction of approximately 7 miles of track between M-St in Tacoma and Lakewood, restoration of South 66th Street Bridge and installation of the Centralized Train Control system	\$3,400,000.00
3x135	Transit Line New Build/ Expansion / Extension	D St - M St Track and Signal	Reconstruction of tracks between Lakewood and Tacoma	\$20,500,000.00
4x620	Transit Operations, Maintenance and Improvements	Overlake Village Bridge	Joint project with the city of Redmond to design a pedestrian bridge over SR-520 at the Overlake Village Station providing access for commuters	TBD
3x140	Transit Operations,	Layover	Overnight storage facility for trains	\$5,400,000.00

	Maintenance and Improvements			
5x386	Transit Operations, Maintenance and Improvements	I-90 Two-Way Transit & HOV Operations Stage 2	I-90 Two way transit & HOV operations project, stage 2, adding new HOV lanes	\$300,000.00
400009	Transit Operations, Maintenance and Improvements	Link Operational & Maintenance Satellite Facility	Review and evaluate the current and future light rail storage and maintenance requirements to support the development, design and construction of a future light rail operations and maintenance facility for the ST3 system expansion	\$27,500,000.00
300019	Transit Operations, Maintenance and Improvements	Lakewood Station Improvements	Construction of a pedestrian bridge in the city of Lakewood connecting the community of the northwest of Lakewood Station with the station	\$200,000.00
300021	Transit Operations, Maintenance and Improvements	Tacoma Trestle Track & Signal	Design and construction of additional track and new structures along an approximately .65 mile section of track between Tacoma Dome Station and the vicinity of M Street in Tacoma	\$9,100,000.00
300026	Transit Operations, Maintenance and Improvements	Sounder Yard Expansion	Increase track capacity at the layover facility in Lakewood to store trains.	\$1,300,000.00
3x206	Transit Operations, Maintenance and Improvements	Mukilteo Station, South Platform	Construction of the Mukilteo Station South Platform	\$4,400,000.00
3x212	Transit Operations, Maintenance and Improvements	Fare Collection	Purchase necessary systems for fare collection and enforcement	\$100,000.00
3x216	Transit Operations, Maintenance and Improvements	Passenger Information System	Expansion of station communications, CCTV and Passenger Information Systems to future stations	\$800,000.00
3x236	Transit Operations, Maintenance and Improvements	Tukwila Station	Construction a permanent station to replace the existing temporary Tukwila Sounder Station	\$15,500,000.00
3x251	Transit Operations, Maintenance and Improvements	South Tacoma Station	Construction of Station	\$400,000.00
3x510	Transit Operations, Maintenance and Improvements	Sounder South Expanded Service	Purchase of 4 commuter rail easements between Seattle and Lakewood from BNSF	\$143,900,000.00

500020	Transit Operations, Maintenance and Improvements	ST Express Mid-Day Bus Storage	Construction to replace temporary bus storage with a permanent facility	\$2,000,000.00
5x140	Transit Operations, Maintenance and Improvements	Totem Lake Freeway Station	Construction of the Freeway Station on I-405	\$3,300,000.00
5x141	Transit Operations, Maintenance and Improvements	85th Corridor, Kirkland	Street widening, traffic signal and bus shelter installations and sidewalk improvements to enhance reliability and connections to transit, transit elements funded by Sound Transit	\$3,000,000.00
5x142	Transit Operations, Maintenance and Improvements	Kirkland Transit Center/3rd	Design and construct and place into service, a new regional transit center in Kirkland on Third Street	\$3,400,000.00
5x151	Transit Operations, Maintenance and Improvements	Rainier Avenue Arterial Improvements	Addition of Business and Transit Access Lanes, sidewalks and medians on Hardie Ave in the city of Renton. Sound Transit funded preliminary engineering, final design, right-of-way/permits and construction	\$9,800,000.00
5x152	Transit Operations, Maintenance and Improvements	Strander Boulevard Extension	Extend Strander Boulevard to a 5 lane arterial between East Valley Highway and West Valley Highway. Sound Transit constructed an underpass and the BNSF tracks and Strander Blvd to enhance commuter access to the Sounder Tukwila Station	\$3,800,000.00
5x261	Transit Operations, Maintenance and Improvements	Bus Maintenance Facility	Expansion of Sound Transit's fleet maintenance capacity.	\$2,000,000.00
5x290	Transit Operations, Maintenance and Improvements	ST Express Fleet Program	Acquisition and start-up of new hybrid ST Express buses	\$100,000.00
5x312	Transit Operations, Maintenance and Improvements	Mountlake Terrace Freeway Station	Construction of the Freeway Station	\$2,100,000.00
5x319	Transit Operations, Maintenance and Improvements	South Everett Freeway Station	Construction of the Freeway Station	\$2,100,000.00
5x321	Transit Operations, Maintenance and Improvements	Federal Way Transit Center	Construction of the Transit Center	\$1,500,000.00
5x326	Transit Operations, Maintenance and Improvements	Issaquah Transit Center/SR900	Construction of the Transit Center	\$1,200,000.00

5x387	Transit Operations, Maintenance and Improvements	I-90 Two-Way Transit & HOV Operations Stage 3	Will provide reliable two-way transit and HOV operations eastbound and westbound on I-90 between 80th Ave SE on Mercer Island and Rainier Ave/I-5 Seattle	\$8,800,000.00
600029	Transit Operations, Maintenance and Improvements	Tacoma Link Fare Collection	Installation and commissioning of 8 ticket vending machines at Tacoma Link Stations, establishment of a spare parts inventory, set up fare enforcement support and conduct public outreach	\$100,000.00
700769	Transit Operations, Maintenance and Improvements	LRV Over hall	Emergency repairs to fleet of light rail vehicles to correct a problems with the gear units and traction motors	TBD
700771	Transit Operations, Maintenance and Improvements	Station Midlife Refurbishment Program	For Sound Transit facilities that have been in service for more than 10 years	\$1,300,000.00
700772	Transit Operations, Maintenance and Improvements	ST Express Security Camera Retrofit		\$200,000.00
700773	Transit Operations, Maintenance and Improvements	Central Link HVAC for Traction Power	Air-conditioning required for the Traction Power Sub Station buildings to protect and enhance the life of temperature sensitive electronic equipment	\$800,000.00
700774	Transit Operations, Maintenance and Improvements	Central Link HVAC - Instrument House and UPS Room	Air-conditioning required in the uninterruptible power supply rooms and signal houses to protect and enhance the life of temperature sensitive electronic equipment	\$200,000.00
700777	Transit Operations, Maintenance and Improvements	Central Link Overhead Catenary System Tie Switch	Installation of the mechanical means to electronically bridge the OCS section insulators at approximately 34 various locations throughout the Central Link alignment	TBD
700778	Transit Operations, Maintenance and Improvements	Central Link Bench Test Equipment		\$700,000.00
700779	Transit Operations, Maintenance and Improvements	Security Radios		\$300,000.00
700780	Transit Operations, Maintenance and Improvements	Federal Way TC Light Retrofit		\$600,000.00
700782	Transit Operations, Maintenance and Improvements	Auburn Lighting Retrofit		\$200,000.00

700784	Transit Operations, Maintenance and Improvements	Regional Parking Pilot Program	The testing and evaluating of parking management strategies under the system implementation of customer parking permits	\$100,000.00
700790	Transit Operations, Maintenance and Improvements	Pierce Transit Radio System Upgrade	Replace all ST owned mobile radios currently installed in Pierce Transit-operated buses and necessary radio infrastructure	\$600,000.00
700793	Transit Operations, Maintenance and Improvements	Signage Improvements	Modify and update signage at existing Link and Sounder and TVM locations to improve wayfinding and reflect system expansion	TBD
7x701	Transit Operations, Maintenance and Improvements	ST Express Fleet Replacement	Bus replacement for the ST Express Fleet. Sound Transit is replacing buses with cleaner, hybrid buses.	\$92,000,000.00
7x705	Transit Operations, Maintenance and Improvements	ST Express Fleet Expansion ST2	Acquire additional 60 buses that are clean, hybrid buses.	\$2,300,000.00
7x740	Transit Operations, Maintenance and Improvements	Small Works Program	Modifications/repairs of operating facilities and systems with an estimated total cost of less than \$200,000 per project	\$1,400,000.00
7x743	Transit Operations, Maintenance and Improvements	Security Enhancements	Upgrading Sounder commuter rail CCTV system for monitoring commuter rail platforms, assets and facilities	\$1,000,000.00
7x745	Transit Operations, Maintenance and Improvements	ST Express Mobile Communications	Upgrading ST Express existing mobile communications systems	\$4,200,000.00
7x746	Transit Operations, Maintenance and Improvements	Parking Enhancements	Expand commuter rail parking at Puyallup and/or Sumner Stations	\$1,300,000.00
7x753	Transit Operations, Maintenance and Improvements	Bike Locker Program	Installation of new bicycle parking at various Sounder commuter rail, ST Express bus and Link light rail stations	\$200,000.00
7x758	Transit Operations, Maintenance and Improvements	Tacoma Link Announcement/Si gn System	Procurement and installation of a new communications system for the Tacoma Link	\$400,000.00
4x446	Transit Planning and Evaluation	South Corridor Alternatives Planning	Identification and Evaluation of high-capacity transit alternative for the corridor between Federal Way and Tacoma, examination of potential projects for Pierce and South King subareas to enhance transit use and operational efficiencies	\$1,600,000.00

300004	Transit Planning and Evaluation	Sound Yard & Shops Facility	The evaluation of operations and maintenance cost efficiencies associated with the development of commuter rail operations and maintenance facilities to support existing and future service levels	\$1,300,000.00
300011	Transit Planning and Evaluation	Positive Train Control	Installation of Positive Train Control Systems pursuant to federal regulations to improve railroad safety	\$21,000,000.00
300017	Transit Planning and Evaluation	Puyallup Station Improvements	The evaluation of potential capital investments to improve access to Puyallup Station for pedestrians, bicyclists and drivers	\$300,000.00
300018	Transit Planning and Evaluation	Summer Station Improvements	The evaluation of potential capital investments to improve access to Summer Station for pedestrians, bicyclists and drivers	\$3,700,000.00
Preliminary Exp	Transit Planning and Evaluation	Preliminary Expenses	Preliminary Expenses	\$23,100,000.00
3x131	Transit Planning and Evaluation	Permitting/Environmental Mitigation	Environmental permitting and mitigation for the improvements made by BNSF for Sounder Rail between Seattle and Everett	\$1,400,000.00
500005	Transit Planning and Evaluation	ST Express Bus Base	Evaluation of the construction of a ST Express Bus Base for operating and maintaining the ST Express bus fleet.	\$800,000.00
5x415	Transit Planning and Evaluation	Phase II Plan & Engineering/Systems Integration		TBD
Total				\$1,438,800,000.00

Appendix B: List of projects allocated to refinancing portion of Green Bonds

Link Expenditures Reimbursed by the 2007A Bonds

Project Code	Project Name	Estimated Total
4x200	University Link Extension	\$15,800,000.00
4x300	Initial Segment	\$381,700,000.00
4x400	Airport Link	\$66,200,000.00
4x500	Tacoma Link	\$200,000.00
TOTAL		\$463,900,000.00

DOCUMENTS REVIEWED

Sustainalytics reviewed the following documents for the purposes of writing this report

Number	Document Title	Comments
1	Public Offering Statement	General details about the bond
2	Sound Transit Project Selection List	List of projects
3	2015 Sustainability Plan Update	Sustainability plan progress
3	2014 Sustainability Progress Report	Sustainability targets and progress
4	2014 Sustainability Progress Report – Appendix	Details about GHG emission saving
5	Quantifying-Greenhouse-Gas-Emissions-APTA-Recommended-Practices	GHG quantification for transit methodology
6	Service Delivery Quarterly Report	Ridership information

Disclaimer

All rights reserved. No part of this second party opinion (the “Opinion”) may be reproduced, transmitted or published in any form or by any means without the prior written permission of Sustainalytics.

The Opinion was drawn up with the aim to explain why the analyzed bonds are considered sustainable and responsible. Consequently, the Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of the Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, Sustainalytics does not warrant that the information presented in the Opinion is complete, accurate or up to date.

Nothing contained in the Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, the Opinion shall in no event be interpreted and construed as an assessment of the economic performance and credit worthiness of the bonds, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

APPENDIX F

FORM OF BOND COUNSEL OPINION

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[CLOSING DATE]

The Central Puget Sound Regional Transit Authority
Seattle, Washington 98104

The Central Puget Sound Regional Transit Authority
Sales Tax Improvement and Refunding Bonds, Series 2015S-1 and
Sales Tax Improvement Bonds, Series 2015S-2A and Series 2015S2-B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to The Central Puget Sound Regional Transit Authority (the "Authority") in connection with issuance of \$792,840,000 aggregate principal amount of The Central Puget Sound Regional Transit Authority Sales Tax Improvement and Refunding Bonds, Series 2015S-1 (the "2015S-1 Bonds"), of \$75,000,000 aggregate principal amount of The Central Puget Sound Regional Transit Authority Sales Tax Improvement Bonds, Series 2015S-2A (the "2015S-2A Bonds"), and of \$75,000,000 aggregate principal amount of The Central Puget Sound Regional Transit Authority Sales Tax Improvement Bonds, Series 2015S-2B (the "2015S-2B Bonds" and together with the 2015S-1 Bonds and the 2015S2-A Bonds, the "Bonds"). The Bonds are being issued pursuant to Resolution No. R2015-16, adopted by the Board of Directors of the Authority (the "Board") on July 23, 2015 (the "Master Parity Bond Resolution"), and Resolution No. R2015-17, adopted by the Board on July 23, 2015 (the "2015 Series Resolution" and together with the Master Parity Bond Resolution, the "2015 Parity Bond Resolutions"). The Bonds are being issued for the stated purposes of (1) refunding all of the outstanding The Central Puget Sound Regional Transit Authority Sales Tax Bonds, Series 2007A, (2) paying, or reimbursing the Authority for the payment of, a portion of the costs of acquiring and constructing improvements to the Authority's high capacity transportation facilities and (3) paying costs of issuing the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the 2015 Parity Bond Resolutions.

In such connection, we have reviewed the 2015 Parity Bond Resolutions, Resolution No. R2007-22, adopted by the Board on November 29, 2007 (as amended, the "2007 Parity Bond Resolution"), Resolution No. R2009-16, adopted by the Board on September 10, 2009 (as amended, the "2009 Parity Bond Resolution"), Resolution No. 2012-16, adopted by the Board on June 28, 2012 (the "2012 Parity Bond Resolution," which was subsequently amended and then restated as the Master Parity Bond Resolution), Resolution No. R2012-14, adopted by the Board on June 28, 2012 (as amended, the "Master Prior Bond Resolution"), Resolution No. R2014-30, adopted by the Board on November 20, 2014 (as amended, the "TIFIA Resolution"), the TIFIA Loan Agreement (as defined in the TIFIA Resolution), the Tax Certificate of the Authority, dated the date hereof (the "Tax Certificate"), the Certificate of the Designated Authority Representative, dated September __, 2015 (the "Authority Representative Certificate"), the opinion of counsel to the Authority, certificates of the Authority, U.S. National Bank Association, as bond registrar, authenticating agent and paying agent, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Master Prior Bond Resolution, the 2015 Parity Bond Resolutions, 2007 Parity Bond Resolution, the 2009 Parity Bond Resolution, the 2012 Parity Bond Resolution, the TIFIA Resolution, the TIFIA

Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the 2015 Parity Bond Resolutions and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against regional transit authorities and other public agencies in the State of Washington. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the pledge of the 2015 Parity Bond Resolutions or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The 2015 Parity Bond Resolutions have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The 2015 Parity Bond Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of (i) subject to the prior pledge to the payment of the Prior Bonds, the Pledged Taxes and the Pledged Taxes in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount and earnings thereon, and (ii) the amounts in the Parity Bond Account and the 2015 Project Account, all subject to the provisions of the 2015 Parity Bond Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth therein.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX G

DTC AND ITS BOOK-ENTRY SYSTEM

The information in this appendix has been furnished by DTC and has not been independently verified by Sound Transit or the Underwriters. Neither Sound Transit nor the Underwriters makes any representation as to the accuracy, adequacy or completeness of such information.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2015 Parity Bonds. The 2015 Parity Bonds will be issued as fully-registered securities 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 2015 Parity Bond certificate will be issued for each maturity or interest rate within a maturity of each series or subseries of the 2015 Parity Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2015 Parity Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Parity Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2015 Parity 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. Beneficial Owners are, however, 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 2015 Parity Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2015 Parity Bonds, except in the event that use of the book-entry system for the 2015 Parity Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Parity Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2015 Parity Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial DTC Owners of the 2015 Parity Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2015 Parity Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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.

Redemption notices shall be sent to DTC. If less than all of the 2015 Parity Bonds within a maturity or interest rate within a maturity of a series or subseries are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2015 Parity Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. 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 2015 Parity Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the 2015 Parity 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 Bond Registrar on a payment date in accordance with their respective holdings shown on DTC's records. 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 Bond Registrar or Sound Transit, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of Sound Transit or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2015 Parity Bonds at any time by giving reasonable notice to Sound Transit or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, 2015 Parity Bond certificates are required to be printed and delivered.

Sound Transit may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2015 Parity Bond certificates will be printed and delivered.

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources that Sound Transit believes to be reliable, but Sound Transit takes no responsibility for the accuracy thereof.



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