

*On September 10, 2015, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Sound Transit, delivered its opinion that, 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 2015S-2A 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 was of the further opinion that interest on the 2015S-2A Parity Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2015S-2A Parity Bonds. A complete copy of the opinion of Bond Counsel concerning the 2015S-2A Parity Bonds rendered on September 10, 2015 (the "Original Bond Counsel Opinion") is included in this Remarketing Memorandum in Appendix E. Such opinion spoke only as of the date of original issuance of the 2015S-2A Parity Bonds and will not be reissued. Effective for tax years beginning after December 31, 2017, the corporate alternative minimum tax has been repealed. In connection with the Conversion of the 2015S-2A Parity Bonds, Bond Counsel will deliver an opinion to the effect that, among other things, the Conversion of the 2015S-2A Parity Bonds will not, in and of itself, cause the interest on the 2015S-2A Parity Bonds to be includable in the gross income of Owners for federal income tax purposes. Bond Counsel will not deliver any opinion on the current tax status of interest on the 2015S-2A Parity Bonds. See "TAX MATTERS."*



**THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY**

**\$75,000,000**

**Sales Tax and Motor Vehicle Excise Tax**

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

**Dated:** September 10, 2015

**Due:** November 1, 2045

**Mandatory Purchase Date:** November 1, 2026

The Central Puget Sound Regional Transit Authority ("Sound Transit"), a Washington regional transit authority, issued its Sales Tax and Motor Vehicle Excise Tax Improvement Bonds, Series 2015S-2A (the "2015S-2A Parity Bonds"), on September 10, 2015.

The 2015S-2A Parity Bonds were issued initially as Index Floating Rate Bonds and are expected to be remarketed on October 5, 2021, as Index Floating Rate Bonds bearing interest at the SIFMA Index Rate, as set forth on the inside cover. This Remarketing Memorandum describes the 2015S-2A Parity Bonds only until Conversion to a new Index Floating Rate Period or to another Interest Rate Mode, as described herein. If not previously redeemed at the option of Sound Transit or converted to a new Index Floating Rate Period or to another Interest Rate Mode, the 2015S-2A Parity Bonds will be subject to tender for mandatory purchase on the Mandatory Purchase Date, as set forth on the inside cover and as described herein. **No Liquidity Facility secures payment of the purchase price of 2015S-2A Parity Bonds that are tendered or deemed tendered for purchase and not remarketed. 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. Interest on the 2015S-2A Parity Bonds is subject to a Maximum Rate and under certain circumstances, if not purchased on a Mandatory Purchase Date, is subject to a Delayed Remarketing Rate.**

The 2015S-2A Parity Bonds have been issued under a book-entry system and registered to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which acts as securities depository for the 2015S-2A Parity Bonds. Individual purchases of 2015S-2A Parity Bonds are to be made in denominations of \$5,000 and any integral multiple thereof within a maturity, in book-entry form only, and purchasers will not receive certificates representing their interest in the 2015S-2A Parity Bonds, except as described herein. Payments of principal of and interest on the 2015S-2A 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 2015S-2A Parity Bonds is the responsibility of DTC participants. The 2015S-2A Parity Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices described herein.

Interest on the 2015S-2A Parity Bonds is payable on the first Business Day of each month, commencing after Conversion on the date set forth on the inside cover, until prior redemption or Conversion to a new Index Floating Rate Period or to another Interest Rate Mode.

The 2015S-2A Parity Bonds have been issued to pay or to reimburse Sound Transit for the payment of costs of constructing a portion of Sound Transit's System Plan and to pay the costs of issuing the 2015S-2A Parity Bonds.

**The 2015S-2A 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, motor vehicle excise taxes, and rental car taxes imposed by Sound Transit and amounts, if any, in certain accounts held by Sound Transit. The pledge of such taxes and amounts in certain accounts to the payment of the 2015S-2A Parity Bonds 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 2015S-2A Parity Bonds are not obligations of the State of Washington or any political subdivision thereof other than Sound Transit. The 2015S-2A Parity Bonds are not secured by any lien, or charge upon any general fund or upon any money or other property of Sound Transit not specifically pledged thereto.**

*The 2015S-2A Parity Bonds are being remarketed subject to certain conditions. Certain legal matters will be passed upon for Sound Transit by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Sound Transit, by General Counsel to Sound Transit, and by Pacifica Law Group LLP, Seattle, Washington, Disclosure Counsel to Sound Transit. Certain legal matters will be passed upon for the Remarketing Agent by its counsel, Foster Garvey PC, Seattle, Washington.*

**The Central Puget Sound Regional Transit Authority**

**\$75,000,000**

**Sales Tax and Motor Vehicle Excise Tax Improvement Bonds, Series 2015S-2A (Green Bonds)**

Price: 100%

Index Floating Rate: SIFMA Index Rate

Applicable Spread: +20 Basis Points

First Interest Payment Date after Conversion: November 1, 2021

Maturity Date: November 1, 2045

Mandatory Purchase Date: November 1, 2026

First Par Call Date after Conversion: November 1, 2025

CUSIP No.: 15504RGN3

**Sound Transit**  
**(The Central Puget Sound Regional Transit Authority)**  
**401 South Jackson Street**  
**Seattle, Washington 98104**  
**(206) 398-5000**  
**www.soundtransit.org<sup>(1)</sup>**

**Board of Directors**

Name (Board Position)	Entity Represented	Elected/Appointed Position
Kent Keel (Chair)	City of University Place	Councilmember
Dow Constantine (Vice Chair)	King County	County Executive
Paul Roberts (Vice Chair)	City of Everett	Councilmember
Nancy Backus	City of Auburn	Mayor
David Baker	City of Kenmore	Mayor
Claudia Balducci	King County	Councilmember
Bruce Dammeier	Pierce County	County Executive
Jenny A. Durkan	City of Seattle	Mayor
Debora Juarez	City of Seattle	Councilmember
Joe McDermott	King County	Councilmember
Roger Millar	State of Washington	Secretary of Transportation
Ed Prince	City of Renton	Councilmember
Kim Roscoe	City of Fife	Mayor
Nicola Smith	City of Lynnwood	Mayor
Dave Somers	Snohomish County	County Executive
Dave Upthegrove	King County	Councilmember
Peter von Reichbauer	King County	Councilmember
Victoria Woodards	City of Tacoma	Mayor

**Principal Administrative Officers**

Peter Rogoff <sup>(2)</sup>	Chief Executive Officer
Kimberly Farley	Deputy CEO (Chief Systems Officer)
Mary Cummings	Deputy CEO (Chief Administrative Officer)
Tracy Butler <sup>(3)</sup>	Chief Financial Officer
Desmond Brown	General Counsel
Ron Lewis	Executive Director, Design, Engineering and Construction Management
Don Billen	Executive Director, Planning, Environment and Project Development
Geoff Patrick & Jennifer Dice	Co-Acting Chief Communications Officers
Suraj Shetty	Executive Director, Operations
Jeff Clark	Deputy Executive Director of Financial Operations/Controller

**Advisors and Consultants**

Orrick, Herrington & Sutcliffe LLP	Bond Counsel
Pacifica Law Group LLP	Disclosure Counsel
Piper Sandler & Co.	Municipal Advisor

**Bond Registrar**

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

<sup>(1)</sup> This inactive textual reference to Sound Transit's website is not a hyperlink, and Sound Transit's website, by this reference, is not incorporated herein.

<sup>(2)</sup> On September 23, 2021, Sound Transit announced that Mr. Rogoff will step down as CEO in second quarter 2022. The Board adopted a motion approving a Transition Employment Contract with Mr. Rogoff. The Transition Employment Contract extends until transitional and/or operational benchmarks are complete or May 31, 2022, whichever is earlier. Sound Transit is initiating a national search to select the agency's next Chief Executive Officer.

<sup>(3)</sup> On August 23, 2021, Tracy Butler announced her intention to leave Sound Transit, and the agency is initiating a search for her successor.

No dealer, broker, salesperson or other person has been authorized by Sound Transit or the Remarketing Agent to give any information or to make any representations in connection with the offering of the 2015S-2A Parity Bonds other than those contained in this Remarketing Memorandum and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Remarketing Memorandum 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 2015S-2A 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 Remarketing Agent has provided the following sentence for inclusion in this Remarketing Memorandum: The Remarketing Agent has reviewed the information set forth in this Remarketing Memorandum 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 Remarketing Agent does not guarantee the accuracy or completeness of such information.

Certain statements contained in this Remarketing Memorandum 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 Remarketing Memorandum 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 Remarketing Memorandum. 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 Remarketing Memorandum.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Remarketing Memorandum 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 Remarketing Memorandum.

Information on web site addresses set forth in this Remarketing Memorandum is not part of this Remarketing Memorandum and should not be relied upon to be accurate as of the date of this Remarketing Memorandum, nor should such information be relied upon in making investment decisions regarding the 2015S-2A Parity Bonds.

The CUSIP numbers in this Remarketing Memorandum are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence. 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. Neither Sound Transit nor the Remarketing Agent takes responsibility for the accuracy of the CUSIP numbers.

The outbreak of the 2019 novel coronavirus (“COVID-19”) pandemic is a significant event that has had and could have ongoing, material effects on the finances and operations of Sound Transit. Certain historic information in this Remarketing Memorandum about the finances and operations of Sound Transit predate the outbreak of COVID-19, and should be considered in light of the possible or probable negative effects the COVID-19 pandemic may have on the current and future finances and operations of Sound Transit and economy of the State of Washington. See “COVID-19 PANDEMIC” for a discussion of the effects, and potential future effects, of COVID-19 on Sound Transit.

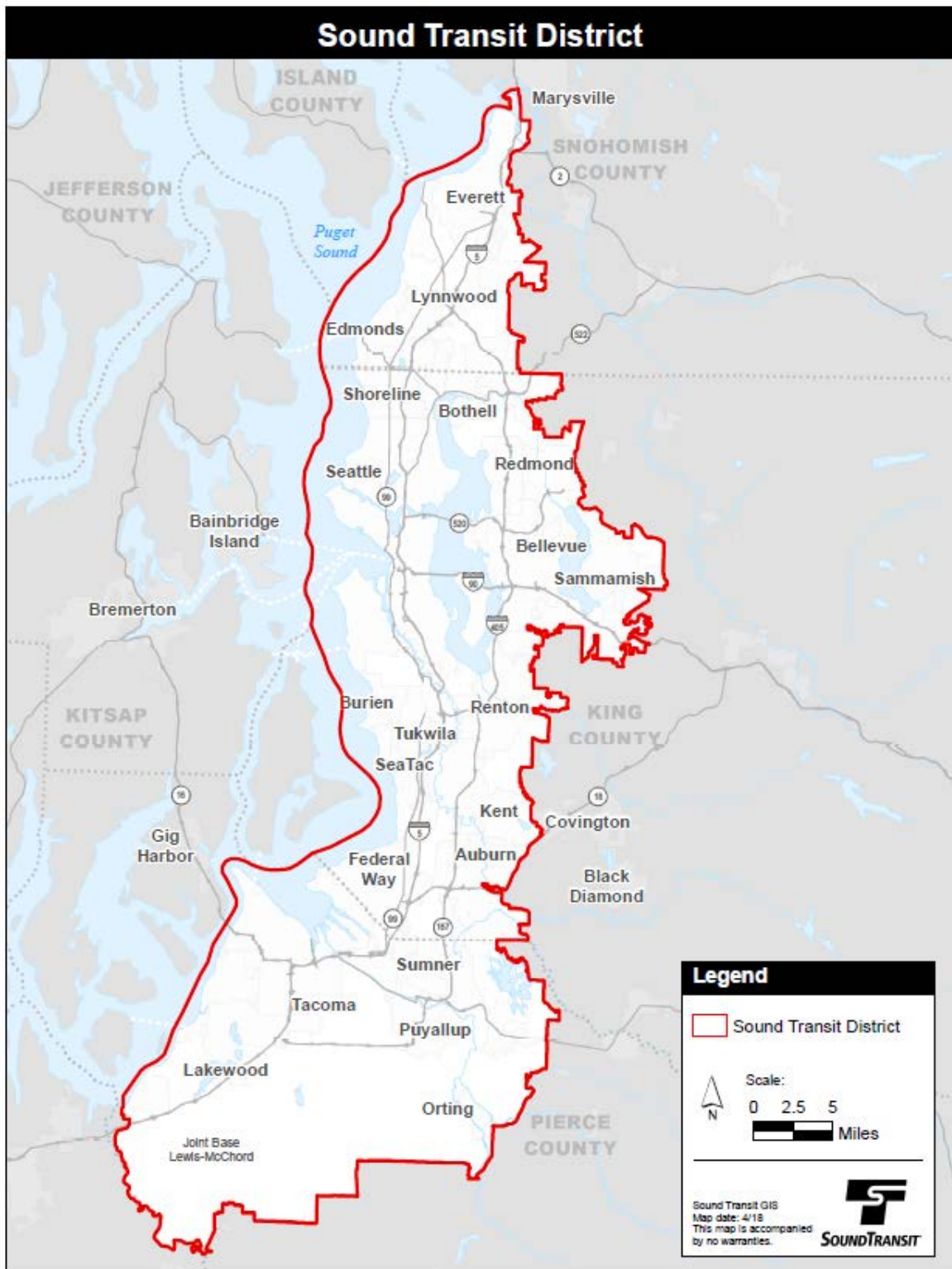
The 2015S-2A Parity Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such laws. The 2015S-2A Parity Bonds will not have been recommended by the Securities and Exchange Commission (“SEC”) or any other federal, state or foreign securities commission or regulatory authority, and no such commissions or regulatory authorities will have reviewed or passed upon the accuracy or adequacy of this Remarketing Memorandum. Any representation to the contrary may be a criminal offense.

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SOUND TRANSIT DISTRICT MAP



## **REMARKETING MEMORANDUM**

### **THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY (SOUND TRANSIT)**

#### **\$75,000,000 SALES TAX AND MOTOR VEHICLE EXCISE TAX IMPROVEMENT BONDS, SERIES 2015S-2A (GREEN BONDS)**

#### **INTRODUCTION**

This Remarketing Memorandum, 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 remarketing of its Sales Tax and Motor Vehicle Excise Tax Improvement Bonds, Series 2015S-2A, in the aggregate principal amount of \$75,000,000 (the “2015S-2A Parity Bonds”).

The 2015S-2A Parity Bonds, together with the outstanding Sales Tax Bonds, Series 2009S-2T (Taxable Build America Bonds – Direct Payment) (the “2009S-2T Parity Bonds”), Sales Tax Refunding Bonds, Series 2012S-1 (the “2012S-1 Parity Bonds”), Sales Tax Improvement and Refunding Bonds, Series 2015S-1 (the “2015S-1 Parity Bonds,”) Sales Tax and Motor Vehicle Excise Tax Improvement Bonds, Series 2015S-2B (the “2015S-2B Parity Bonds,”) and together with the 2015S-1 Parity Bonds and the 2015S-2B Parity Bonds, the “2015 Parity Bonds,” and Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2016S-1 (the “2016 Parity Bonds,”) and together with the 2009S-2T Parity Bonds, the 2012S-1 Parity Bonds, and the 2015 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 (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-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 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 Remarketing Memorandum, including the cover, inside cover, and appendices, for more complete statements with respect to the matters summarized herein. Unless otherwise defined in this Remarketing Memorandum, capitalized terms used herein have the meanings set forth in Appendix B – “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 2020 estimated population of approximately 3.2 million, or approximately 80.3% of the population of the three counties within the District and approximately 41.6% of the population of the State,

and includes, among others, the cities of Seattle, Tacoma, Bellevue, and Everett. A map of the District is set forth on page iv of this Remarketing Memorandum.

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 high occupancy vehicle (“HOV”) lanes, 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.”

### **Purpose of the 2015S-2A Parity Bonds**

The 2015S-2A Parity Bonds were issued to provide funds necessary to pay or to reimburse Sound Transit for the payment of costs of constructing a portion of Sound Transit’s System Plan (defined herein) and to pay the costs of issuing the 2015S-2A Parity Bonds. See “SOURCES AND USES OF FUNDS.”

### **Green Bonds**

Sound Transit has designated the 2015S-2A Parity Bonds as “Green Bonds” based on the use of the proceeds of the 2015S-2A Parity Bonds to finance 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 2015S-2A PARITY BONDS – Designation as Green Bonds.”

### **Authority for Issuance**

The 2015S-2A Parity Bonds have been authorized to be issued pursuant to chapters 81.104 and 81.112 RCW (the “Act”) and chapter 39.46 RCW.

The 2015S-2A Parity Bonds have been issued pursuant to Resolution No. R2015-16, adopted on July 23, 2015 (as amended and restated, including as restated by Resolution No. 2016-34, adopted on November 29, 2016, 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 and restated, that authorized the issuance of the Outstanding Parity Bonds, are referred to collectively as the “Parity Bond Resolutions.”

The 2015S-2A Parity Bonds are being remarketed under the 2015 Parity Bond Resolutions as amended and restated by Resolution No. R2018-11, adopted on May 24, 2018. The 2015 Parity Bond Resolutions are included in their entirety in Appendix B – “2015 PARITY BOND RESOLUTIONS.”

Resolution No. R2016-35, adopted on November 29, 2016 (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.”

### **Summary of System Plan**

Sound Transit has adopted its “System Plan,” which incorporates commuter rail, light rail, express buses, bus rapid transit, community connections (such as transit centers, park-and-ride lots and transit access improvements), and HOV facilities and other improvements. The four primary programs are regional express buses (“ST Express”), bus rapid transit (“Stride”), 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 to finance the beginning of the light rail, commuter rail, and express bus service. 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. In 2016, voters approved “Sound Transit 3” as a third phase of the System Plan to finance additional expansion of the light rail



system, commuter rail, and regional express bus service, as well as the implementation of the bus rapid transit system. The capital component of the entire System Plan is estimated to cost \$68.8 billion (in year of expenditure dollars, through 2046) and is being financed with a combination of Sales Tax, Rental Car Tax, and Motor Vehicle Tax (each defined herein) revenues, other tax revenues (including property tax revenues), federal, State, and local grants and loans, bond and TIFIA Bond (as defined herein) proceeds, and fares and other operating revenues, as well as interest earnings on money from such sources. See “SOUND TRANSIT TAXES” and “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 and will be used to pay the cost of operating and maintaining Sound Transit and its facilities. See “HISTORICAL FINANCIAL INFORMATION.”

## **Pledged Taxes**

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 initially at the rate of 0.4%, and a motor vehicle excise tax (the “Motor Vehicle Tax”), imposed initially at the rate of 0.3% (the “1996 Motor Vehicle Tax”). Sound Transit imposed the Sales Tax and the 1996 Motor Vehicle Tax effective April 1, 1997, together with a rental car tax that did not require voter approval (the “Rental Car Tax”) at the rate of 0.8%.

In 2005, Sound Transit pledged to the payment of the Parity Bonds the “Pledged Taxes,” which at the time consisted of the Sales Tax, imposed at the rate of 0.4%, and the Rental Car Tax, imposed at the rate of 0.8%, in each case subordinate to the pledge thereof (as Local Option Taxes) to the payment of the Prior Bonds.

In 2008, Sound Transit obtained voter approval of Sound Transit 2 and increased the rate at which the Sales Tax is imposed by an additional 0.5%. Sound Transit began imposing the Sales Tax at the increased total rate of 0.9% effective April 1, 2009, and included the increased rate of Sales Tax in Pledged Taxes as an “Adopted Parity Rate Adjustment.”

In 2016, 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 total rate of 1.4% effective April 1, 2017, and included the increased rate of Sales Tax in Pledged Taxes as an “Adopted Parity Rate Adjustment.”

In 2016, Sound Transit also obtained voter approval to increase the rate at which the Motor Vehicle Tax is imposed by an additional 0.8% (the “ST3 Motor Vehicle Tax”). Sound Transit began imposing the ST3 Motor Vehicle Tax effective March 1, 2017, included the 1996 Motor Vehicle Tax in Pledged Taxes, and included the ST3 Motor Vehicle Tax in Pledged Taxes as an “Adopted Parity Rate Adjustment.” In connection with the Conversion of the 2015S-2A Parity Bonds to a new Index Floating Rate Period on July 19, 2018, the 2015S-2A Parity Bonds were renamed and assigned new CUSIP numbers to reflect the inclusion of the 1996 Motor Vehicle Tax and the ST3 Motor Vehicle Tax in Pledged Taxes.

The Pledged Taxes currently consist of the following components:

- The Sales Tax, imposed at the rate of 1.4%;
- The 1996 Motor Vehicle Tax, imposed at the rate of 0.3%;
- The ST3 Motor Vehicle Tax, imposed at the rate of 0.8%; and
- The Rental Car Tax, imposed at the rate of 0.8%.

The Pledged Taxes are pledged to the payment of the Parity Bonds, including the 2015S-2A Parity Bonds. The pledge of the existing Pledged Taxes to the payment of the Parity Bonds is subordinate to the pledge thereof (as Local Option Taxes) to the payment of the Prior Bonds.

Under the Parity Bond Master Resolution, Sound Transit may: (i) pledge to the payment of the Parity Bonds and Second Tier Junior Obligations (and, if Sound Transit so determines, to the payment of First Tier Junior Obligations) any taxes other than Local Option Taxes (“Additional Taxes”), which upon such pledge become a component of Pledged Taxes; and (ii) at its discretion, pledge amounts attributable to any increase of the Sales Tax

rate above 1.4%, any increase in the Motor Vehicle Tax rate above 0.8% (or, during any time the 1996 Motor Vehicle Tax is being imposed, above 1.1%), and any increase in the Rental Car Tax rate above 0.8% to any other obligations or to other purposes of Sound Transit.

Sound Transit has reserved the right to reduce the rate of the Sales Tax to 1.3% upon satisfaction of the conditions set forth in the Parity Bond Resolutions. See “SECURITY FOR THE PARITY BONDS – Security for the Parity Bonds – Covenant to Impose Pledged Taxes” and Appendix B –“2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution – Covenants – Pledged Taxes.”

Before the issuance of the 2016 Parity Bonds, the 1996 Motor Vehicle Tax was not a component of Pledged Taxes pledged to the payment of the Parity Bonds. Under current law, Sound Transit does not have authority to impose the 1996 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.

See “SOUND TRANSIT TAXES” and “SECURITY FOR THE PARITY BONDS.”

### **Security for the Parity Bonds**

The Parity Bonds, including the 2015S-2A Parity Bonds, are “Subordinate Obligations,” as that term is defined in the Master Prior Bond Resolution. The 2015S-2A Parity Bonds are payable from and secured by a pledge of (i) the Pledged Taxes, which are required to be deposited into the Local Option Tax Accounts (or, with respect to Additional Taxes, if any, into Additional Taxes Accounts), (ii) amounts in the Parity Bond Account, (iii) amounts in the Local Option Tax Accounts, the Additional Taxes Accounts, and 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) amounts in any proceeds account created pursuant to a Series Resolution (except as otherwise provided in a Series Resolution or the Parity Bond Master Resolution) and any project account created in the Project Fund for the deposit of proceeds of the Parity Bonds.

The pledge for the payment of the Parity Bonds, including the 2015S-2A 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 pledge of the Pledged Taxes and amounts in the Parity Bond Account, 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, to the payment of the Parity Bonds, including the 2015S-2A Parity Bonds, 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 to the payment of the 2015S-2A Parity Bonds the proceeds of the 2015S-2A Parity Bonds 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 Bonds, and such pledge is a charge on the amounts in such accounts superior to all other charges of any kind or nature. No amounts remain in any such account. See “SECURITY FOR THE PARITY BONDS.”

### **Security for the Prior Bonds and Other Obligations**

**Prior Bonds.** The Prior Bonds are payable from and secured by a pledge of the Local Option Taxes, which are required to be deposited into the Local Option Tax Accounts. The Prior Bonds also are 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 debt service on Parity Bonds and the payment of the costs of operating and maintaining Sound Transit and its facilities). See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS.”

The “Local Option Taxes” currently consist of the following components:

- The Sales Tax, imposed at the rate of 1.4%;
- The 1996 Motor Vehicle Tax, imposed at the rate of 0.3%;
- The ST3 Motor Vehicle Tax, imposed at the rate of 0.8%; and
- The Rental Car Tax, imposed at the rate of 0.8%.

***First Tier Junior Obligations.*** Sound Transit has reserved the right to issue First Tier Junior Obligations payable from Pledged Taxes after payment of debt service on the Prior Bonds and the Parity Bonds, on a parity with any other First Tier Junior Obligations, and before any other Second Tier Junior Obligations. See “SECURITY FOR THE PARITY BONDS – Flow of Funds.” Sound Transit does not currently have any First Tier Junior Obligations outstanding.

***Second Tier Junior Obligations – TIFIA Bonds.*** In January 2015, Sound Transit entered into a TIFIA Loan Agreement (the “East Link 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”). In December 2016, Sound Transit entered into a Master Credit Agreement (the “TIFIA Master Credit Agreement”) with the successor TIFIA Lender pursuant to TIFIA. Pursuant to the TIFIA Master Credit Agreement, Sound Transit entered into four TIFIA Loan Agreements (the “Northgate Link TIFIA Loan Agreement” in December 2016, the “O&M Facility East TIFIA Loan Agreement” in June 2017, the “Lynnwood Link TIFIA Loan Agreement” in December 2018, and the “Federal Way Link TIFIA Loan Agreement” in December 2019). In September 2021, Sound Transit entered into the “Downtown Redmond Link TIFIA Loan Agreement” and “East Link TIFIA Loan Agreement” and replaced the four TIFIA Loan Agreements entered into pursuant to the TIFIA Master Credit Agreement, on substantially similar terms but at lower rates of interest.

The obligations of Sound Transit under each of the East Link TIFIA Loan Agreement, the Northgate Link TIFIA Loan Agreement, the O&M Facility East TIFIA Loan Agreement, the Lynnwood Link TIFIA Loan Agreement, the Federal Way Link TIFIA Loan Agreement, and the Downtown Redmond TIFIA Loan Agreement (collectively, the “TIFIA Loan Agreements”) are each evidenced by a TIFIA Bond. Each 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.”

See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bonds.”

***Lease-Leaseback.*** 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”). 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.”

## THE 2015S-2A PARITY BONDS

### General

The 2015S-2A Parity Bonds have been issued in the aggregate principal amount of \$75,000,000. The 2015S-2A Parity Bonds are dated September 10, 2015, mature on November 1, 2045, and have been issued in denominations of \$5,000 and any integral multiple thereof within a maturity.

### Designation as Green Bonds

Sound Transit has designated the 2015S-2A Parity Bonds as “Green Bonds” based on the use of the proceeds of the 2015S-2A Parity Bonds at the time of original issuance to finance 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. Proceeds of the 2015S-2A Parity Bonds were used to reimburse Sound Transit for various projects relating to building new, expanded, or extended transit lines and improvements to transit operations and maintenance facilities.

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 to reduce greenhouse gases and reliance on fossil fuels. According to the State Department of Ecology at the time of original issuance, 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, including with the proceeds of the 2015S-2A 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.

In connection with the issuance of the 2015 Parity Bonds in 2015, Sound Transit engaged an independent consultant to provide an opinion regarding compliance of the 2015S-2A Parity Bonds with the 2015 edition of the *Green Bond Principles* published by the International Capital Market Association. The opinion is included as an appendix to the official statement for the 2015 Parity Bonds dated August 4, 2015, which is available from the Municipal Securities Rulemaking Board at [www.emma.msrb.org](http://www.emma.msrb.org). This opinion has not been updated in connection with the remarketing of the 2015S-2A Parity Bonds.

### Payment of 2015S-2A Parity Bonds

The fiscal agent of the State (currently U.S. Bank National Association in Seattle, Washington) serves as paying agent, authenticating agent, transfer agent, and registrar for the 2015S-2A Parity Bonds (the “Bond Registrar”).

The 2015S-2A Parity Bonds have been issued as fully registered bonds under a book-entry system, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which acts as securities depository for the 2015S-2A Parity Bonds. Individual purchases of 2015S-2A Parity Bonds are to be made in authorized denominations in book-entry form only. Purchasers will not receive certificates representing their interest in the 2015S-2A Parity Bonds, except as described in Appendix F – “DTC AND ITS BOOK-ENTRY SYSTEM.”

Payments of principal of and interest on the 2015S-2A 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 2015S-2A Parity Bonds is the responsibility of DTC participants, all as described in Appendix F – “DTC AND ITS BOOK-ENTRY SYSTEM.”

Interest on certificated 2015S-2A 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 2015S-2A Parity Bonds, by wire, mailed or transferred on the interest payment date to Owners of the 2015S-2A Parity Bonds as those Owners and their addresses and accounts appear on the Bond Register on the Record Date. Principal of certificated 2015S-2A Parity Bonds is payable at maturity or on such date as may be specified for prior redemption upon presentation and surrender of the 2015S-2A Parity Bonds by the Owners at the principal corporate trust office or offices of the Bond Registrar.

“Record Date” means the Business Day immediately preceding an interest payment date.

If any 2015S-2A Parity Bond is not paid when properly presented at its maturity or earlier date fixed for redemption, Sound Transit is obligated to pay interest on that 2015S-2A Parity Bond at the same rate provided in that 2015S-2A Parity Bond from and after its maturity or earlier date fixed for redemption until that 2015S-2A Parity Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Account.

### **Registration and Transfer or Exchange of 2015S-2A Parity Bonds**

The 2015S-2A Parity Bonds are registered in the name of Cede & Co., as the nominee of DTC. The 2015S-2A Parity Bonds are 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 F – “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 2015S-2A 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 2015S-2A 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 2015S-2A 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 2015S-2A Parity Bonds.

2015S-2A Parity Bonds surrendered to the Bond Registrar may be exchanged for 2015S-2A Parity Bonds in any authorized denomination of an equal aggregate principal amount and of the same series, maturity, and interest rate. 2015S-2A 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 2015S-2A Parity Bond during the period beginning on the date the Bond Registrar receives direction to send notice of redemption of that 2015S-2A Parity Bond and ending on the date the Bond Registrar sends such notice.

### **Terms of the 2015S-2A Parity Bonds**

**Interest.** The 2015S-2A Parity Bonds are being remarketed as Index Floating Rate Bonds, bearing interest at the SIFMA Index Rate, as set forth on the inside cover. If not previously redeemed at the option of Sound Transit or converted to a new Index Floating Rate Period or to another Interest Rate Mode, the 2015S-2A Parity Bonds will be subject to tender for mandatory purchase on the mandatory purchase date set forth on the inside cover (the “Mandatory Purchase Date”) and as described herein. Interest on the 2015S-2A Parity Bonds is payable on the first Business Day of each month, commencing after Conversion on the date set forth on the inside cover (each, an “Interest Payment Date”), until prior redemption or Conversion to a new Index Floating Rate Period or to another

Interest Rate Mode. This Remarketing Memorandum describes the 2015S-2A Parity Bonds only until Conversion to a new Index Floating Rate Period or to another Interest Rate Mode. All 2015S-2A Parity Bonds are required to bear interest accruing at the same Index Floating Rate. Interest on the 2015S-2A Parity Bonds bearing interest at the SIFMA Index Rate is to be computed on the basis of a 365-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 (currently, the Bond Registrar) will be conclusive and binding upon the Owners and the beneficial owners of the 2015S-2A Parity Bonds. **Interest on the 2015S-2A Parity Bonds is subject to a Maximum Rate of the lower of 12% or the maximum rate, if any, permitted by law.** Current State law limits interest rates, but governmental subdivisions, agencies, or instrumentalities may not plead the defense of usury or maintain any action thereon or therefor.

“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, as set forth on the inside cover, that when added to the SIFMA Index equals the minimum interest rate per annum that enables the 2015S-2A Parity Bonds to be sold on the Conversion Date at a price equal to the principal amount thereof (without regard to accrued interest, if any, thereon).

“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-2A 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-2A Parity Bonds are subject to redemption at the option of Sound Transit on any day on or after the first Par Call Date after Conversion, as set forth on the inside cover, 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, without premium.

**Mandatory Redemption.** The 2015S-2A 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.*

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. See “—**Mandatory Purchase on Mandatory Purchase Date; Delayed Remarketing Period.**”

**Selection for Redemption.** If fewer than all of the outstanding 2015S-2A Parity Bonds are to be redeemed prior to maturity, 2015S-2A Parity Bonds 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-2A Parity Bonds are registered in the name of DTC or its nominee, selection of 2015S-2A 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 redemption of 2015S-2A 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-2A 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-2A 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-2A 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-2A 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-2A 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-2A 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-2A 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-2A 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-2A 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 on Mandatory Purchase Date; Delayed Remarketing Period” and “Conversion of Interest Rate Mode” below, all 2015S-2A 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 on Mandatory Purchase Date; Delayed Remarketing Period.** The Mandatory Purchase Date, as set forth on the inside cover, is a Conversion Date, and on such date the 2015S-2A Parity Bonds are subject to mandatory tender for purchase. If the funds available for the purchase of 2015S-2A Parity Bonds subject to purchase on the Mandatory Purchase Date are insufficient to purchase all of the 2015S-2A Parity Bonds (including Undelivered Bonds), then no purchase of any 2015S-2A Parity Bonds will occur on the Mandatory Purchase Date and, on the Mandatory Purchase Date, the Tender Agent (currently, the Bond Registrar) is to (i) return all 2015S-2A 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-2A Parity Bonds to the respective persons that provided such moneys (in the respective amounts in which such money was so provided).

Any 2015S-2A 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-2A Parity Bonds if available funds from remarketing the 2015S-2A Parity Bonds are insufficient on the Mandatory Purchase Date, and such failure to purchase is not a Default. No Liquidity Facility secures payment of the Purchase Price of 2015S-2A Parity Bonds that are not remarketed on the Mandatory Purchase Date.**

“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-2A 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-2A Parity Bonds can be remarketed and (ii) if Sound Transit elects to convert the 2015S-2A 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-2A 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-2A 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-2A Parity Bonds that the 2015S-2A 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-2A Parity Bonds to the Owners of the 2015S-2A 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-2A Parity Bonds will continue to be subject to optional redemption by Sound Transit, and interest on the 2015S-2A 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 may also elect to convert the 2015S-2A Parity Bonds to a new Interest Rate Mode or may give notice of an Authority Elective Purchase Date (see the provisions described under “Authority Elective Purchase Date” below) or may redeem, or may purchase in lieu of redemption, all or a portion of the 2015S-2A Parity Bonds, as provided in the 2015 Parity Bond Series Resolution.

**Authority Elective Purchase Date.** On any date on which the 2015S-2A Parity Bonds 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-2A Parity Bonds 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-2A Parity Bonds, then Sound Transit’s designation of such Authority Elective Purchase Date will be deemed rescinded, and Sound Transit will have no obligation to purchase the 2015S-2A Parity Bonds 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 Mandatory Purchase Date, as set forth on the inside cover, is a Conversion Date, and any Par Call Date may also be a Conversion Date. Each Conversion Date is a Purchase Date, and on that date the 2015S-2A Parity Bonds are subject to mandatory tender as described above under “Mandatory Purchase on Mandatory Purchase Date; Delayed Remarketing Period.” 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.

The interest rate on all (but not less than all) of the 2015S-2A Parity Bonds 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-2A Parity Bonds 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 the mandatory tender of the 2015S-2A 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 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-2A Parity Bonds will be subject to mandatory tender for purchase on such date; (iii) state that Owners may not elect to retain 2015S-2A Parity Bonds subject to mandatory tender; (iv) state that all 2015S-2A 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-2A Parity Bond subject to mandatory tender fails to deliver such 2015S-2A 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-2A Parity Bond (or portion thereof) will nevertheless be deemed purchased on the Purchase Date and ownership of such 2015S-2A Parity Bond (or portion thereof) will be transferred to the purchaser thereof; (vi) state that any Owner that fails to deliver any 2015S-2A 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-2A Parity Bond to the Tender Agent and that the Bond Registrar will place a stop transfer against the 2015S-2A 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-2A Parity Bonds by the Remarketing Agent or (b) funds provided by Sound Transit, all such 2015S-2A 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 described in “Conditions to Conversion” (and summarize such events).

The notice is also required to state that if not all of the 2015S-2A Parity Bonds 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-2A Parity Bonds will not be subject to mandatory tender, and the 2015S-2A Parity Bonds 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 will not take effect if:

- (1) Sound Transit 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;
- (2) the Calculation Agent or the Remarketing Agent, as applicable, fails to determine, when required, the interest rate for the new Interest Rate Mode;
- (3) the notice to Owners of the 2015S-2A Parity Bonds is not given when required;
- (4) 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;
- (5) 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-2A Parity Bonds required to be purchased on such Conversion Date; or
- (6) not all of the 2015S-2A Parity Bonds 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-2A Parity Bonds on the Conversion Date will not occur, whether or not notice of the Conversion has been given to the Owners; and
- (3) the 2015S-2A Parity Bonds will bear interest at the Delayed Remarketing Rate during a Delayed Remarketing Period, as described above under “Mandatory Purchase on Mandatory Purchase Date; Delayed Remarketing Period.”

### **COVID-19 PANDEMIC**

The outbreak of COVID-19 is a global pandemic that has been declared a national and public health emergency for the United States and a state of emergency for Washington State. On March 18, 2020, the Governor of Washington issued a proclamation suspending interest on tax payments and subsequently issued several extensions of the suspension. On March 23, 2020, the Governor issued a statewide “Stay Home, Stay Healthy” proclamation, requiring individuals to stay home except for essential activities, banning social and other gatherings, and closing all businesses with certain exceptions for essential businesses. Since May 31, 2020, the State has been following phased re-opening plans. On June 30, 2021, the Governor announced statewide reopening. On August 18, 2021, the Governor announced a vaccination requirement for employees working in K-12 education, most childcare and early learning, and higher education, as well as an expansion of the statewide mask requirements. Within the United States, each state has addressed the public health emergency through restrictions on business, travel and other activity of varying degree and duration, and has allowed businesses to re-open and activities to resume based on that state’s approach to the public health emergency.

The State Department of Health began distributing COVID-19 vaccines according to the State allocation and priority plan. The plan began in December 2020 and opened to anyone 16 and older on April 15, 2021, and to anyone 12 and older on May 13, 2021. The District has a relatively high vaccination adoption rate. According to the State Department of Health COVID-19 Data Dashboard, as of September 27, 2021, 76.4% of Washingtonians 12 and older have received at least one dose of COVID-19 vaccine and 69.7% of people 12 and older are fully vaccinated. As of September 22, 2021, 78.3% of King County residents 12 or older, 57.8 % of Pierce County residents 12 or older, and 68.0% of Snohomish County residents 12 or older are fully vaccinated.

While the pandemic has had a significant impact on ridership, the overall financial impact to Sound Transit has been much less pronounced. Sound Transit's financial performance has historically relied primarily on Local Option Taxes and federal contributions and much less on farebox revenues. After an initial decline (particularly in monthly Sales Tax revenues beginning April 2020 and extending until December 2020), Sales Tax and Motor Vehicle Tax revenues recovered and in 2021 are over 10% above pre-pandemic 2019 levels. See Table 2. As a precautionary measure early in the pandemic, Sound Transit implemented a variety of measures to control costs while monitoring the length and depth of the economic slowdown. These measures included a hiring freeze for non-critical positions, a reduction in department budgets, and reductions in service levels to match ridership.

The population within the District has demonstrated strong adherence to the Spring 2020 COVID-19-related stay-at-home orders. The stay-at-home orders and remote working had a significant negative impact on Sound Transit's ridership across all modes (bus, heavy rail, and light rail). In support of public health guidelines and to align with reduced ridership, Sound Transit implemented significant changes to service levels across all modes. Service levels are gradually returning to pre-pandemic levels. Sound Transit is experiencing a partial rebound in ridership, but ridership levels remain well below pre-pandemic levels. Ridership is expected to rebound as the reopening progresses. Sound Transit will continue to monitor ridership and related service levels.

A federal Transportation Security Administration requirement for face masks on public transportation conveyances and in transportation hubs remains in place. Sound Transit will continue to review social distancing and cleaning protocols as additional COVID-19 guidance is received.

Sound Transit has been a beneficiary of a number of federal programs and initiatives in response to the COVID-19 pandemic. Sound Transit has been awarded federal grant revenue under these programs totaling \$894.5 million, including \$166.2 million in Coronavirus Aid, Relief, and Economic Security ("CARES") Act funding, \$179.6 million in Coronavirus Response and Relief Supplemental Appropriations Act, 2021 ("CRRSA") funding, and \$548.5 million in American Rescue Plan Act of 2021 ("ARP") funding. As of September 1, 2021, the agency has received \$592.5 million of the \$894.5 million in allocated funds.

Coincidental to the COVID-19 pandemic and prompted much more significantly by increasing cost estimates for right of way acquisition and construction costs in the region, Sound Transit began a revision to its Long Range Financial Plan, an exercise that Sound Transit has undertaken in the past to ensure program affordability and delivery of voter-approved projects in as timely a manner as possible. This process is referred to as "Realignment." The goal of Realignment is to protect the affordability of the high-capacity transit system as approved by voters. Necessary steps to protect affordability may include delay of certain portions of the capital program. See "SOUND TRANSIT – Financial Plan and Realignment."

## SOURCES AND USES OF FUNDS

The 2015S-2A Parity Bonds were issued to provide funds necessary, together with other available funds of Sound Transit, to pay or to reimburse Sound Transit for the payment of costs of constructing a portion of Sound Transit's System Plan and to pay the costs of issuing the 2015S-2A Parity Bonds. Sound Transit has designated the 2015S-2A Parity Bonds as "Green Bonds" based on the use of the proceeds of the 2015S-2A Parity Bonds. See "THE 2015S-2A PARITY BONDS – Designation as Green Bonds."

## SOUND TRANSIT TAXES

### Introduction

**Local Option Taxes.** In 1996, Sound Transit obtained voter approval to impose and collect two taxes within the District: the Sales Tax, imposed at the rate of 0.4%, and the 1996 Motor Vehicle Tax, imposed at the rate of 0.3%. Sound Transit imposed the Sales Tax and the 1996 Motor Vehicle Tax effective April 1, 1997, together with the Rental Car Tax, which did not require voter approval, at the rate of 0.8%.

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, and included the increased rate of Sales Tax in Local Option Taxes as an “Adopted Prior Rate Adjustment.”

In 2016, 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 total rate of 1.4% effective April 1, 2017, and included the increased rate of Sales Tax in Local Option Taxes as an “Adopted Prior Rate Adjustment.”

In 2016, Sound Transit also obtained voter approval to increase the rate at which the Motor Vehicle Tax is imposed by an additional 0.8%. Sound Transit began imposing the ST3 Motor Vehicle Tax effective March 1, 2017, and included the ST3 Motor Vehicle Tax in Local Option Taxes as an “Adopted Prior Rate Adjustment.”

The Local Option Taxes currently consist of the following components:

- The Sales Tax, imposed at the rate of 1.4%;
- The 1996 Motor Vehicle Tax, imposed at the rate of 0.3%;
- The ST3 Motor Vehicle Tax, imposed at the rate of 0.8%; and
- The Rental Car Tax, imposed at the rate of 0.8%.

The Local Option Taxes are pledged to the payment of the Prior Bonds. The pledge of the Local Option Taxes to the payment of the Prior Bonds is senior to the pledge thereof (as Pledged Taxes) to the payment of the Parity Bonds. See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS.”

***Pledged Taxes.*** In 2005, Sound Transit pledged to the payment of the Parity Bonds the “Pledged Taxes,” which at the time consisted of the Sales Tax, imposed at the rate of 0.4%, and the Rental Car Tax, imposed at the rate of 0.8%, in each case subordinate to the pledge thereof (as Local Option Taxes) to the payment of the Prior Bonds.

In 2008, when Sound Transit began imposing the Sales Tax at the increased rate of 0.9% effective April 1, 2009, Sound Transit included the increased rate of Sales Tax in Pledged Taxes as an “Adopted Parity Rate Adjustment.”

In 2016, when Sound Transit began imposing the Sales Tax at the increased rate of 1.4% effective April 1, 2017, Sound Transit included the increased rate of Sales Tax in Pledged Taxes as an “Adopted Parity Rate Adjustment.”

In 2016, when Sound Transit began imposing the ST3 Motor Vehicle Tax effective March 1, 2017, Sound Transit added the 1996 Motor Vehicle Tax to Pledged Taxes and included the ST3 Motor Vehicle Tax as an “Adopted Parity Rate Adjustment.”

The Pledged Taxes currently consist of the following components (which are the same as the current components of Local Option Taxes):

- The Sales Tax, imposed at the rate of 1.4%;
- The 1996 Motor Vehicle Tax, imposed at the rate of 0.3%;
- The ST3 Motor Vehicle Tax, imposed at the rate of 0.8%; and
- The Rental Car Tax, imposed at the rate of 0.8%.

The Pledged Taxes are pledged to the payment of the Parity Bonds, including the 2015S-2A Parity Bonds. The pledge of the existing Pledged Taxes to the payment of the Parity Bonds is subordinate to the pledge thereof (as Local Option Taxes) to the payment of the Prior Bonds.

Prior to the issuance of the 2016 Parity Bonds, the 1996 Motor Vehicle Tax was not a component of Pledged Taxes pledged to the payment of the Parity Bonds. Under current law, Sound Transit does not have authority to impose the 1996 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. See “SECURITY FOR THE PARITY BONDS.”

Under the Parity Bond Master Resolution, Sound Transit may: (i) pledge to the payment of the Parity Bonds and Second Tier Junior Obligations (and, if Sound Transit so determines, to the payment of First Tier Junior Obligations) any taxes other than Local Option Taxes (“Additional Taxes”), which upon such pledge become a component of Pledged Taxes; and (ii) at its discretion, pledge amounts attributable to any increase of the Sales Tax rate above 1.4%, any increase in the Motor Vehicle Tax rate above 0.8% (or, during any time the 1996 Motor Vehicle Tax is being imposed, above 1.1%), and any increase in the Rental Car Tax rate above 0.8% to any other obligations or to other purposes of Sound Transit.

Sound Transit has reserved the right to reduce the rate of the Sales Tax to 1.3% 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 – “2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution – Covenants – Pledged Taxes.”

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

## **Sales Tax**

***Pledge of the Sales Tax.*** The Sales Tax, imposed at the rate of 1.4%, is a component of the Local Option Taxes pledged to the payment of the Prior Bonds and a component of the Pledged Taxes pledged to the payment of the Parity Bonds, including the 2015S-2A Parity Bonds.

***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 local sales and use taxes to generate revenues to carry out essential governmental purposes. Neither the State nor any local government within the State has to date collected a tax on personal or corporate net income, although the 2021 State Legislature enacted a 7% tax on the sale or exchange of long-term capital assets (stocks, bonds, business interests, or other investments, and many tangible assets) if the profits exceed \$250,000 annually. This capital gains tax takes effect January 1, 2022, and applies only to individuals and only to gains allocated to the State.

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 9.2% to 10.4%. These rates include the Sales Tax imposed at a rate of 1.4%.

In 2020, Sound Transit received or accrued \$1,324.5 million on account of the Sales Tax. See Table 1 under this heading for historical information regarding Sales Tax revenues. See “COVID-19 PANDEMIC.”

***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 tax that may be imposed on lodging.

In *South Dakota v. Wayfair* (No. 17-494, June 21, 2018), the U.S. Supreme Court held that states have the authority to collect sales taxes directly from out-of-state sellers having no physical presence in the taxing state. The State’s Marketplace Fairness Act, as amended, requires remote sellers and marketplace facilitators with more than \$100,000 in combined receipts sourced or attributed to Washington to collect and remit sales and use tax.

**Method of Collection.** Sales tax upon applicable retail sales is collected by the seller from the consumer. Use tax is payable by the consumer upon applicable rendering of services or uses of personal property. County auditors collect any use tax 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. The DOR remits the Sales Tax revenues to Sound Transit by electronic funds transfer each month. The Sales Tax revenues received by Sound Transit in each month are derived from transactions that occurred during the second month prior to the month that such Sales Tax revenues are received by Sound Transit. Receipts were further, temporarily delayed as a result of the Governor’s March 18, 2020 COVID-19 proclamation suspending interest on tax payments (and subsequent extensions of the proclamation). See “COVID-19 PANDEMIC.”

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 distributions 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 was updated to include the Sound Transit 3 Sales Tax increase of 0.5% and was originally effective from April 1, 2017 through December 31, 2020. The agreement is subject to automatic renewal for an additional three successive three-year periods, and has been renewed under this automatic renewal provision, and is subject to termination by either party upon proper written notice.

**Sales Tax Offset.** Sound Transit 3 included a requirement that Sound Transit pay a sales and use tax offset fee into a Puget Sound taxpayer accountability account. This offset fee is 3.25% of the total payments made by Sound Transit to construction contractors and excluded from the definition of retail sales 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. As of December 31, 2020, Sound Transit had paid \$8.5 million into the taxpayer accountability account. The DOR is to 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. Sound Transit’s obligation pay this offset fee is subordinate to the payment of the Prior Bonds, the Parity Bonds, the First Tier Junior Lien Obligations, and the Second Tier Junior Lien Obligations.

## **Motor Vehicle Tax**

**Pledge of 1996 Motor Vehicle Tax.** The 1996 Motor Vehicle Tax, imposed at the rate of 0.3%, is a component of the Local Option Taxes pledged to the payment of the Prior Bonds and a component of the Pledged Taxes pledged to the payment of the Parity Bonds, including the 2015S-2A Parity Bonds.

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 1996 Motor Vehicle Tax. In 2006, the State Supreme Court upheld Sound Transit’s continued collection of the 1996 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 1996 Motor Vehicle Tax so long as the 1999 Prior Bonds remain outstanding. Under current law, Sound Transit does not have authority to impose the 1996 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.

**Pledge of ST3 Motor Vehicle Tax.** The ST3 Motor Vehicle Tax, imposed at the rate of 0.8%, is a component of the Local Option Taxes pledged to the payment of the Prior Bonds and a component of the Pledged Taxes pledged to the payment of the Parity Bonds, including the 2015S-2A 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. In 2002, the State’s voters approved I-776, which also purported to repeal this statutory authority, but the State Supreme Court confirmed Sound Transit’s authority to continue collecting the full amount of the 1996

Motor Vehicle Tax so long as the 1999 Prior Bonds remain outstanding. In 2015, the State Legislature authorized regional transit authorities to impose an incremental motor vehicle excise tax of up to 0.8% upon voter approval.

In 2020, Sound Transit received or accrued \$361.7 million on account of the Motor Vehicle Tax. See Table 1 under this heading for historical information regarding Motor Vehicle Tax revenues. See “COVID-19 PANDEMIC.”

***Tax Base and Method of Collection.*** The values of motor vehicles are determined by statute. So long as the 1999 Prior Bonds are outstanding, the value of passenger vehicles and the percentages are prescribed by a statute in effect at the time Sound Transit first issued the 1999 Prior Bonds. Under that statute, passenger vehicles generally are valued at a percentage of the manufacturer’s suggested retail price. Those percentages decline based on the number of years the vehicle is in service. Once the 1999 Prior Bonds are no longer outstanding, the valuation of passenger vehicles and percentages are prescribed by a statute that was in effect at the time ST3 was approved by voters, which generally sets the base value of passenger vehicles at eighty-five (85%) of the manufacturer’s suggested retail price. The taxable value of the vehicle is then reduced further based on the number of years the vehicle is in service and is reduced over a longer period of time compared to the statute in effect at the time the 1999 Prior Bonds were sold.

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 (“DOL”) effective January 1, 2018 for the collection and disbursement of the Motor Vehicle Tax, originally through December 31, 2020. The agreement may be extended for three additional terms, in increments up to four years each, upon written consent of both parties, and has been extended through June 30, 2021. Under the contract, the DOL segregated 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. The Motor Vehicle Tax revenues received by Sound Transit in each month are derived from transactions that occurred during the month prior to the month that such Motor Vehicle Tax revenues are received by Sound Transit. Sound Transit reimburses DOL for administration and collection costs up to the maximum amount of 1% of the total taxes collected or an amount set by statute. Currently, Sound Transit and the DOL continue to follow the same procedure established by the contract, and Sound Transit reimburses the DOL \$3,300,000 annually for collection of the Motor Vehicle Tax, as established by statute. The reimbursement amount is subject to the 1% cap established by RCW 82.44.135. Sound Transit and the DOL are currently in negotiations for a new contract.

## **Rental Car Tax**

***Pledge of Rental Car Tax.*** The Rental Car Tax, imposed at the rate of 0.8%, is a component of the Local Option Taxes pledged to the payment of the Prior Bonds and a component of the Pledged Taxes pledged to the payment of the Parity Bonds, including the 2015S-2A Parity Bonds.

***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.

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

Sound Transit is currently authorized by statute to impose the Rental Car Tax at a rate of up to 2.172%.

In 2020, Sound Transit received or accrued approximately \$1.9 million on account of the Rental Car Tax. See Table 1 under this heading for historical information regarding Rental Car Tax revenues. See “COVID-19 PANDEMIC.”

**Tax Base and Method of Collection.** The Rental Car Tax is paid by the customer on the rental of a passenger car 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 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 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. As with the Sales Tax revenues, the Rental Car Tax revenues received by Sound Transit in each month are derived from transactions that occurred during the second month prior to the month that such Rental Car Tax revenues are received by Sound Transit.

### Sales Tax, Motor Vehicle Tax, and Rental Car Tax Revenues

Table 1 sets forth historical Sales Tax, Motor Vehicle Tax and Rental Car Tax revenues as reported in Sound Transit’s audited financial statements for the years 2012 through 2020. See “COVID-19 PANDEMIC.”

**TABLE 1**  
**ANNUAL SALES TAX, MOTOR VEHICLE TAX AND RENTAL CAR TAX REVENUES**  
**(\$000s)**

<b>Year</b>	<b>Sales Tax Revenue<sup>(1)</sup></b>	<b>Growth Rate</b>	<b>Motor Vehicle Tax Revenue<sup>(1)</sup></b>	<b>Growth Rate</b>	<b>Rental Car Tax Revenue<sup>(1)</sup></b>	<b>Growth Rate</b>	<b>Total</b>	<b>Growth Rate</b>
2012	\$ 551,898	4.5%	\$ 65,844	(0.1)%	\$2,527	29.1%	\$620,269	4.1%
2013	594,022	7.6	69,096	4.9	2,761	9.3	665,879	7.4
2014	639,890	7.7	74,166	7.3	3,092	12.0	717,148	7.7
2015	699,114	9.3	79,564	7.3	3,297	6.6	781,975	9.0
2016	749,735	7.2	85,515	7.5	3,506	6.3	838,756	7.3
2017 <sup>(2)</sup>	1,119,720	49.3	280,382	227.9	3,548	1.2	1,403,650	67.3
2018	1,337,601	19.5	338,538	20.7	3,802	7.2	1,679,941	19.7
2019	1,415,704	5.8	345,757	2.1	3,792	(0.3)	1,765,253	5.1
2020	1,324,465	(6.4)	361,749	4.6	1,880	(50.4)	1,688,094	(4.4)

<sup>(1)</sup> On an accrual basis.

<sup>(2)</sup> The rate of the Sales Tax was increased to 1.4% from 0.9% in April 2017. In addition to the 1996 Motor Vehicle Tax imposed at the rate of 0.3%, the ST3 Motor Vehicle Tax was imposed at the rate of 0.8% beginning in March 2017.

Source: Sound Transit.



**TABLE 2**  
**MONTHLY TAX RECEIPTS (2019-2021 YEAR-TO-DATE)**  
**(\$000s)**

	Sales Tax Revenue <sup>(1)</sup>			Motor Vehicle Tax Revenue <sup>(1)</sup>			Rental Car Tax Receipts <sup>(1)</sup>			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Jan	\$111,406	\$112,825	\$111,704	\$30,393	\$31,042	\$35,514	\$229	\$227	\$135	\$142,027	\$144,094	\$147,354
Feb	132,452	136,622	139,387	29,943	35,455	30,078	221	261	125	162,617	172,338	169,591
Mar	102,509	108,608	108,543	20,717	26,712	26,286	210	229	116	123,436	135,549	134,944
Apr	92,409	90,521	105,704	28,786	30,238	29,961	192	206	--	121,387	120,966	135,665
May	119,054	89,855	134,222	32,851	23,397	29,796	248	33	168	152,153	113,285	164,186
Jun	109,556	91,455	125,954	30,598	25,477	49,827	260	59	213	140,414	116,992	175,994
July	116,669	112,700	130,733	27,419	29,017	10,497	288	184	269	144,375	141,902	141,499
Aug	128,614	118,132	140,634	28,511	25,361	31,966	412	107	404	157,537	143,600	173,004
Sept	120,514	117,904	--	33,557	33,508	--	514	177	--	154,585	151,588	--
Oct	117,884	115,996	--	28,202	33,440	--	510	213	--	146,596	149,649	--
Nov	126,133	119,737	--	33,203	31,591	--	391	259	--	159,727	151,587	--
Dec	119,596	118,125	--	20,927	28,786	--	292	170	--	140,815	147,081	--
	<u>\$1,396,795</u>	<u>\$1,332,479</u>	<u>\$996,881</u>	<u>\$345,107</u>	<u>\$354,024</u>	<u>\$243,925</u>	<u>\$3,768</u>	<u>\$2,125</u>	<u>\$1,430</u>	<u>\$1,745,670</u>	<u>\$1,688,631</u>	<u>\$1,242,237</u>

<sup>(1)</sup> Cash receipts, unaudited. Note: April 2021 Rental Car Receipts show as zero due to a processing error.

Source: Sound Transit.

**TABLE 3**  
**AGGREGATE MONTHLY TAX RECEIPTS (2019-2021 YEAR-TO-DATE)<sup>(1)</sup>**  
**(\$000s)**

	2019	2020	2021	% Change (2019 to 2021)
Jan	\$142,027	\$144,094	\$147,354	3.75%
Feb	162,617	172,338	169,591	4.29
Mar	123,436	135,549	134,944	9.32
Apr	121,387	120,966	135,665	11.76
May	152,153	113,285	164,186	7.91
Jun	140,414	116,992	175,994	25.34
July	144,375	141,902	141,499	(1.99)
Aug	157,537	143,600	173,004	9.82
	<u>\$1,143,946</u>	<u>\$1,088,726</u>	<u>\$1,242,237</u>	<u>8.59%</u>

<sup>(1)</sup> Cash receipts, unaudited.

Source: Sound Transit.

## Property Tax

**General.** In 2015, the State Legislature authorized regional transit authorities to impose a property tax for providing high capacity transportation service upon voter approval. In November 2016, Sound Transit obtained voter approval to impose a property tax (the “Property Tax”), and imposed the Property Tax at a rate of up to \$0.25 per \$1,000 of assessed value, effective January 1, 2017, and thereafter in annual amounts that include statutorily permitted annual increases (but not to exceed \$0.25 per \$1,000 of assessed value of property). In 2020, Sound Transit received or accrued \$155.3 million on account of the Property Tax. See Appendix A – “AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019” for information on the Property Tax received in 2020.

**Property Tax Not Pledged to Bondholders.** The Property Tax is not pledged to the payment of the Prior Bonds, the Parity Bonds, or any other obligations of Sound Transit, and Sound Transit does not currently intend to pledge the Property Tax to the payment of the Prior Bonds, the Parity Bonds, or any other obligations of Sound Transit, although Sound Transit may elect to do so in the future.

## SECURITY FOR THE PARITY BONDS

### Limited Obligations

The 2015S-2A Parity Bonds are not obligations of the State or any political subdivision thereof other than Sound Transit. The 2015S-2A Parity Bonds are not secured by any lien, nor are the 2015S-2A 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 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; provided, that if there is not sufficient money to make all payments under all such reimbursement agreement 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 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 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 of 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 (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; 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 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 of 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 Bonds 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 Bonds 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 of 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 the TIFIA Loan Agreements 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 to the providers on a *pro rata* basis;

**Ninth**, if any 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 Resolutions or as otherwise agreed by the TIFIA Lender if any TIFIA Bond is outstanding;

**Twelfth**, so long as any 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 (as defined under “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bonds – Optional and Mandatory Prepayment”), 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 Bonds, see “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bonds.”

### **Security for the Parity Bonds**

**Pledge of Pledged Taxes.** The Parity Bonds, including the 2015S-2A Parity Bonds, are special limited obligations of Sound Transit payable from and secured by a pledge of the Pledged Taxes. The existing Pledged Taxes consist of the same components as the Local Option Taxes. See “SOUND TRANSIT TAXES” for more information regarding the Pledged Taxes.

The Parity Bonds, including the 2015S-2A Parity Bonds, are also secured by a pledge of (i) amounts, if any, in the Parity Bond Account and (ii) amounts in the Local Option Tax Accounts, the Additional Taxes Accounts, and 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. Sound Transit has also pledged for the payment of the 2015S-2A Parity Bonds proceeds of the 2015S-2A Parity 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 2015S-2A Parity Bonds, and such pledge is a charge on the amounts in such accounts superior to all other charges of any kind or nature. No amounts remain in any such account.

The pledge for the payment of the Parity Bonds, including the 2015S-2A Parity Bonds, of amounts in the Parity Bond Account, the Additional Taxes Accounts, and the proceeds of the Parity Bonds deposited in any proceeds account (except as otherwise provided in a Series Resolution or the Parity Bond Master Resolution) 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 pledge for the payment of the Parity Bonds, including the 2015S-2A 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.

***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 fix, levy, and impose the Sales Tax at a rate of not less than 1.4% and the Rental Car Tax at a rate of not less than 0.8%, except that Sound Transit may impose the Sales Tax at a rate of not less than 1.3% in the manner described below in “Permitted Reduction of Sales Tax Rate.” Sound Transit has covenanted in the Parity Bond Resolutions to fix, levy, and impose the 1996 Motor Vehicle Tax, to the extent permitted by law, at a rate of not less than 0.3% and to fix, levy, and impose the ST3 Motor Vehicle Tax at a rate of not less than 0.8%. Under current law, Sound Transit does not have authority to impose the 1996 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 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.*** Sound Transit has reserved the right to reduce the rate at which Sound Transit imposes the Sales Tax to 1.3%, 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”); and
- (ii) *Parity Bonds Coverage Test.* 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 on all 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, 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 Sales Tax received during the Base Parity Period is to be adjusted to reflect the reduced rate of less than 1.4%;
- (4) the Motor Vehicle Tax and/or Additional Taxes may not be taken into account to meet the requirements described in clause (2) 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 1.4% 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 1.4%, 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 1.3%. The 2015S-2A 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 and/or receipts resulting from an Adopted Parity Rate Adjustment as “Pledged 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.”

***Federal Credit Payments.*** The 2009S-2T Parity Bonds were issued as “Build America Bonds” under the Internal Revenue Code of 1986, as amended. 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 Property Tax or Other Revenues.*** Neither the Property Tax nor the operating and non-operating revenues (other than Pledged Taxes) of Sound Transit are 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 or withdraw Pledged Taxes from the Tax Stabilization Subaccount for any lawful purposes as described in “Flow of Funds” under this heading, including for the purpose of satisfying the conditions for reducing the Sales Tax rate as described in “Permitted Reduction of Sales Tax Rate” under this heading. 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 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.

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 can be no assurance that Sound Transit will create or fund the Tax Stabilization Subaccount at any time while the 2015S-2A Parity Bonds are Outstanding.

***Parity Bond Account.*** The Parity Bond Account was created pursuant to 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 Outstanding Parity Bonds, including the 2015S-2A Parity Bonds, is zero. The Outstanding Parity Bonds, including the 2015S-2A 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 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 (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 Bonds Coverage Test.* 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.

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(ii) 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 Agreements impose additional conditions precedent to the issuance of Future Parity Bonds. See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bonds – 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, 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 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 delivered an Authority Parity Bond Certificate upon issuance of the 2015S-2A 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, taking into consideration regularly scheduled Payments and Receipts (if any) under the Payment Agreement. “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 – “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 a TIFIA Bond is outstanding, a Bankruptcy Related Event (as defined in the TIFIA Loan Agreements, 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 Bonds” for a summary of events that constitute an “Event of Default” (including a “Bankruptcy Related Event”) under the TIFIA Loan Agreements. See also Appendix B – “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 – “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 – “2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution – Supplements and Amendments.”

***Special Amendments.*** The Owners of the 2009S-2T Parity Bonds, the 2012S-1 Parity Bonds, the 2015 Parity Bonds, and the 2016 Parity Bonds have been, and the Owners of 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.

***Other Amendments.*** The Board adopted Resolution No. R2018-11 on May 24, 2018, amending and restating the 2015 Parity Bond Series Resolution. The amended and restated 2015 Parity Bonds Series Resolution added an additional interest rate mode and took effect subject to the condition that the amendments will not cause any Rating Agency to lower a rating on any Parity Bonds. The amendments did not require the consent of any owners of Parity Bonds.

On July 19, 2018, a Conversion Date of the 2015S-2A Parity Bonds, an amendment to Section 8(d) of Appendix A of the 2015 Parity Bond Series Resolution became effective. The amendment clarified that the obligation of the Authority to duly and punctually pay or cause to be paid to the Tender Agent the amounts required to pay the Purchase Price of 2015 Variable Rate Parity Bonds tendered and/or deemed tendered for purchase and not remarketed pursuant to the terms of the 2015 Parity Bond Series Resolution on a Conversion Date on which the then current Index Floating Rate Period is changed to a new Index Floating Rate Period is an “Optional Liquidity Payment” and not a “Required Liquidity Payment.”

#### **Defeasance**

Sound Transit has reserved the right, within the requirements of the best long-term financial interests of Sound Transit, to defease the 2015S-2A 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 2015S-2A 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 non-callable 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 – “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, in such amounts, and with such deductibles as the Board 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 – “2015 PARITY BOND RESOLUTIONS – Parity Bond Master Resolution – Covenants.”

## **No Express Lien**

The Owners of the 2015S-2A Parity Bonds are not secured by an express 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 2015S-2A 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. The existing Pledged Taxes consist of the same components as Local Option Taxes. 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 (including the payment of Parity Bonds and the payment of costs of operating and maintaining Sound Transit and its facilities).

***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 Property Tax or Other Revenues.** Neither the Property Tax nor the operating and non-operating revenues (other than Local Option Taxes) of Sound Transit are 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 any 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 can be no assurance 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) 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.

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 30, 2021, there was \$51.6 million credited to the Prior Reserve Account, including Qualified Prior Issuance in the form of two municipal bond debt service reserve fund surety policies with an aggregate face amount of \$31,661,180 that were originally issued by Financial Guaranty Insurance Company and, pursuant to a novation endorsement, were assumed by National Public Financial Guarantee Corporation. As a result of the expected refunding (subject to market conditions) of certain Prior Bonds in November 2021, the amount credited to the Prior Reserve Account is expected to be reduced by approximately \$12 million.

**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 3.0 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 Agreements impose additional conditions precedent to the issuance of Future Prior Bonds. See “TIFIA Bonds – 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 a TIFIA Bond is outstanding, a Bankruptcy Related Event (as defined in the TIFIA Loan Agreements, including any amendment thereto) occurs with respect to Sound Transit. See “TIFIA Bonds” under this heading for a summary of events that constitute an “Event of Default” (including a “Bankruptcy Related Event”) under the TIFIA Loan Agreements.

**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 impose the Motor Vehicle Tax at a rate of less than one and one-tenth of one percent, but not less than eight-tenths of one percent;
- (2) To delete from the Master Prior Bond Resolution the Default described in clause (i) in “Defaults” above;
- (3) 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;
- (4) 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
- (5) 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

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.

Sound Transit does not currently have any First Tier Junior Obligations outstanding. The TIFIA Bonds are Second Tier Junior Obligations. See “TIFIA Bonds” under this heading. The payment obligations of Sound Transit under the Capital Lease are subject and subordinate to the Prior Bonds, the Parity Bonds, any First Tier Junior Obligations, and the Second Tier Junior Obligations. See “Capital Lease” under this heading.

## TIFIA Bonds

**General.** The obligations of Sound Transit under each of the TIFIA Loan Agreements are evidenced by a TIFIA Bond. Sound Transit and the TIFIA Lender may agree at any time to alter, modify or amend the terms of any or all of the TIFIA Loan Agreements and the related TIFIA Bond or TIFIA Bonds without notice to or the consent of any other person. The TIFIA Lender may waive any required action or event of default under any or all of the TIFIA Loan Agreements or forebear from exercising any remedies granted.

Table 4 below identifies Sound Transit’s TIFIA Loan Agreements as of September 10, 2021, subject to the further conditions set forth in the TIFIA Loan Agreements.

**TABLE 4  
SUMMARY OF TIFIA LOAN TERMS**

Project/Loan	East Link	OMFE	Northgate	Lynnwood	Federal Way	Downtown Redmond
Loan Amount	\$1,330,000,000	\$87,663,515	\$615,267,000	\$657,863,164	\$629,472,431	\$520,981,378
Drawn Amount as of 09/10/2021 <sup>(1)</sup>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Loan Interest Rate	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%
Substantial Completion Date <sup>(2)</sup>	06/30/2023	12/23/2020	10/31/2021	07/31/2024	12/31/2024	12/31/2024
Draw Deadline <sup>(3)</sup>	06/30/2024	12/23/2021	10/31/2022	07/31/2025	12/31/2025	12/31/2025
Capitalized Interest Period Through <sup>(4)</sup>	05/01/2028	05/01/2020	05/01/2021	05/01/2024	05/01/2024	05/01/2024
1 <sup>st</sup> Interest Payment Date	11/01/2028	11/01/2020	11/01/2021	11/01/2024	11/01/2024	11/01/2024
1 <sup>st</sup> Principal Payment Date	05/01/2030	11/01/2025	11/01/2026	11/01/2029	11/01/2029	11/01/2029
Final Principal Payment Date <sup>(5)</sup>	11/01/2058	11/01/2055	11/01/2056	05/01/2059	05/01/2059	11/01/2059

<sup>(1)</sup> As of September 10, 2021, Sound Transit paid down then outstanding draw amounts in connection with the execution of amendments to its TIFIA Loan Agreements entered into pursuant to a TIFIA Master Credit Agreement. Sound Transit expects to draw down the amount available under each TIFIA Loan Agreement before the end of the applicable draw period (e.g. to draw down the amount available for the OMFE project by December 23, 2021, to draw down the amount available for the Northgate project by October 31, 2022, and so forth).

<sup>(2)</sup> At time of loan closing; as defined in the applicable TIFIA Loan Agreement: “the opening of the project to general passenger traffic.” All substantial Completion Dates other than for OMFE are estimates.

<sup>(3)</sup> No disbursements of TIFIA Loan proceeds may be made on or after the date that is one year after the Substantial Completion Date of the applicable Project. All substantial Completion Dates other than for OMFE are estimates and therefore draw deadline dates (other than for OMFE) also are estimates.

(4) The TIFIA Loan Agreements limit capitalized interest period to the earlier of five years from the Substantial Completion Date or if Substantial Completion does not occur on a semi-annual payment date to the semi-annual payment date immediately preceding five years from Substantial Completion.

(5) The TIFIA Loan Agreements limit final maturity to no later than the semi-annual payment date immediately prior to the 35<sup>th</sup> anniversary of Substantial Completion. See Table 5—Annual Debt Service Requirements.

*Source: Sound Transit*

***Second Tier Junior Obligations.*** The TIFIA Bonds are Second Tier Junior Obligations 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.”

***Optional and Mandatory Prepayment.*** The TIFIA Bonds are subject to optional prepayment in whole or in part at any time without penalty so long as the payment is greater than \$1,000,000 and are 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 Sound Transit is not actively engaged in the development of a capital program expanding the regional Sound Transit system pursuant to an authorized and voter-approved capital expenditure program (including Sound Transit 2, Sound Transit 3, or any other successor or replacement capital expenditure program thereto). Following the occurrence of a Revenue Sharing Trigger Event, on each Semi-Annual Payment Date while the Revenue Sharing Trigger Event remains in effect, Sound Transit is required to prepay each TIFIA Loan (on a *pro rata* basis based on the then Outstanding TIFIA Loan Balance in respect of such TIFIA Loan), in whole or in part, without penalty or premium, from amounts then on deposit in the Revenue Sharing Account. Prepayment of the TIFIA Loans is required to be made on a pro rata basis for all TIFIA Bonds then outstanding, in each case, based on the then outstanding amount of such TIFIA Bonds. See “SECURITY FOR THE PARITY BONDS – Flow of Funds.” With the extension of the projected completion of Sound Transit’s capital program to 2046 as a result of realignment, Sound Transit does not currently expect any revenue sharing trigger event to occur before 2046.

***Springing Debt Service Reserve Requirement.*** No debt service reserve is required for the TIFIA Bonds 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 Bonds in an amount equal to 50% of maximum annual debt service on the TIFIA Bonds (assuming that the TIFIA Bonds are fully drawn). “Debt Service Coverage Ratio” is defined in the TIFIA Loan Agreements to mean, for any semiannual calculation period, the ratio of (a) Pledged Taxes received during such calculation period to (b) debt service on Prior Bonds, 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 Agreements, 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 Agreements 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 Agreements 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 Agreements, 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 to (b) maximum annual debt service on Prior Bonds, 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 1.10 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 to (b) maximum annual debt service on Prior Bonds, 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 Bonds are scheduled to be outstanding; and
- (4) Unless waived by the TIFIA Lender, the then-existing credit rating of the TIFIA Bonds will not be downgraded below “A-” or “A3.”

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

**No “Springing Lien.”** The order of priority of the payment obligations of Sound Transit under the TIFIA Loan Agreements 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 Agreements provide that the occurrence of any one of several events constitutes an “Event of Default,” including: (i) payment default under the TIFIA Bonds; (ii) with certain exceptions, default under any covenant made by Sound Transit under the TIFIA Loan Agreements 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 Agreements 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 Loans 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 Agreements 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 for a continuous period not less than 30 days; and (xi) in the case of the East Link TIFIA Loan Agreement, 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 Agreements, 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) such person shall (i) apply 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 not be 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) solely with respect to Sound Transit, fail to make two consecutive payments of TIFIA Debt Service in respect of any TIFIA Loan in accordance with the provisions of the applicable TIFIA Loan

Agreement, (iv) make a general assignment for the benefit of creditors, (v) consent 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) commence a voluntary proceeding under any Insolvency Law, or file a voluntary petition seeking liquidation, reorganization, an arrangement with creditors, or an order for relief under any Insolvency Law, (vii) file an answer admitting the material allegations of a petition filed against it in any proceeding referred to in the foregoing subclauses as stated in the TIFIA Loan Agreements and the subsequent individual project loans, or (viii) take 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) solely with respect to the Borrower, the transfer of funds on deposit in the Construction Account established under the TIFIA Loan Agreements 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 resolutions authorizing the issuance of the TIFIA Bonds.

***Remedies upon Event of Default.*** Upon the occurrence of an Event of Default under the TIFIA Loan Agreements, the TIFIA Lender may exercise various remedies, including: (i) suspending further disbursements; (ii) suspending or debaring 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 Bonds.*** The TIFIA Lender is not permitted to sell a TIFIA Loan at any time prior to the Substantial Completion Date for the related project. After such Substantial Completion Date, the TIFIA Lender may sell such TIFIA Loan to another entity or reoffer such TIFIA Loan into the capital markets in accordance with the provisions set forth in the related TIFIA Loan Agreement.

#### **Lease-Leaseback**

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, 2020, the present value of Sound Transit's future payments under the Capital Lease was \$66.0 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 tax, and/or motor vehicle excise tax 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, 2020, 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 March 31, 2022, and may be further extended by agreement of the parties. If a further extension is not granted, the investor could demand a termination payment valued as of December 31, 2020 at approximately \$10.7 million. See Note 5 in Appendix A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019."

## **Other Obligations**

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

## **DEBT SERVICE REQUIREMENTS**

Table 5 sets forth the current annual principal and interest requirements of the Outstanding Prior Bonds (excluding certain outstanding 2012P-1 Prior Bonds (the “Refunding Candidates”) expected, subject to market conditions, to be refunded for debt service savings with a portion of the proceeds of Sound Transit’s Sales Tax and Motor Vehicle Excise Tax Refunding Bonds, Series 2021S-1 (the “2021 Parity Bonds”), the Outstanding Parity Bonds, the 2021 Parity Bonds, and the TIFIA Bonds, rounded to the nearest dollar. See “DEBT CAPACITY – Outstanding Prior Bonds and Parity Bonds.” Table 5 does not include payments on the Capital Lease. Table 5 excludes debt service on certain 2012 and 2015 Parity Bonds that were defeased on October 1, 2021 (the “Defeased Bonds”). Table 5 includes preliminary (subject to change) debt service on the 2021 Parity Bonds expected to be issued in November 2021.

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**TABLE 5**  
**ANNUAL DEBT SERVICE REQUIREMENTS FOR THE**  
**PRIOR BONDS, PARITY BONDS, AND TIFIA BONDS**

Series 2021S-1<sup>(4)</sup>

Year Ending December 31	Outstanding Prior Bonds <sup>(1)(2)</sup>	Outstanding Parity Bonds <sup>(2)(3)</sup>	Series 2021S-1 <sup>(4)</sup>			Total Parity Bonds	Total Prior and Parity Bonds	TIFIA Debt Service <sup>(5)</sup>	Total Debt Service
			Principal	Interest	Total				
2022 <sup>(3)</sup>	\$44,519,397	\$49,816,450	\$11,120,000	\$34,701,590	\$45,821,590	\$95,638,040	\$140,157,437	\$5,183,755	\$145,341,192
2023	44,524,027	42,008,700	20,565,000	34,548,400	55,113,400	97,122,100	141,646,127	13,425,973	155,072,100
2024	44,530,387	53,442,200	22,890,000	33,725,800	56,615,800	110,058,000	154,588,387	30,052,500	184,640,888
2025	44,537,262	52,182,450	25,355,000	32,810,200	58,165,200	110,347,650	154,884,912	47,951,449	202,836,360
2026	44,545,123	40,899,450	37,630,000	31,796,000	69,426,000	110,325,450	154,870,573	52,480,781	207,351,354
2027	44,553,557	40,899,950	39,130,000	30,290,800	69,420,800	110,320,750	154,874,307	54,889,859	209,764,167
2028	44,557,484	40,895,450	32,430,000	28,725,600	61,155,600	102,051,050	146,608,534	71,022,560	217,631,095
2029	-	45,709,950	44,085,000	27,428,400	71,513,400	117,223,350	117,223,350	91,942,785	209,166,135
2030	-	45,710,024	35,945,000	25,665,000	61,610,000	107,320,024	107,320,024	106,560,000	213,880,024
2031	-	45,715,102	55,300,000	24,227,200	79,527,200	125,242,302	125,242,302	105,987,000	231,229,302
2032	-	45,723,327	57,515,000	22,015,200	79,530,200	125,253,527	125,253,527	105,414,395	230,667,921
2033	-	45,727,770	59,815,000	19,714,600	79,529,600	125,257,370	125,257,370	104,841,000	230,098,370
2034	-	45,731,754	62,210,000	17,322,000	79,532,000	125,263,754	125,263,754	104,268,000	229,531,754
2035	-	45,738,421	69,700,000	14,833,600	84,533,600	130,272,021	130,272,021	103,695,000	233,967,021
2036	-	45,740,593	72,235,000	12,045,600	84,280,600	130,021,193	130,021,193	103,122,395	233,143,587
2037	-	121,691,341	-	9,156,200	9,156,200	130,847,541	130,847,541	102,549,000	233,396,541
2038	-	121,757,717	-	9,156,200	9,156,200	130,913,917	130,913,917	101,976,000	232,889,917
2039	-	121,834,162	-	9,156,200	9,156,200	130,990,362	130,990,362	101,403,000	232,393,363
2040	-	30,189,250	36,430,000	9,156,200	45,586,200	75,775,450	75,775,450	233,739,018	309,514,468
2041	-	58,080,500	11,305,000	7,699,000	19,004,000	77,084,500	77,084,500	233,739,018	310,823,518
2042	-	58,647,704	11,755,000	7,246,800	19,001,800	77,649,504	77,649,504	233,739,018	311,388,522
2043	-	59,242,240	12,225,000	6,776,600	19,001,600	78,243,840	78,243,840	233,739,018	311,982,858
2044	-	59,880,728	12,720,000	6,287,600	19,007,600	78,888,328	78,888,328	233,739,018	312,627,346
2045	-	60,534,472	13,230,000	5,778,800	19,008,800	79,543,272	79,543,272	233,739,018	313,282,290
2046	-	27,825,000	24,230,000	5,249,600	29,479,600	57,304,600	57,304,600	233,739,018	291,043,618
2047	-	-	25,195,000	4,280,400	29,475,400	29,475,400	29,475,400	233,739,018	263,214,418
2048	-	-	26,210,000	3,272,600	29,482,600	29,482,600	29,482,600	233,739,018	263,221,618
2049	-	-	27,255,000	2,224,200	29,479,200	29,479,200	29,479,200	233,739,018	263,218,218
2050	-	-	28,350,000	1,134,000	29,484,000	29,484,000	29,484,000	233,739,018	263,223,018
2051	-	-	-	-	-	-	-	233,739,018	233,739,018
2052	-	-	-	-	-	-	-	233,739,018	233,739,018
2053	-	-	-	-	-	-	-	233,739,018	233,739,018
2054	-	-	-	-	-	-	-	233,739,018	233,739,018
2055	-	-	-	-	-	-	-	233,739,018	233,739,018
2056	-	-	-	-	-	-	-	228,410,613	228,410,613
2057	-	-	-	-	-	-	-	190,524,310	190,524,310
2058	-	-	-	-	-	-	-	190,524,310	190,524,310
2059	-	-	-	-	-	-	-	103,342,826	103,342,826
Total	\$311,767,238	\$1,405,624,703	\$874,830,000	\$476,424,390	\$1,351,254,390	\$2,756,879,093	\$3,068,646,332	\$5,859,391,804	\$8,928,038,136

Footnotes to Table 5 begin on the following page.

Footnotes to Table 5:

Note: Totals may not foot due to rounding.

- (1) Excludes the Refunding Candidates. Note that the Refunding Candidates are Prior Bonds, expected (subject to market conditions) to be refunded with a portion of the proceeds of the 2021 Parity Bonds.
- (2) Net of federal credit payments expected to be received by Sound Transit related to the 2009P-2T Prior Bonds and 2009S-2T Parity Bonds. Excludes the effect of federal sequestration. See “Security for the Parity Bonds” and “Security for the Prior Bonds and Other Obligations.”
- (3) Assumes the 2015S-2A Parity Bonds and the 2015S-2B Parity Bonds remain outstanding until maturity or prior mandatory redemption and bear interest at 1.576% per annum (the highest 12-month rolling average of the SIFMA Municipal Swap Index over the preceding ten years). Excludes debt service on the Defeased Bonds.
- (4) Preliminary, subject to change. For the purposes of this table, interest on the 2021 Parity Bonds is calculated based on an assumed total interest cost of 2.10%.
- (5) Assumed debt service derived from expected future draws on the East Link TIFIA Bond, Northgate Link TIFIA Bond, O&M Facility East TIFIA Bond, Lynnwood Link TIFIA Bond, Federal Way Link TIFIA Bond, and Downtown Redmond Link TIFIA Bond. See “Security for the Prior Bonds and Other Obligations – TIFIA Bonds.”

Source: Sound Transit.

### **DEBT SERVICE COVERAGE**

Neither the Master Prior Bond Resolution nor the Parity Bond Master Resolution defines or requires that Sound Transit maintain a specified debt service coverage ratio in each fiscal year. Table 6 sets forth historical debt service coverage for the Prior Bonds and Parity Bonds, and for Prior Bonds and Parity Bonds on a combined basis, assuming that the Motor Vehicle Tax was included in Pledged Taxes at all times in 2016. See “SOUND TRANSIT TAXES.”

Sound Transit expects to issue additional bonds to finance a portion of the System Plan, including Future Parity Bonds. 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,” and to issue Future Prior Bonds as described in “Security for the Prior Bonds and Other Obligations – Prior Bonds – Future Prior Bonds.”

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**TABLE 6**  
**HISTORICAL DEBT SERVICE COVERAGE ON PRIOR BONDS, PARITY BONDS**  
**AND COMBINED PRIOR AND PARITY BONDS**  
(\$000s)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Sales Tax <sup>(1)(2)</sup>	\$749,735	\$1,119,720	\$1,337,601	\$1,415,704	\$1,324,465
Motor Vehicle Tax <sup>(1)(3)</sup>	85,515	280,382	338,538	345,757	361,749
Rental Car Tax <sup>(1)</sup>	3,506	3,548	3,802	3,792	1,880
<b>Total Local Option Taxes</b>	<b>\$38,756</b>	<b>\$1,403,650</b>	<b>\$1,679,941</b>	<b>\$1,765,253</b>	<b>\$1,688,094</b>
Prior Bonds Debt Service <sup>(4)</sup>	\$51,097	\$52,371	\$53,041	\$54,297	\$48,202
<b>Prior Bonds Debt Service Coverage</b>	<b>16.41x</b>	<b>26.80x</b>	<b>31.67x</b>	<b>32.51x</b>	<b>35.02x</b>
Local Option Taxes Available for Debt Service on Parity Bonds after Payment of Prior Bonds Debt Service	\$787,659	\$1,351,279	\$1,626,900	\$1,710,956	\$1,639,892
Parity Bonds Debt Service <sup>(4)</sup>	\$60,382	\$78,366	\$78,055	\$82,424	\$80,039
<b>Parity Bonds Debt Service Coverage</b>	<b>13.04x</b>	<b>17.24x</b>	<b>20.84x</b>	<b>20.76x</b>	<b>20.49x</b>
Combined Prior and Parity Bonds Debt Service <sup>(4)</sup>	\$111,479	\$130,737	\$131,096	\$136,721	\$128,241
<b>Combined Prior and Parity Debt Service Coverage</b>	<b>7.07x</b>	<b>10.34x</b>	<b>12.41x</b>	<b>12.51x</b>	<b>12.79x</b>

(1) On an accrual basis.

(2) The Sales Tax was imposed at the rate of 0.9% until April 2017, when the rate was increased to 1.4%. See "SOUND TRANSIT TAXES – Sales Tax."

(3) The Motor Vehicle Tax was imposed at the rate of 0.3% until March 2017, when the rate was increased to 1.1%. Under current law, Sound Transit does not have authority to impose the 1996 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. See "SOUND TRANSIT TAXES – Motor Vehicle Tax."

(4) Net of federal credit payments expected to be received by Sound Transit. Excludes the effect of federal sequestration. See "SOUND TRANSIT – Federal Sequestration."

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 2015S-2A 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, Parity Bonds, and TIFIA Bonds

Table 7 sets forth the final maturity date, original principal amount and outstanding principal amount of each series of Outstanding Prior Bonds, Outstanding Parity Bonds and Outstanding TIFIA Bonds as of September 10, 2021.

**TABLE 7**  
**OUTSTANDING PRIOR BONDS, PARITY BONDS, AND TIFIA BONDS**  
**(\$000s)**

Series	Final Maturity	Original Principal Amount	Outstanding Principal Amount <sup>(1)</sup>
<b>Prior Bonds</b>			
1999	2/01/2028	\$ 350,000	\$ 206,365
2009P-2T	2/01/2028	76,845	61,790
2012P-1	2/01/2028	216,165	111,090
<b>Total Prior Bonds</b>		<b>\$ 643,010</b>	<b>\$ 379,245</b>
<b>Parity Bonds</b>			
2009S-2T	11/01/2039	\$ 300,000	\$ 300,000
2012S-1 <sup>(2)</sup>	11/01/2030	97,545	7,440
2015S-1 <sup>(2)</sup>	11/01/2050	792,840	22,185
2015S-2A	11/01/2045	75,000	75,000
2015S-2B <sup>(3)</sup>	11/01/2045	75,000	75,000
2016S-1	11/01/2046	400,000	392,175
<b>Total Parity Bonds</b>		<b>\$1,740,385</b>	<b>\$ 871,800</b>
<b>Total Prior Bonds and Parity Bonds</b>		<b>\$2,383,395</b>	<b>\$1,251,045</b>
<b>TIFIA Bonds</b>		<b>Loan Amount</b>	<b>Loan Amount Outstanding</b>
East Link	11/01/2058	\$1,330,000	\$ 0
Northgate Link	11/01/2056	615,267	0
O&M Facility East	11/01/2055	87,664	0
Lynnwood Link	05/01/2059	657,863	0
Federal Way Link	05/01/2059	629,472	0
Downtown Redmond	11/01/2059	520,981	0
<b>Total TIFIA Bonds</b>		<b>\$3,841,247</b>	<b>\$ 0</b>
<b>Total Prior Bonds, Parity Bonds, and TIFIA Bonds Outstanding</b>		<b>\$6,224,642</b>	<b>\$1,251,045</b>

<sup>(1)</sup> As of June 30, 2021. Excludes undrawn loan amounts. See Table 4: Summary of TIFIA Loan Terms. As of September 10, 2021, Sound Transit paid down then outstanding draw amounts in connection with the execution of amendments to its TIFIA Loan Agreements. Sound Transit expects to draw down the amount available under each TIFIA Loan Agreement before the end of the applicable draw period (e.g. to draw down the amount available for the OMFE project by December 23, 2021, to draw down the amount available for the Northgate project by October 31, 2022, and so forth).

<sup>(2)</sup> Excludes the Defeased Bonds.

<sup>(3)</sup> The 2015S2-B Parity Bonds are subject to mandatory tender for purchase on November 1, 2023.

Source: Sound Transit.

### Debt Capacity

Sound Transit may issue bonds payable from taxes if, at the time of issuance, Sound Transit has sufficient debt capacity. Sound Transit is authorized to incur debt in an aggregate amount (taking into account all outstanding debt at the time of calculation) equal to 1½% of the value of taxable property within the District without obtaining voter approval for such debt. Once the debt has been issued, changes in assessed valuation have no effect on the validity of outstanding debt or on Sound Transit's ability to refund outstanding debt. Future declines in assessed valuation can impact the ability to issue additional bonds payable from taxes. Although Sound Transit has not sought voter

approval of its outstanding debt, Sound Transit has obtained voter approval of certain transportation plans and taxes. The Outstanding Prior Bonds, the Outstanding Parity Bonds, the TIFIA Bonds, and the Capital Lease are included in Sound Transit’s nonvoted debt computation. For Sound Transit to implement its current financial plan without obtaining voter approval of indebtedness, the assessed value of taxable property within the District will have to grow sufficiently for the amount of debt to be issued by Sound Transit in the coming years to remain below the 1½% limitation. See “SOUND TRANSIT – Financial Plan and Realignment.”

With the approval of 60% of the District electors voting on the proposition, Sound Transit may incur debt in an amount equal 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 8 sets forth the legal debt capacity for Sound Transit.

**TABLE 8  
LEGAL DEBT CAPACITY<sup>(1)</sup>  
(\$Millions)**

Assessed valuation in 2020 for collection of taxes in 2021	\$805,957
Maximum nonvoted debt (1½% of assessed valuation)	\$12,089
Less: Outstanding Prior Bonds <sup>(2)</sup>	(268)
Less: Outstanding Parity Bonds <sup>(3)</sup>	(872)
Less: TIFIA Bonds <sup>(4)</sup>	(3,841)
Less: Capital Lease <sup>(5)</sup>	(11)
Less: The 2021 Parity Bonds <sup>(6)</sup>	(875)
Nonvoted debt capacity remaining <sup>(6)</sup>	\$ 6,222
Maximum voted debt (5% of assessed valuation)	\$ 40,298
Less: Outstanding nonvoted debt <sup>(3)(6)</sup>	(5,867)
Less: Outstanding voted debt	–
Voted debt capacity remaining <sup>(6)</sup>	\$ 34,431

<sup>(1)</sup> For Sound Transit to implement its current financial plan without obtaining voter approval of indebtedness, the assessed value of taxable property within the District will have to grow sufficiently for the amount of debt to be issued by Sound Transit in the coming years to remain below the nonvoted legal debt limitation. See “SOUND TRANSIT – Financial Plan and Realignment.”

<sup>(2)</sup> Excludes the Refunding Candidates expected to be refunded (subject to market conditions) with the proceeds of the 2021 Parity Bonds expected to be issued in November 2021.

<sup>(3)</sup> Excludes the Defeased Bonds.

<sup>(4)</sup> Reflects the full amount available to be drawn on the TIFIA Bonds. See “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bonds” and Table 4: Summary of TIFIA Loan Terms.

<sup>(5)</sup> As of December 31, 2020. See “SOUND TRANSIT – Capital Lease.”

<sup>(6)</sup> Preliminary, subject to change.

*Sources:* Assessed valuation, King County Assessor; all other information, Sound Transit.

### **Additional Borrowing**

On October 1, 2021, Sound Transit defeased the Defeased Bonds. In November 2021 Sound Transit expects to issue its 2021 Parity Bonds to refinance all or a portion of the Refunding Candidates with a portion of the proceeds of the 2021 Parity Bonds, and to use a portion of the proceeds of the 2021 Parity Bonds to pay, or reimburse itself for the payment of certain costs of acquiring, designing, constructing, equipping and installing improvements to Sound Transit’s high-capacity transportation facilities.



From time to time, Sound Transit expects to issue additional Parity Bonds and to draw down existing and issue new TIFIA Bonds to finance costs of Sound Transit 2 and Sound Transit 3. See “SOUND TRANSIT – Financial Plan and Realignment.” Sound Transit periodically reviews its outstanding indebtedness for refunding opportunities and may issue additional bonds for refunding purposes if market conditions warrant.

## **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 Remarketing Memorandum.

### **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**

In 1992 the Washington State legislature established a policy and guidelines for creating regional transit authority districts and the boundary requirements were defined on two main principles: first, that the area includes the largest-population urban growth area designated by each county, and second, that the area follows election precinct boundaries. In addition, if a portion of any city was determined to be within the service area, then the entire city must be included. The District boundaries were established consistent with these principles and generally conform to the “urban growth areas” 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 iv of this Remarketing Memorandum. The District includes, among other cities, Seattle, Tacoma, Bellevue, and Everett. The estimated 2020 population within the District is 3.2 million. (The city of Covington, which was incorporated subsequent to the creation of Sound Transit and had an estimated 2021 population of 20,890, is not within the District boundaries even though it is included within “urban growth area” 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 Remarketing Memorandum.

None of the Board members or other officers of Sound Transit has any interest in the remarketing of the 2015S-2A Parity Bonds that is prohibited by law.

### **Key Staff Biographies**

***Peter Rogoff, Chief Executive Officer.*** On September 23, 2021, Sound Transit announced that Mr. Rogoff will step down as CEO in second quarter 2022. The Board adopted a motion approving a Transition Employment Contract with Mr. Rogoff. The Transition Employment Contract extends until transitional and/or operational benchmarks are complete or May 31, 2022, whichever is earlier. Sound Transit is initiating a national search to select the agency's next Chief Executive Officer. The Sound Transit Board unanimously appointed Mr. Rogoff as Chief Executive Officer in 2016. Mr. Rogoff previously served three decades with the federal government, including three years as Under Secretary of Transportation for Policy in the United States Department of Transportation, five years as President Obama's Federal Transit Administrator, and 22 years on the staff of the Senate Appropriations Committee, including 14 years as the Democratic Staff Director of the Transportation Subcommittee. In 2010, Mr. Rogoff was the first recipient of the Transportation Equity Network's Rosa Parks Award. He also was awarded the United States Coast Guard Distinguished Public Service Award; the Lester P. Lamm Memorial Award for outstanding leadership and dedication to federal highway transportation programs; the Dr. and Mrs. William and Budd Bell Award for "tireless advocacy for seniors and people with disabilities," and the National Chair's Award from the Conference of Minority Transportation Officials. He earned his Master of Business Administration degree with honors from the McDonough School of Business at Georgetown University and his Bachelor of Arts degree in American Studies at Amherst College.

***Mary Cummings, Deputy CEO (Chief Administrative Officer).*** Ms. Cummings joined Sound Transit in 2019, bringing more than 30 years of experience in leadership roles at Verizon and at Carnegie Mellon and Waynesburg State universities. Ms. Cummings has particular expertise in process improvement, technology implementation and customer service. She leads the administrative operations of Sound Transit, serving as the executive overseeing human resources, information technology, procurement, asset management, audit and administrative services, and the strategic plan. At Verizon, she supported the launch and operation of affiliated cell phone companies in Mexico, Italy, Greece, Indonesia, Czechia and Slovakia. At Carnegie Mellon's Bosch Institute she directed a program on executive leadership, and at Waynesburg she was Senior Vice President of Graduate Programs. Ms. Cummings holds a Bachelor of Arts degree in Communications and a Master of Business Administration degree from the University of Pittsburgh.

***Kimberly Farley, Deputy CEO (Chief Systems Officer).*** Ms. Farley joined Sound Transit in 2018 after more than 20 years of experience in strategic project delivery in both the public and private sectors. She has held key roles in delivering utility, technology, and transportation capital projects, including as CEO of the Volition Group, Vice President and Chief of Staff at the AES Corporation, Vice President at Pegasus Global Holdings, and ten years with the Washington State Department of Transportation. She has a degree in geological engineering from Western Washington University and a law degree from Seattle University.

***Tracy Butler, Chief Financial Officer.*** On August 23, 2021, Ms. Butler has announced her intention to leave Sound Transit, and the agency is conducting a search for her successor. Ms. Butler joined Sound Transit in 2007. She oversees all financial operations and planning, including management of cash, investments, debt, risk and forecasting. Prior to joining Sound Transit, she served as the Treasurer at Salem Hospital in Salem, Oregon, where she managed the investment of the general operating, construction, endowment, and retirement funds while also issuing 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. She is a Certified Treasury Professional and

holds a Master's 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.

***Desmond Brown, 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. He 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.

***Jeff Clark, Deputy Executive Director of Financial Operations/Controller.*** Mr. Clark joined Sound Transit in 2019. He manages financial operations, the investment portfolio and the debt program. He has over 20 years of experience in accounting and financial services across a number of industries. He is a CFA charterholder and a Certified Public Accountant, and he holds a Master's degree in Professional Accounting from Brigham Young University.

## **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, bus rapid transit, 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 four primary programs: HOV access improvements, transit centers, and park-and-ride lots to support a system of regional express buses ("ST Express"); bus rapid transit ("Stride"); 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 third phase of the System Plan ("Sound Transit 3") was approved by voters in November 2016. In the November 2016 election, approximately 54% of voters approved the proposition.

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 Bonds (unless waived by the TIFIA Lender) under the TIFIA Loan Agreements, as described under “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bonds.” The 2015S-2A Parity Bonds are secured by a gross pledge of the Pledged Taxes and, therefore, the security for the 2015S-2A 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 23 ST Express bus routes, 83 miles of Sounder Commuter Rail from Everett to Lakewood, 20 miles of Link light rail from the University of Washington to Angle Lake, south of the Seattle-Tacoma International Airport (the “Airport”), and 1.8 miles of Link light rail connecting downtown Tacoma with a regional transit center at the Tacoma Dome Station (“Tacoma Link Light Rail”). Subsequent to the adoption of Sound Move, Sound Transit revised and rescaled certain project elements so that these elements could be completed on time and on budget. Sound Transit completed the elements of the rescaled Sound Move plan on time.

**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 through 2023, including an additional 2.4 mile Light Rail extension in Tacoma (“Hilltop Tacoma Link Extension”). Subsequent to the adoption of Sound Transit 2, Sound Transit revised and rescaled certain project elements so that the rest of the plan could be completed on time and on budget. Sound Transit currently expects that Sound Transit 2 will be completed by 2034.

**Sound Transit 3.** In November 2016, voters approved Sound Transit 3 as a third phase of the System Plan to finance additional expansion of the light rail system, commuter rail, and regional express bus service, as well as expansion of the bus rapid transit system. Sound Transit 3 includes plans to expand the light rail system to 116 miles with over 70 stations, going north to Everett, south to Federal Way and Tacoma, east to downtown Redmond, south Kirkland, and Issaquah, and west to Ballard and West Seattle. Sound Transit 3 also includes plans to provide bus rapid transit in the corridors connecting Lynnwood to Burien via I-405 and SR 518 to serve cities on the east side, as well as Burien and Tukwila, and on SR 522 between Bothell and Shoreline, with service extending to Woodinville and connecting to the Link light rail, and plans to improve bus speed and reliability in certain corridors, and plans to expand Sounder commuter rail, including an extension to Joint Base Lewis-McChord and DuPont. When Sound Transit 2 and Sound Transit 3 are completed, Sound Transit will connect across 16 cities with Link light rail, 30 cities with bus rapid transit and/or ST Express service, and 12 cities with Sounder commuter rail.

The extensions of the Link light rail system to Federal Way and to downtown Redmond are scheduled to open in 2024; from Federal Way to Tacoma and from downtown to West Seattle in 2032; from Lynnwood to Everett by 2039; from downtown Seattle to Ballard by 2039; and from Kirkland to Issaquah by 2044. An extension of the Tacoma Link Light Rail system to Tacoma Community College is scheduled to open by 2041. The extension of the Sounder commuter rail to DuPont is scheduled for 2045.

Sound Transit 3 included a requirement that Sound Transit pay into a Puget Sound taxpayer accountability account a sales and use tax offset fee in the amount of 3.25% of the total payments made by Sound Transit to construction contractors for new projects included in Sound Transit 3 and any other system plan approved after January 1, 2015, a requirement which will continue until Sound Transit has paid \$518 million into such account. As of December 31, 2020, Sound Transit had paid \$8.5 million into the taxpayer accountability account. The DOR is to oversee the Puget Sound taxpayer accountability account, and after September 1, 2017, the money in that account is to be used by the Counties for educational services.

Sound Transit 3 also requires that, beginning within three years following voter approval of Sound Transit 3, Sound Transit contribute at least \$4 million a year for five consecutive years to a revolving loan fund to support the development of affordable housing opportunities related to equitable transit-oriented development within the District. As of June 30, 2021, Sound Transit has contributed \$12 million to the revolving loan fund. Sound Transit 3 also requires that Sound Transit offer surplus properties it deems suitable for housing for either transfer at no cost,

sale or long-term lease first to local governments, housing authorities and non-profit developers to develop affordable housing, regardless of when the surplus property was acquired. As of the date of this Official Statement, Sound Transit has offered 16 surplus properties for housing.

***Financial Plan and Realignment.*** Sound Transit maintains a Long-range Financial Plan (“LRFP”), which reflects long-term financial projections for the high-capacity transit system as approved by voters in 1996 for Sound Move, in 2008 for Sound Transit 2, and in 2016 for Sound Transit 3.

Sound Transit produces the LRFP in accordance with the Federal Transit Administration’s “Guidance for Transit Financial Plans.” The LRFP states and projects all sources and uses of funds for the period 1997-2060 with special focus on 2017-2046, the 30-year capital plan timeframe. It incorporates the most current proposed or Board-adopted budget and long-term projections of revenues and other financing sources, transit operating expenses and project expenditures.

At the heart of the LRFP is the financial projections model. This model incorporates all financial policies, assumptions, forecasts of sources, and program cost estimates needed to calculate cash flows, debt financing, and key performance indicators of the long-range planning horizon.

Coincidental to the COVID-19 pandemic and prompted much more significantly by increasing cost estimates for right of way acquisition and construction costs in the region, Sound Transit revised its capital program to ensure long term financial affordability. This process is referred to as “Realignment.” The goal of Realignment was to protect the affordability of the high-capacity transit program as approved by voters. While projects already under construction are not affected, necessary steps to protect affordability included delay of certain portions of the capital program.

Following 17 months of discussions with jurisdictions and stakeholders, the Board made Realignment decisions to fully restore the LRFP’s affordability. Resolution R2021-05 adopted by the Board in August 2021 approved the realigned capital program schedule that utilized these updated projections and approved a process for reviewing updated revenue and cost projections to allow the Board to revisit the realigned capital plan assumptions based on shifts in projected financial capacity and opportunities to expedite projects. Due to changes made via realignment, the projected completion of the capital program was extended from 2041 to 2046. See “COVID-19 PANDEMIC.”

In addition to identifying options to manage costs, Realignment entails the pursuit of additional federal grants and alternative revenue sources. More information on Realignment can be found at <https://www.soundtransit.org/system-expansion/realignment>.<sup>(1)</sup>

Table 9 provides a summary of the expected sources and uses for the Sound Transit capital program from 2017 through 2046, five years beyond the financial plans previously prepared by Sound Transit. The financial plan under Realignment projects \$80.1 billion in Pledged Taxes and \$12.3 billion in grant revenues in the years 2017 through 2046.

In accordance with State law, the amount of debt issued by Sound Transit cannot exceed 1.5% of the assessed valuation without voter approval of real property located within the District. See “DEBT CAPACITY.”

*The LRFP, Realignment decisions, and Table 9 include forecast information that is subject to a number of assumptions (including without limitations those noted above) as well as to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.*

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<sup>1</sup> This inactive textual reference to the Realignment information on Sound Transit’s website is not a hyperlink, and the website, by this reference, is not incorporated herein.

**TABLE 9**  
**FORECASTED SOURCES AND USES OF FUNDS, 2017-2046**  
(millions of year of expenditure dollars)

<b>Sources of Funds</b>	
Sound Transit Tax Revenues <sup>(1)</sup>	\$86,223
Grant Revenue – Federal/Local	12,273
Bond Proceeds	19,397
TIFIA Bond Proceeds	3,320
Fares and Other Revenues	9,360
Interest Earnings	836
Changes in Cash	87
<b>Total Sources</b>	<b><u><u>\$131,496</u></u></b>
<b>Uses of Funds</b>	
<b>Capital Expenditures</b>	
Sounder Commuter Rail	\$4,488
Link Light Rail	57,601
Tacoma Link	1,689
Regional Express Bus	1,004
Bus Rapid Transit	2,402
Service Delivery	146
System-wide Activities	1,461
<b>Total Capital Expenditures</b>	<b><u>68,791</u></b>
<b>O&amp;M Expenditures</b>	
Sounder Commuter Rail	3,318
Link Light Rail	17,557
Tacoma Link	925
Regional Express Bus	4,993
Bus Rapid Transit	1,833
System-wide Activities	3,959
<b>Total O&amp;M Expenditures</b>	<b><u>32,587</u></b>
State of Good Repair	8,950
Debt Service (Excludes TIFIA)	16,299
TIFIA Bond Debt Service	3,176
Contributions to Reserves	1,694
<b>Total Uses</b>	<b><u><u>\$131,496</u></u></b>

<sup>(1)</sup> Includes Property Tax, which is not pledged to the Parity Bonds or any other Prior or Parity Bonds outstanding.

Source: Sound Transit. Financial Plan as of August 2021 Realignment.

The map on the following page shows completed and proposed Sound Move, Sound Transit 2 and Sound Transit 3 projects.

# Sound Transit Future Service

**Link Trains**

**Future service:**

- 1 Line Ballard–Tacoma
- 2 Line Mariner–Redmond
- 3 Line Everett–West Seattle
- 4 Line South Kirkland–Issaquah
- T Line Tacoma Dome–Tacoma Community College

**In service:**

- Northgate–Angle Lake
- Tacoma Dome–Theater District

**Souder Trains**

**Future service:**

- S Line DuPont–Lakewood

**In service:**

- N Line Everett–Seattle
- S Line DuPont–Seattle

**Stride Buses**

**Future service:**

- S1 Line Bellevue–Burien
- S2 Line Lynnwood–Bellevue
- S3 Line Shoreline–Bothell

**ST Express Buses**

**In service:**

— Service re-evaluated annually

○ New station or bus facility  
 P Added parking  
 ⊕ Station improvements  
 ⊕ Major transfer hub  
 ○ Existing station or bus facility  
 P Existing parking  
 ○ Provisional light rail station

Amtrak Monorail  
 Ferry terminal Sea-Tac Airport  
 Greyhound Streetcar



## Transit Operations

**Introduction.** Sound Transit makes service available to 80% of the population of the Counties and had 46.9 million passenger boardings in 2019 and approximately 15.5 million passenger boardings in 2020. See “COVID-19 PANDEMIC.” ST Express bus service began in 1999 and currently has 23 routes. Sounder Commuter Rail began operations in 2000 and now operates 83 miles. 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. Light rail has been extended from downtown to the University of Washington with the opening of two new stations in March 2016 and has been extended south from the Airport with the opening of the Angle Lake light rail station in September 2016. Sound Transit has announced that service to and from its U District Station, Roosevelt Station and Northgate Station will begin October 2, 2021.

**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. Other agreements with BNSF for the operation of the Sounder commuter trains by BNSF between Seattle and Everett and allowing for an extension of service from Tacoma south to Lakewood, on railway owned by Sound Transit, continue in effect. In 2016, Sound Transit entered into an agreement with Amtrak for the maintenance of its Sounder Commuter Rail rolling stock. Sound Transit’s current operations contracts for ST Express buses are with Community Transit, King County Metro, and Pierce Transit. Effective in 2009, Sound Transit entered into an operations contract for King County Metro to operate Link light rail in King County. Sound Transit has also entered into an agreement with King County and the City of Seattle to provide for cost sharing with regard to the maintenance of and operation in the downtown Seattle transit tunnel (the “Downtown Tunnel”) in exchange for the right to use the Downtown Tunnel for light rail operations and to provide for the temporary continued joint use for Link light rail and bus service. Sound Transit’s ongoing obligations include reimbursement of costs and payment of a prescribed share of King County Department of Transportation debt service owed for the original construction of the Downtown Tunnel and sharing of costs for future capital repairs or replacements as they arise. Compensation under the agreement is calculated as reimbursement of certain King County Department of Transportation costs based on fixed percentages related to Sound Transit’s share of usage of the Downtown Tunnel. Upon extension of Link light rail service to Northgate Station, Sound Transit will become responsible for all of the debt service. If Sound Transit does not use King County as its light rail operator (other than for Tacoma Link Light Rail), Sound Transit may be required by King County to purchase the Downtown Tunnel to continue Link light rail operations.

**ST Express and Bus Rapid Transit.** Through its partner agencies, Sound Transit currently operates 23 ST Express bus routes in the Counties. ST Express bus ridership in 2020 was almost 6.3 million, compared to 17.5 million in 2019. ST Express buses carried almost 12,100 passengers each weekday in December 2020, compared to almost 52,500 passengers each weekday in December 2019. 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. 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 the cities of Redmond, Bellevue and Redmond, and the University of Washington.

Sound Transit 3 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, including for traffic signal and bus priority improvements and facilities used on certain bus rapid transit routes, particularly through Ballard and West Seattle during construction of the Link light rail in those areas, additional bus connections from East Pierce County to the Sumner Sounder station and along Pacific Avenue/SR7 in Pierce County, increased frequency of ST Express service between Lakewood and the Tacoma Dome, and construction of a park and ride facility in north Sammamish.

Sound Transit 3 also includes funding to provide bus rapid transit in two corridors either in principally exclusive right-of-way or in managed toll lanes. Sound Transit 3 will establish rapid bus transit service on the I-405 corridor from Lynnwood to the Tukwila Link light rail station, and from there to Burien via SR 518. Bus rapid transit service will also operate between Totem Lake and Bellevue and between Bellevue and Renton, with a new transit and parking garage to be constructed in Renton. Sound Transit 3 will also connect the bus rapid transit service on SR 522 with the Link light rail station at Shoreline on I-5 and Northeast 145th Street, as well as I-405 bus rapid transit service in Bothell with connections to Shoreline. Sound Transit 3 also includes capital improvements to certain intersections and parking areas along this corridor.

***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 12 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 13 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 2020 was 1.2 million, compared to 4.6 million in 2019. Sounder trains carried approximately 2,000 passengers each weekday in December 2020, compared to 17,100 passengers each weekday in December 2019.

Sound Transit 3 includes funding to extend Sounder Commuter Rail service during peak hours from Lakewood to new stations in Tillicum and DuPont, increasing access near Joint Base Lewis-McChord. Sound Transit 3 includes funding for additional improvements to increase system capacity and to improve service on the south line, including expanding platform size to accommodate more cars, allowing Sound Transit to run longer trains and carry more passengers, and track and signal upgrades and other related infrastructure improvements. Sound Transit 3 also includes funding for new parking and other access improvements at the Edmonds and Mukilteo stations on the north line.

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, 2020 AND 2019."

***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. The first phase was 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 initial segment costs. Service on the Seattle to Tukwila segment began in July 2009. The second phase, Tukwila to the Airport, opened in December 2009.

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 I-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 funded approximately 40% of the \$1.9 billion cost of building the line. Construction began in 2009, and operations began in March 2016. University Link opened six months ahead of schedule and approximately \$200 million under budget.

In September 2016, the Angle Lake Link Light Rail Station at South 200th Street opened, extending Link light rail south of the Airport Station. The project was completed \$40 million under budget and four years earlier than planned.

Link light rail ridership in 2020 was nearly 8 million, compared to approximately 25 million in 2019. Link light rail, excluding Tacoma Link Light Rail, carried approximately 16,300 passengers each weekday in December 2020, which fell by approximately 78% from December 2019.

Sound Transit 2 includes 36 new miles of light rail service to the north, east, and south. To the north, Sound Transit 2 includes extension of service from the University of Washington north to Northgate and then to Lynnwood, with seven stations. Service to the U District Station, Roosevelt Station and Northgate Station is expected to begin on October 2, 2021, with service to Lynnwood beginning in 2024. The Northgate Link TIFIA Bond was issued to finance a portion of the North Link extension to Northgate and the Lynnwood Link TIFIA Bond was issued to finance a portion of the North Link extension to Lynnwood.

To the east, light rail service from downtown Seattle across I-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 East Link TIFIA Bond was issued to finance a portion of the East Link Light Rail and HOV Expansion Project.

To the south, link light rail also is planned to continue from the Airport to the Federal Way Transit Center. Service to South 200th Street was accelerated, and the Angle Lake Station opened September 2016. Service to the Federal Way Transit Center is scheduled to open in 2024. The extension of service to the Federal Way Transit Center is expected to serve up to 36,500 daily riders by 2035. The Federal Way Link TIFIA Bond was issued to finance a portion of the Link extension to Federal Way.

Sound Transit 3 includes over 60 new miles of light rail service to the north, south, and east and in the central corridor, serving 37 new stations, four expanded stations, and two provisional stations. Sound Transit 3 includes extensions to downtown Everett, West Seattle, Ballard, throughout the east side (connecting Redmond, Bellevue, Kirkland, and Issaquah), and Tacoma.

The Downtown Redmond Link Extension adds two new light rail stations beyond the future Redmond Technology Center Station being built as part of the East Link Extension. This project was funded for construction as part of Sound Transit 3 and is expected to open in 2024. The Downtown Redmond Link TIFIA Bond was issued to finance a portion of the East Link extension to Downtown Redmond.

Tacoma Link Light Rail 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 2020 was approximately 439,200, compared to 937,000 in 2019. Tacoma Link Light Rail trains carried more than 900 passengers each weekday in December 2020, compared to 2,800 in December 2019. Sound Transit 2 also included funding for the Hilltop Tacoma Link Extension, which is currently in the pre-construction stage. The Hilltop Tacoma Link Extension received a \$75 million grant awarded

through the Federal Transit Administration (FTA) Small Starts program in May 2018. Sound Transit 3 also includes expanding the Tacoma Link to Tacoma Community College.

### **Environmental and Sustainability Management**

Sound Transit manages its sustainability efforts through a long-term Sustainability Plan, first adopted in 2011 and most recently updated in 2019, 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:

- Becoming the nation's first light rail system to run on 100% clean electricity.
- Maintaining an internationally certified (ISO 14001:2015) Environmental and Sustainability Management System to be accountable for controlling any environmental impacts, maintaining environmental compliance, and demonstrating improvements in performance.
- Initiating the Sound Transit Efficiency and Sustainability Fund.
- Broadening the annual Sustainability Report to include social and economic metrics.
- Formalizing a resource conservation program, with demonstrated annual sustainability cost avoidance projects totaling over \$1 million annually.
- Receiving Platinum Recognition (the highest ranking) from the American Public Transportation Association 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.
- Integrating sustainable infrastructure and design principles into Sound Transit 2 and Sound Transit 3.

Under Sound Transit 3, Sound Transit will implement its sustainability plan goals and integrate sustainability approaches into all aspects of its activities, consistent with Board-adopted policy. Sound Transit 3 re-affirmed that its ongoing sustainability efforts include:

- A commitment to implementing green building and infrastructure at the project level.
- System-wide focus on greenhouse gas emissions and pollution reduction, fleet efficiency, energy efficiency, carbon neutrality for electricity, onsite renewable energy production, green procurement for products and services, and climate resilience.

Sound Transit works to reduce the region's environmental footprint by increasing transit ridership and efficiency, providing nearly 48 million rides in 2019, using fewer natural resources to move each passenger. Sound Transit saved greenhouse gas emissions throughout the region were estimated to be 392,000 tons of greenhouse gas emissions in 2019.

### **Labor Relations**

As of June 30, 2021, Sound Transit employed 1,115 permanent employees. Sound Transit currently has 10 employees represented by the Amalgamated Transit Union, Local 758 AFL-CIO. This contract is effective through September 30, 2023. In addition, Sound Transit currently has 14 employees represented by the International Brotherhood of Electrical Workers, Local 46. This contract is effective through December 31, 2023. 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 Empower 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 2020, the employer contribution rate was 12% (\$15.2 million) and the employee contribution rate was 10% (\$12.7 million) on covered payroll of \$126.7 million. In 2019, the employer contribution rate was 12% (\$13.4 million) and the employee contribution rate was 10% (\$11.2 million) on covered payroll of \$111.8 million.

See Note 11 in Appendix A – “AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.”

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 region, including agency operations, rail operations, and capital development construction projects, 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 Sound Transit’s agency operation exposures, a commercial insurance program has been put into place to provide first-level coverage for property, primary, and excess general liability, commercial auto, cyber, terrorism, premises pollution, public officials and employment practices, crime and fidelity, and fiduciary liability, to provide protections from these risks and exposures.

For Sound Transit’s rail operations exposures, a commercial insurance program has been put in place that provides primary rail and excess rail liability, as well as property – rolling stock insurance coverage.

For Sound Transit’s express bus operations exposures, 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.

For certain larger capital development construction projects, Sound Transit utilizes owner controlled insurance programs (“OCIPs”) to address general liability, builders risk, and contractors’ pollution liability claims related to project construction carried out by Sound Transit’s third-party contractors, as well as professional liability coverage extending through December 31, 2019, for Central Link and University Link OCIPs.

Sound Transit’s first OCIP was secured in 2001, for construction of the Central Link light rail project, and subsequently amended to include the Airport Link light rail extension. Coverage for the Central Link OCIP is now expired, with the exception of professional liability, which provides coverage for final design through December 31, 2019.

Sound Transit secured a second OCIP in October 2008 for the University Link light rail extension project with coverage provided from October 20, 2008, through March 19, 2016. On-going operations coverage is now expired,

but the University Link light rail extension OCIP provides six years of completed operations coverage, which will expire March 19, 2022.

Sound Transit's third OCIP was secured in December 2012 for the North Link light rail extension project with coverage provided from December 31, 2012, through December 31, 2021, and includes six years of completed operations coverage, which will expire December 31, 2027.

While Sound Transit is directly responsible for payment of the OCIP deductibles to the insurers, it has further transferred its risk of loss through its construction contracts, requiring contractors covered by these programs to be responsible for 100% of the deductible on general liability and pollution liability claims (\$100,000 and \$250,000, respectively) and the first \$250,000 of a \$500,000 deductible for builders risk losses.

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.

See Note 9 in Appendix A – “AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.”

### **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. Sound Transit's practice is to 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. As of December 31, 2020, Sound Transit has an operating and contingency reserve of approximately \$91.2 million and a capital replacement reserve of approximately \$347.7 million. Sound Transit also maintains construction contingency funds. 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 its 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 provides a multi-year capital and operating projects plan in the Transit Improvement Plan (“TIP”). The TIP contains project-by-project summaries for all active projects including Board-authorized cost information by project phase, life-to-date costs, annual spending forecasts for the upcoming six years, and summarized costs for years beyond this six-year period. The scope, budget-year activities, increase to the authorized project allocation over the prior year, and project risk information is also provided for each project. The Board-adopted budget policies require Board adoption before the start of each Fiscal Year and require a two-thirds affirmative vote of the full Board. The budget for 2021 was adopted by the Board on December 17, 2020.

Sound Transit's financial system and reporting tools allow management to monitor activity as needed. Monthly reports are produced for internal distribution and quarterly financial reports and progress reports are produced 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 the full Board.

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 the full Board.

## **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, 2020 AND 2019" 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, 2020 and 2019, including the accompanying notes, are included as Appendix A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019." Sound Transit has not requested that its independent auditor provide consent for inclusion in this Remarketing Memorandum of its report included in Appendix A. Sound Transit's independent auditor has not been engaged to perform and has not performed, since the date of its report included 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 Remarketing Memorandum. 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 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 2019, reported no findings.

## **Investments**

**Permitted Investments.** Washington law limits the investment of public funds by local governments to the following authorized instruments: (i) bonds of the State or any local government in the State, (ii) general obligation bonds of any other state or local government thereof which have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, (iii) registered warrants of a local government in the same county as the local government making the investment, (iv) obligations of the United States government, its agencies and wholly owned corporations, or obligations issued or guaranteed by supranational institutions, provided, that at the time of investment, the United States government must be the largest shareholder of such institution, (v) obligations of the Federal Home Loan Bank, Fannie Mae and other government-sponsored enterprises, (vi) bankers' acceptances, (vii) commercial paper, subject to State Investment Board policies, and (viii) corporate notes, subject to State Investment Board policies. 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, 2020 AND 2019."

**Local Government Investment Pool.** The State Treasurer’s Office administers the Local Government Investment Pool (the “LGIP”), with an ending fund balance of \$24.5 billion (as of May 31, 2021 ) that invests money on behalf of more than 630 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 United States 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 an average asset balance of more than \$7.9 billion during 2020. As of March 31, 2021, the balance in the Investment Pool was \$7.5 billion.

As of July 31, 2021, Sound Transit funds were invested as follows:

**TABLE 10**  
**RESTRICTED AND UNRESTRICTED INVESTMENTS**  
**(As of July 31, 2021)<sup>(1)</sup>**

Type	Amount (\$000s)
Cash and Cash Equivalents	\$ 677,091
Investments	845,823
Restricted Funds	698,516
Total	\$ 2,221,430

<sup>(1)</sup> Includes approximately \$960 million applied to defease the Defeased Bonds on October 1, 2021.

<sup>(2)</sup> 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.

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 Internal Revenue Code of 1986, as amended, 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 2027. As a result of sequestration, the credits payable to Sound Transit were reduced in 2020 by \$410,000 (reflecting the 2020 sequestration rate of 5.9%).

## **Leases**

Sound Transit, as lessee, has entered into various leases for office space, parking, land, storage and equipment with lease terms expiring between 2021 and 2050, with some leases containing options to renew. Minimum lease payments, excluding lease-leaseback obligations, range between \$14.3 million in 2021 to \$1.9 million in 2050 in total for payments from 2046-2050. As lessee, Sound Transit recognized \$15.5 million of amortization expense and \$4.3 million of interest expense for the year ended December 31, 2020. See Note 5 in Appendix A – “AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.”

## **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 2016 through 2020, which are on an accrual basis. Additional information that may interpret, clarify, or modify the summary set forth in Table 11 may be contained in the complete audited financial statements of the Sound Transit, including the accompanying footnotes. See Appendix A – “AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019” AND “COVID-19 PANDEMIC.”

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

	Audited				
	2016	2017	2018	2019	2020
<b>Operating revenues</b>					
Passenger fares	\$ 80,563	\$ 90,339	\$ 96,018	\$ 97,101	\$ 30,758
Other operating revenue	5,934	6,183	6,969	8,258	7,312
<b>Total operating revenues</b>	<b>\$ 86,497</b>	<b>\$ 96,522</b>	<b>\$ 102,987</b>	<b>\$ 105,359</b>	<b>\$ 38,070</b>
<b>Operating expenses</b>					
Operations and maintenance	\$ 251,169	\$ 271,230	\$ 309,716	\$ 335,594	\$ 332,332
Agency administration	8,180	10,678	14,095	16,022	15,090
Fare and regional planning	12,210	7,269	10,312	8,674	13,129
Depreciation, amortization and accretion	136,748	160,428	167,055	186,324	197,375
<b>Total operating expenses</b>	<b>\$ 408,307</b>	<b>\$ 449,605</b>	<b>\$ 501,178</b>	<b>\$ 546,614</b>	<b>\$ 557,926</b>
<b>Loss from operations</b>	<b>\$ (321,810)</b>	<b>\$ (353,083)</b>	<b>\$ (398,191)</b>	<b>\$ (441,255)</b>	<b>\$ (519,856)</b>
<b>Non-operating revenues (expenses)</b>					
Sales Tax <sup>(1)</sup>	\$ 749,735	\$ 1,119,720	\$ 1,337,601	\$ 1,415,704	\$ 1,324,465
Motor Vehicle Excise Tax <sup>(2)</sup>	85,515	280,382	338,538	345,757	361,749
Property Tax	–	140,869	146,284	150,310	155,306
Rental Car Tax	3,506	3,548	3,802	3,792	1,880
Investment income (loss)	12,630	16,897	37,801	70,246	45,280
Other revenues	29,762	18,509	20,079	66,301	209,594
Capital contributions to other governments <sup>(3)</sup>	(4,722)	(279,282)	(24,483)	(33,689)	(21,655)
Interest expense	(1,772)	(15,640)	(6)	(100,500)	(100,149)
Other expenses	(9,864)	(9,360)	(7,167)	(16,220)	(25,770)
Gain (loss) on disposal of assets	2,011	(371)	–	(12,144)	(934)
Impaired projects	–	(1,919)	(14)	–	(3,976)
<b>Total non-operating revenues, net</b>	<b>\$ 866,801</b>	<b>\$ 1,273,353</b>	<b>\$ 1,848,314</b>	<b>\$ 1,889,557</b>	<b>\$ 1,934,798</b>
<b>Income before capital contributions</b>	<b>\$ 544,991</b>	<b>\$ 920,270</b>	<b>\$ 1,450,123</b>	<b>\$ 1,448,302</b>	<b>\$ 1,414,942</b>
Federal capital contributions	142,616	77,424	156,370	215,956	411,562
State and local capital contributions	60,052	294,508	77,937	44,493	20,280
<b>Total capital contributions</b>	<b>\$ 202,668</b>	<b>\$ 371,932</b>	<b>\$ 234,307</b>	<b>\$ 260,449</b>	<b>\$ 431,842</b>
<b>Change in net position</b>	<b>\$ 747,659</b>	<b>\$ 1,292,202</b>	<b>\$ 1,684,430</b>	<b>\$ 1,708,751</b>	<b>\$ 1,846,784</b>
<b>Total net position, beginning of year</b>	<b>\$ 6,573,099</b>	<b>\$ 7,320,758</b>	<b>\$ 8,612,960</b>	<b>\$10,297,390</b>	<b>\$12,016,310</b>
Cumulative adjustment for adoption of GASB 87	–	–	–	10,169	–
<b>Total net position, end of year</b>	<b>\$ 7,320,758</b>	<b>\$ 8,612,960</b>	<b>\$10,297,390</b>	<b>\$12,016,310</b>	<b>\$13,863,094</b>

<sup>(1)</sup> The Sales Tax was imposed at the rate of 0.9% until April 1, 2017, when the rate was increased to 1.4%. See “SOUND TRANSIT TAXES – Sales Tax.”

<sup>(2)</sup> The Motor Vehicle Tax was imposed at the rate of 0.3% until March 1, 2017, when the rate was increased to 1.1%. Under current law, Sound Transit does not have authority to impose the 1996 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. See “SOUND TRANSIT TAXES – Motor Vehicle Tax.”

<sup>(3)</sup> Pursuant to capital funding agreements, Sound Transit provides funding to or constructed assets for various governments or their subsidiaries for transit-related capital improvements.

Source: Sound Transit.

## CERTAIN INVESTMENT CONSIDERATIONS

*Prospective purchasers of the 2015S-2A Parity Bonds should consider the matters set forth below as well as other information contained in this Remarketing Memorandum in evaluating an investment in the 2015S-2A Parity Bonds. This section does not purport to be a comprehensive list or description of all potential risks which, if realized, could adversely affect the payment or the value of the 2015S-2A Parity Bonds. The order of presentation of these factors below is not intended to create any implication as to the relative importance of any one risk factor over another.*

### **Economic Activity**

Pledged Taxes (which include Sales Tax, 1996 Motor Vehicle Tax, ST3 Motor Vehicle Tax, and Rental Car Tax) are affected by economic activity and, particularly in the case of the Rental Car Tax, tourism activity. The COVID-19 pandemic has negatively affected economic activity including tourism activity. See “COVID-19 PANDEMIC.” Any future slowdown or decrease in the level of economic activity in the region is likely to result in slowed growth or a reduction in Pledged Taxes. There can be no assurance that a future recession, pandemic or other significant local or national events will not again have a materially negative impact on Pledged Taxes.

### **Public Health**

The impact that the COVID-19 pandemic is having and will have on commerce, financial markets, Sound Transit and the Puget Sound region is significant, and the nature of the impact is likely to evolve over the next several years. Sound Transit has provided the information contained in this Remarketing Memorandum to describe current impacts that the COVID-19 pandemic and related emergency orders have had on Sound Transit’s finances and operations, and to describe some of the actions that Sound Transit is taking in response. Other public health emergencies, including other global pandemics, may occur. Sound Transit cannot predict the duration and extent of the COVID-19 public health emergency or the occurrence of future public health emergencies or quantify the magnitude of the impact on Sound Transit and the regional economy or on the other revenues and expenses of Sound Transit. The COVID-19 outbreak is ongoing, and its dynamic nature leads to uncertainties, including (i) the geographic spread of the virus and its variants and the emergence of new variants; (ii) the severity of the disease; (iii) the duration of the outbreak; (iv) actions that governmental authorities may take to contain or mitigate the outbreak; (v) the development, efficacy and distribution of medical therapeutics and vaccinations, vaccination rates, and the efficacy of therapeutics and vaccines to emerged and new variants; (vi) additional or changed travel restrictions; (vii) the impact of the outbreak on the local or global economy or on public transit specifically; (viii) whether and to what extent the Governor may order additional public health measures; (ix) restoration of public perception of the safety and necessity of public transit for personal and business needs; and (x) the impact of the outbreak and actions taken in response to the outbreak on Sound Transit revenues, expenses and financial condition. Prospective investors should assume that the restrictions and limitations instituted related to COVID-19 may continue or be reinstated, that the current upheaval to the national and global economies and financial markets may continue and/or be exacerbated, at least over the near term, and that the recovery may be prolonged. Additional pandemics, and other public health emergencies, may occur and may occur with greater frequency and intensity given trends in globalization.

### **Initiative and Referendum; Legislation**

Under the State Constitution, the State’s voters have the ability to initiate legislation and to modify existing legislation through the powers of initiative and referendum. Initiatives and referenda can be submitted to the voters (if an initiative to the people) or to the State Legislature (if an initiative to the State Legislature) each November upon receipt of a petition signed by at least 8% (initiatives) or 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 most recent election held in November 2020.

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, there have been initiatives to the State Legislature and to the voters, and 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 1996 Motor Vehicle Tax and the ST3 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. Sound Transit cannot predict whether any initiatives or referenda affecting Sound Transit will qualify to be submitted to the State's voters or, if submitted, will be approved, and if approved, upheld by the State's courts if challenged.

The State Legislature has considered several measures that would affect Sound Transit's tax revenues, including measures regarding Motor Vehicle Excise Tax valuation schedules. Additional legislation may be introduced in future legislative sessions, but Sound Transit cannot predict whether any such legislation will be passed, the financial impact of any legislation that may be passed, the financial impact of any legislation passed to mitigate such impacts, or the resulting impact of any legislation on debt issuance and project implementation.

### **Limitations on Remedies**

Any remedies available to the Owners of the 2015S-2A 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 2015S-2A Parity Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the Owners of the 2015S-2A 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 2015S-2A 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 that have been delivered by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, concurrently with the original issuance of the 2015S-2A Parity Bonds, are subject to limitations regarding bankruptcy, insolvency, and other laws relating to or affecting creditors' rights. A complete copy of the Original Bond Counsel Opinion is included in Appendix E.

### **No Acceleration**

The 2015S-2A Parity Bonds are not subject to acceleration upon the occurrence of a default. Sound Transit is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal of or interest on 2015S-2A Parity Bonds, the owners would be required to bring a separate action for each such payment not made. This could give rise to a difference in interests between owners of earlier and later maturing 2015S-2A Parity Bonds.

### **Capital Plan Risk**

Sound Transit's capital plan is based on current cost and timing estimates, which include some allowance for contingencies. The actual cost and schedule are subject to change and may result in significantly higher costs than currently estimated. See "SOUND TRANSIT – Financial Plan and Realignment." The funding sources for the capital plan assume successful pursuit of additional federal grants and alternative revenue sources as well as recovery and growth in Pledged Taxes, and Pledged Taxes are dependent on economic activity including as described above under "—Economic Activity." For Sound Transit to implement its current financial plan without obtaining voter approval of indebtedness, the assessed value of taxable property within the District will have to grow sufficiently for the amount of debt to be issued by Sound Transit in the coming years to remain below the nonvoted legal debt limitation. There is no guarantee that the assumptions underlying the funding sources for the capital plan will be realized or that the capital plan will be completed within budget contingencies and on current schedule. The cost of the capital plan could be affected by increased real estate acquisition costs and increased construction costs from contractor and sub-contractors claims relating to delay.

## **Municipal Bankruptcies**

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 a 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. The definition of “special revenues” includes “special excise taxes imposed on particular activities or transactions” and 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 of the Pledged Taxes may be 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.

The Bankruptcy Code provides that “special revenues” can be applied to necessary operating expenses of the project or system before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. It is not clear precisely which expenses would constitute necessary operating expenses. 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 2015S-2A Parity Bonds would not be entitled to any special priority to such proceeds and could be treated as general unsecured creditors of Sound Transit.

There can be no assurance that a bankruptcy court would order Sound Transit to apply Pledged Taxes to payment of the Prior Bonds or the Parity Bonds, including the 2015S-2A Parity Bonds.

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 2015S-2A 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 2015S-2A Parity Bonds could be time consuming. Substantial delays or reductions in payments to the Owners of the 2015S-2A 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.

## **Seismic, Volcanic, and Other Natural Disasters**

Sound Transit operates, and its facilities are located, in an area of seismic activity, with frequent small earthquakes and occasionally moderate and larger earthquakes. Certain soil types and property in certain areas of the District could become subject to liquefaction (the transformation of soil from a solid state to a liquid state) following a major earthquake, to landslides caused by an earthquake, and to ongoing shaking that could follow a major earthquake. The District contains identified geologic faults. In addition to various faults, the State is within the Cascadia subduction zone, a fault beneath the Pacific Ocean, which produced a giant earthquake several hundred years ago and is thought to be capable of causing extensive damage if another such earthquake occurs. The most recent notable earthquake in the State, which measured 6.8 on the Richter Scale, occurred in the Puget Sound area in 2001. The District could also experience the effects of a tsunami following a major earthquake on the West Coast or in areas outside the United States.

Mount Rainier National Park is approximately 65 miles from Seattle. Mount Rainer is a dormant volcano having glacier ice that exceeds that of any other mountain in the coterminous United States and poses a variety of geologic hazards, including the potential for future eruptions. The recorded history (about 200 years) of Mount Rainier

includes one or two small eruptions, several small debris avalanches, and many small lahars (debris flows originating on a volcano consisting of water, ice, soils, and/or downed trees and other debris). A future major eruption could result in pyroclastic flows, ballistic projectiles, and lava flows closer to the mountain, and could result in very large lahars that could travel at high rates of speed as far as the District and into the Puget Sound. Such lahars could cause catastrophic damage to the area within the District.

The Cascade Range in Western Washington includes other volcanoes. Mount St. Helens, approximately 90 miles from Seattle, erupted in 1980. Other natural disasters, including mudslides, wildfires, floods, windstorms, drought, and avalanches are possible. Much of the State experienced drought conditions in 2015 and 2018 and is again experiencing drought conditions in 2021. The State has experienced a number of large wildfire seasons during the past decade.

Sound Transit can give no assurance regarding the effect of an earthquake or other natural disaster, that Pledged Taxes would not be materially adversely affected by any corresponding halt in economic activity, or that proceeds of insurance carried by Sound Transit would be sufficient, or available, to rebuild and reopen Sound Transit facilities in a timely manner following a major earthquake or other natural disaster.

### **Laws and Regulation; Federal Funding**

Sound Transit is subject to federal, State, and local laws and regulations. Failure by Sound Transit (or by its contractors or tenants) to comply with, or violations of, statutory and regulatory requirements could result in defaults under agreements including the TIFIA Loan Agreements, loss of grant funds and in other consequences. These statutory and regulatory requirements are subject to change and could become more stringent and costly for Sound Transit and its contractors and tenants. For example, statutory or regulatory requirements limiting emissions or otherwise addressing climate change could be implemented or increased.

Sound Transit receives federal grant funding. In addition to Federal Transit Administration funding, Sound Transit received funds under the CARES Act, the CRRSAA, and ARP in federal COVID-19 relief funding. See “COVID-19 PANDEMIC.” These and other federal grant funds, and their permissible uses, may be impacted by federal legislative and executive actions, including guidance provided periodically, which may have retroactive effect. Federal funding also is subject to grant conditions, federal regulations, audit and review for compliance with these requirements. Funds may be subject to recoupment in the event of noncompliance. Budgetary acts, including sequestration, could continue to affect the availability of certain federal grant funds.

### **Climate Change and Sustainability**

There are potential risks to Sound Transit associated with long-term changes in climate and associated changes in the frequency, timing, and severity of extreme weather events. Expected impacts include sea level rise, more intense heavy rain events, more intense summer heat events, lower and warmer summer streamflows, ocean acidification, and an increased risk of flooding, drought, landslides, and forest fires. Sound Transit has been recognized for its leadership on sustainability efforts. See “SOUND TRANSIT — Environmental and Sustainability Management.” Sound Transit can, however, give no assurance regarding the effect of long-term changes in climate and associated changes in the frequency, timing, and severity of extreme weather events on Sound Transit, including economic activity within the District.

In connection with the issuance of the 2015 Parity Bonds, Sound Transit previously designated the 2015S-2A Parity Bonds as Green Bonds consistent with the 2015 edition of the *Green Bond Principles* published by the International Capital Market Association. No updated opinion or verification has been provided in connection with the remarketing of the 2015S-2A Parity Bonds. *No representation is made as to the suitability of any 2015S-2A Parity Bonds to fulfill environmental, sustainability or social bond criteria required by prospective investors.* In particular, no assurance is given by Sound Transit or the Remarketing Agent that the use of 2015S-2A Parity Bond proceeds will satisfy, in whole or in part, any present or future investor expectations or requirements as to any investment criteria or guidelines with such investor or its investments are required to comply, whether by any present or future applicable law or regulations, or by its own by-laws or other governing rules or investment portfolio mandates.

## Cybersecurity

Sound Transit relies on technology to conduct its operations. Sound Transit has invested in cybersecurity protections in recent years that include technology tools. Notwithstanding these and other cybersecurity measures, a cybersecurity breach could damage Sound Transit systems and cause material disruption to operations and services. The cost to remedy such damage or protect against future attacks could be substantial. Security breaches could expose Sound Transit to litigation and other legal risks, which could cause Sound Transit to incur costs related to legal or regulatory claims. Sound Transit maintains cyber liability insurance to help offset these financial risks.

## 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, these matters will not have a material effect on Sound Transit's ability to pay debt service on the 2015S-2A Parity Bonds when due.

Sound Transit's programs and taxes have been legally challenged from time to time. Sound Transit is currently a party in *Joshua Penner, et al v. Central Puget Sound Regional Transit Authority, et al* ("Penner") in which the Plaintiffs are challenging the valuation schedule used to collect its Motor Vehicle Tax. *Penner* is the third suit in a series of cases in which the complainants have challenged the statutory valuation scheme used to assess the Motor Vehicle Tax under the same or related theories of Washington constitutional law. Sound Transit views the claims raised in *Penner* as without merit and has already prevailed on the substantive claims being raised by the *Penner* Plaintiffs in prior suits at both the trial court level and the Washington Supreme Court. Throughout its existence Sound Transit has successfully litigated multiple attempts to invalidate or repeal both the 1996 Motor Vehicle Tax and ST3 Motor Vehicle Tax. These challenges have arisen both after attempts to directly repeal the Motor Vehicle Tax through the initiative process and as constitutional challenges to validly enacted legislation. Sound Transit's authority to levy and collect the Motor Vehicle Tax has never been negatively impacted by legislation, initiative, or litigation. Throughout Sound Transit's history, the Washington Supreme Court has repeatedly held – as recently as 2020 – that Sound Transit may continue assessing and collecting the Motor Vehicle Tax so long as any bonds to which the tax is pledged remain outstanding.

There is no other action, suit or proceeding known to be pending or threatened, restraining or enjoining the remarketing of the 2015S-2A Parity Bonds or in any way contesting the validity of the 2015S-2A Parity Bonds or any proceedings of Sound Transit taken with respect to the issuance, sale, or remarketing thereof, or the power of Sound Transit to collect any of the Pledged Taxes as described in this Remarketing Memorandum.

## TAX MATTERS

On September 10, 2015, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Sound Transit, delivered its opinion that 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 2015S-2A 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 was of the further opinion that interest on the 2015S-2A Parity Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the opinion of Bond Counsel concerning the 2015S-2A Parity Bonds rendered on September 10, 2015 (the "Original Bond Counsel Opinion") is included in Appendix E. *Such opinion spoke only as of the date of original issuance of the 2015S-2A Parity Bonds and will not be reissued.* Effective for tax years beginning after December 31, 2017, the corporate alternative minimum tax has been repealed.

In connection with the Conversion of the 2015S-2A Parity Bonds, Bond Counsel will deliver an opinion to the effect that, among other things, the Conversion of the 2015S-2A Parity Bonds will not, in and of itself, cause the interest on the 2015S-2A Parity Bonds to be includable in gross income for federal income tax purposes (the "Conversion Opinion"). The Conversion Opinion is expressly limited to such matters. Bond Counsel has not reviewed, and has not been requested to review, any events other than those described above that have occurred since issuance of the

2015S-2A Parity Bonds, other than certain prior modifications to the Parity Bond Master Resolution, and expresses no opinion with respect thereto. A complete copy of the proposed form of Conversion Opinion is included in Appendix E. Bond Counsel has not and will not render any opinion on the current status for tax purposes of interest on the 2015S-2A Parity Bonds.

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 2015S-2A 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 2015S-2A 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 2015S-2A Parity Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2015S-2A Parity Bonds. The Original Bond Counsel Opinion assumed the accuracy of these representations and compliance with these covenants. Other than the Conversion of the Bonds described herein, 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 2015S-2A Parity Bonds may adversely affect the value of, or the tax status of interest on, the 2015S-2A Parity Bonds. Accordingly, the Original Bond Counsel Opinion is not intended to and may not be relied upon in connection with any such actions, events, or matters.

Although the Original Bond Counsel Opinion stated that interest on the 2015S-2A 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 2015S-2A 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 has expressed and will express 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 2015S-2A 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. 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 2015S-2A Parity Bonds. Prospective purchasers of the 2015S-2A 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 has expressed and will express no opinion.

The Original Bond Counsel Opinion was based on legal authority as of September 10, 2015, covered certain matters not directly addressed by such authorities, and represented Bond Counsel's judgment as to the proper treatment of the 2015S-2A Parity Bonds for federal income tax purposes. Neither the Original Bond Counsel Opinion nor the Conversion Opinion is or will be 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 activities of Sound Transit after the date on which the Original Bond Counsel Opinion was delivered, nor has Bond Counsel given any opinion or assurance about the effect of changes in the Code, the applicable regulations, the interpretation thereof, or the enforcement thereof by the IRS after the date on which the Original Bond Counsel Opinion was delivered.

Unless separately engaged, Bond Counsel is not obligated to defend Sound Transit or the Beneficial Owners regarding the tax-exempt status of the 2015S-2A 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 2015S-2A 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 2015S-2A 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 has undertaken for the benefit of holders of the 2015S-2A 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 (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 copy of Sound Transit’s undertaking to provide continuing disclosure is included as Appendix C – “CONTINUING DISCLOSURE CERTIFICATE.”

## **LEGAL MATTERS**

Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Sound Transit, in connection with the remarketing of the 2015 S-2A Parity Bonds. Complete copies of the Original Bond Counsel Opinion and proposed form of Conversion Opinion are included as Appendix E. See “ADVISORS AND CONSULTANTS – Bond Counsel.” Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Remarketing Memorandum.

Certain legal matters will be passed upon for Sound Transit by General Counsel to Sound Transit, and by Pacifica Law Group LLP, Disclosure Counsel to Sound Transit. See “ADVISORS AND CONSULTANTS – Disclosure Counsel.” Certain legal matters will be passed upon for the Remarketing Agent by its counsel, Foster Garvey PC. Any opinion of Foster Garvey PC will be rendered solely to the Remarketing Agent, will be limited in scope and cannot be relied upon by investors. Foster Garvey PC represents Sound Transit on matters other than the remarketing of the 2015S-2A Parity Bonds including as bond counsel to Sound Transit on the TIFIA Loan Agreements and bond counsel and disclosure counsel to Sound Transit on other matters, including as disclosure counsel to Sound Transit in connection with the issuance and prior remarketing of the 2015S-2A Parity Bonds.

## **RATINGS**

Moody’s Investors Service, Inc., and S&P Global Ratings have assigned their municipal bond ratings of “Aa1” and “AAA,” respectively, to the 2015S-2A Parity Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the 2015S-2A 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 S&P Global Ratings, 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 can be no assurance that such ratings will continue for any given period of time or that they will not be revised downward, suspended, or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such revision, suspension, or withdrawal of any such rating may have an adverse effect on the market price and marketability of the 2015S-2A Parity Bonds.

## **REMARKETING AGENT**

The 2015S-2A Parity Bonds are being remarketed by Citigroup Global Markets, Inc. and J.P. Morgan Securities LLC (together, the “Remarketing Agent”), selected by Sound Transit pursuant to a request for proposal process. The Remarketing Agent is a full-service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing, and brokerage activities. The Remarketing Agent and its 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 Remarketing Agent and its 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 accounts 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.



J.P. Morgan Securities LLC (“JPMS”), one of the Remarketing Agents of the 2015S-2A Parity Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of 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 Series 2015S-2A Parity Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2015S-2A Parity Bonds that such firm sells.

#### ADVISORS AND CONSULTANTS

**Bond Registrar.** Sound Transit has appointed the fiscal agent of the State as the Bond Registrar for the 2015S-2A 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, and was extended effective November 13, 2018. U.S. Bank National Association currently serves in this capacity. For so long as the 2015S-2A Parity Bonds are held by DTC in the book-entry system, the beneficial owners of the 2015S-2A Parity Bonds must transfer their ownership interests, and will receive payments on the 2015S-2A Parity Bonds, in the manner described in Appendix F – “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 for the remarketing of the 2015S-2A Parity Bonds pursuant to a request for proposal process. Bond Counsel has been retained to provide additional legal services to Sound Transit. Sound Transit does not believe such additional representation of Sound Transit has impeded the ability of Bond Counsel to render independent judgment regarding the 2015S-2A Parity Bonds. From time to time Bond Counsel represents the Remarketing Agent on matters unrelated to Sound Transit or to the 2015S-2A Parity Bonds, and in 2009 and 2012 represented underwriters in connection with the issuance of certain Outstanding Parity Bonds and certain Outstanding Prior Bonds.

**Disclosure Counsel.** Pacifica Law Group LLP, Seattle, Washington (“Disclosure Counsel”), was selected to serve as Sound Transit’s disclosure counsel for the remarketing of the 2015S-2A Parity Bonds pursuant to a request for proposal process. 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 remarketing of the 2015S-2A Parity Bonds. From time to time Disclosure Counsel represents the Remarketing Agent on matters unrelated to Sound Transit or to the 2015S-2A Parity Bonds, and in 2015, 2016, and 2018 represented underwriters and the remarketing agent in connection with the issuance and remarketing of certain Outstanding Parity Bonds, including the 2015S-2A Parity Bonds.

**Municipal Advisor.** Piper Sandler & Co. was selected to serve as municipal advisor to Sound Transit in conjunction with the remarketing of the 2015S-2A Parity Bonds pursuant to a request for proposal process. The municipal advisor has not audited, authenticated or otherwise verified the information set forth in this Remarketing Memorandum 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 municipal advisor respecting the accuracy and completeness of this Remarketing Memorandum or any other matter related to this Remarketing Memorandum.

**Independent Auditor.** The financial statements of Sound Transit as of and for the fiscal year ended December 31, 2020, included herein as Appendix A, have been audited by Moss Adams LLP, independent auditors, as stated in its report appearing therein. Sound Transit has not requested that Moss Adams LLP provide permission for inclusion of its report on the audited financial statements included in this Official Statement, and Moss Adams LLP has not performed, since the date of its report included therein, any procedures on the financial statements addressed in that report. Further, Moss Adams LLP has not participated in any way in the preparation or review of this Official Statement.

#### 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.

This Remarketing Memorandum is not to be construed as a contract or agreement between Sound Transit and the Owners of any of the 2015S-2A Parity Bonds. Section headings, table headings and captions are included for convenience only and should not be construed as modifying the text of this Remarketing Memorandum.

The delivery of this Remarketing Memorandum has been duly authorized by Sound Transit.

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

***Financial Statements and Independent  
Auditors' Report for the Years Ended  
December 31, 2020 and 2019***

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The financial statements of the Central Puget Sound Regional Transit Authority (Sound Transit or the agency) 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 2020 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.



Peter M. Rogoff  
*Chief Executive Officer*



Tracy Butler  
*Chief Financial Officer*



Jeff Clark  
*Deputy Executive Director  
Financial Operations*

## **Report of Independent Auditors**

Finance and Audit Committee  
Central Puget Sound Regional Transit Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Central Puget Sound Regional Transit Authority (Sound Transit), which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

### ***Auditor's 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 auditor's 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, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 of the financial statements, Sound Transit adopted the provisions of GASB Statement No. 87, Leases, and made a change in its accounting policy related to net position. The financial statements have been retroactively restated for these changes. Our opinion is not modified with respect to these matters.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

*Moss Adams LLP*

Seattle, Washington

May 28, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### For the years ended December 31, 2020 and 2019

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, 2020 and 2019. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities 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 operating a high-capacity transportation system throughout parts of King, Pierce and Snohomish counties including commuter rail (Sounder), light rail (Link), a regional express bus system (ST Express) and a bus rapid transit system (Stride). Sound Transit was established by the legislature in 1993, and authorized to collect taxes to fund, build and operate a comprehensive transit system by voter approved plans in 1996 (Sound Move), 2008 (ST2) and 2016 (ST3).

- *Sound Move* – a 10-year regional transit system plan, which authorized tax collections to fund operations and the first set of regional transit projects was completed in 2016.
- *ST2* – a 15-year program authorizing additional tax collections to fund additional bus and commuter rail service, as well as 36 miles of new Link light rail service, continues to progress.
- *ST3* – a 25-year program authorizing additional tax collections and a new property tax to fund 62 new miles of light rail, bus rapid transit, expanded capacity and service on Sounder south line, ST Express bus service and improved access to stations continues to progress.

Sound Transit financial results for the year ended December 31, 2020 reflect the challenges of the global COVID-19 pandemic. The varied impacts of the pandemic on the agency range from decreased ridership and lower farebox collections, decreased tax revenues to increased grant revenue through certain government stimulus programs. The effect of the pandemic on agency results is highlighted in each section of the discussion of results.

The Agency's pandemic response included the slowdown of project spending due to both government mandated COVID restrictions and a decision to pause certain project actions in order to further evaluate capital expansion affordability. The Agency maintains long-range financial projections and regularly assesses potential long-term changes to the capital expansion program. Sound Transit is actively engaged in realignment activities with the Agency's Board of Directors to align future projected available resources with the tax payer approved capital expansion program.

### Financial Highlights

- Sound Transit's financial statements reflect an increase in net position of \$1.8 billion in 2020. The increase reflects continued progress on the voter approved capital expansion programs. The increase, despite the pandemic, highlights the agency's diversified tax revenues and the positive impact of federal COVID –19 grant programs. The 2019 net position grew by \$1.7 billion, also reflecting progress on the voter approved capital expansion programs funded primarily via taxes.
- System expansion continued in all corridors (North, Central, South and East) and across all modes, most significantly light rail in 2020 and 2019. Capital assets increased 15.9% in 2020 as a result of \$2,134.1 million of capital project spending related primarily to the East, Lynnwood, Federal Way,

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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Redmond and Northgate Link extension projects, as well as the Operations Maintenance Facility East project. Non-operating revenues, net of expenses, were \$1,934.8 million, a 2.4% increase from 2019, primarily due to Coronavirus Aid, Relief, & Economic Security (CARES) Act revenue offset by a slight decrease in sales and use tax revenues due to COVID-19, which negatively impacted the regional economy.

- Capital contributions from federal, state and local funding arrangements were \$431.8 million, a net increase from 2019 of \$171.4 million or 65.8%, primarily reflecting increased grant revenue associated with Lynnwood and Tacoma Link extension projects.
- Total operating subsidy increased by \$78.6 million or 17.8% to \$519.8 million primarily due to lower ridership and passenger fare revenues related to the COVID-19 stay at home orders and higher depreciation expense, partially offset by a small decrease in operations and maintenance expenses.

### Overview of the Financial Statements

Sound Transit's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The 2020 and 2019 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 operations of Sound Transit are included in the Statements of Net Position. Depreciation and amortization of capital and other 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.

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## Financial Analysis

### Net Position

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.

Sound Transit's total net position as of December 31, 2020 was \$13.9 billion, an increase of \$1.8 billion or 15.4% from 2019. Total assets increased \$1.7 billion or 11.3% and total liabilities decreased \$133.1 million or 4.2%. The increase in total assets reflects the continued capital program spending primarily funded by tax revenues and federal grants.

The table below summarizes Sound Transit's net position:

<b>Statements of Net Position</b>					
<i>(in millions)</i>	<b>December 31</b>			<b>% Change</b>	
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2020-2019</b>	<b>2019-2018</b>
		<b>(Restated)</b>	<b>(Restated)</b>		
<b>Assets</b>					
Current assets, excluding restricted assets	\$ 1,777.4	\$ 1,988.4	\$ 2,178.9	(10.6)%	(8.7)%
Restricted assets	110.6	108.9	97.3	1.5	12.0
Capital assets	13,984.1	12,067.2	10,436.0	15.9	15.6
Other non-current assets	1,018.0	1,008.9	397.8	0.9	153.6
<b>Total assets</b>	<b>16,890.1</b>	<b>15,173.4</b>	<b>13,110.0</b>	<b>11.3</b>	<b>15.7</b>
<b>Deferred Outflows of Resources</b>	<b>29.7</b>	<b>33.0</b>	<b>37.4</b>	<b>(10.2)</b>	<b>(11.7)</b>
<b>Liabilities</b>					
Current liabilities, excluding interest payable from restricted assets	440.6	515.0	352.7	(14.4)	46.0
Interest payable from restricted assets	30.3	27.0	24.9	12.5	8.2
Long-term debt	2,378.0	2,443.7	2,398.2	(2.7)	1.9
Other long-term liabilities	189.4	185.7	74.2	2.0	150.4
<b>Total liabilities</b>	<b>3,038.3</b>	<b>3,171.4</b>	<b>2,850.0</b>	<b>(4.2)</b>	<b>11.3</b>
<b>Deferred Inflows of Resources</b>	<b>18.4</b>	<b>18.7</b>	<b>-</b>	<b>(1.5)</b>	<b>100.0</b>
<b>Net Position</b>					
Net investment in capital assets	11,463.8	9,473.0	7,774.4	21.0	21.8
Restricted net position	76.9	75.3	70.5	2.0	6.9
Unrestricted net position	2,322.4	2,468.0	2,452.5	(5.9)	0.6
<b>Total net position</b>	<b>\$13,863.1</b>	<b>\$ 12,016.3</b>	<b>\$ 10,297.4</b>	<b>15.4%</b>	<b>16.7%</b>

**Current assets, excluding restricted assets**, decreased 10.6% and 8.7% in 2020 and 2019, respectively. The decrease in 2020 and 2019 were primarily due to the use of cash to support capital activities and transfers of cash to non-current assets.

**Capital assets** increased 15.9% from 2019 and 15.6% between 2019 and 2018. Total capital project spending for 2020 was \$2,134.1 million, versus \$2,023.8 million in 2019, reflecting continued increased construction spending on the various Link extension projects, as well as the Operations Maintenance Facility East project.

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Total capital spending for light rail in 2020 was \$2,134.1 million or 92.3% of total capital spending (\$1,874.0 million or 92.6% in 2019). Capital spending on Sounder and Regional Express projects, as a percentage of total capital spending, was 1.5% and 5.1%, respectively (0.9% and 5.0% in 2019).

**Other non-current assets** increased 0.9% or \$9.1 million and 153.6% or \$611.1 million in 2020 and 2019, respectively. The increase in 2019 was primarily due to the recognition of right-of-use assets related to the retroactive application of adoption of GASB 87 *Leases* in 2020, and higher capital replacement investment requirements as a result of capital project expansion.

**Deferred outflows of resources** includes the excess of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new debt, whichever is shorter, and the unamortized deferred outflow of costs related to asset retirement obligations.

**Total liabilities** decreased 4.2% between 2020 and 2019 due to the decrease in current liabilities and long-term debt; and increased 11.3% between 2019 and 2018 primarily due to the recognition of lease related obligations and increased long-term debt in the form of Transportation Infrastructure Finance and Innovation Act (TIFIA) loans. Current liabilities, excluding interest payable from restricted assets, decreased \$74.4 million or 14.4% in 2020 and increased \$162.3 million or 46.0% in 2019. The decrease in 2020 was primarily due to less operating costs while the increases in 2019 were due to increased spending on planning, construction and operating costs.

**Deferred inflows of resources** includes unrecognized lease revenues related to leases in which the agency is the lessor.

**Net investment in capital assets** reflects investment in construction in progress, non-depreciable assets and depreciable assets, net of related debt used to support the capital program. Balances include capital asset related payables, bonds and debt under the TIFIA program, as well as lease related assets and liabilities. The inclusion of TIFIA loans represents a reclassification from prior year presentations. Net investment in capital assets increased 21.0% from 2019 and 21.8% between 2019 and 2018 as capital program spending continued to increase, net of debt.

**Restricted net position** is comprised of assets net of liabilities externally restricted by legal or contractual obligations for a specific purpose related to a third party.

**Unrestricted net position** is the remainder of assets and deferred outflows of resources, net of liabilities and deferred inflows of resources, not invested in capital assets nor contractually restricted for a specific purpose. Unrestricted net position decreased 5.9% in 2020 and increased 0.6% in 2019 as capital spending increased faster than cash and investments. Borrowing under the agency's TIFIA program is now included in net investment in capital assets as a result of a change in accounting policy from prior year presentations. This change has been made for all reporting periods presented.

### Changes in Net Position

Changes in net position reflect the excess or deficit of revenues over expenses for a given year. In 2020, revenues exceeded expenses by \$1,846.8 million, an increase from the prior year of 8.1%. In 2019 revenues exceeded expenses by \$1,708.8 million, a 1.4% increase from 2018. The 2020 increase primarily reflects the receipt of CARES Act funding which offset reduced passenger fares revenues, and an increase in federal capital contributions as a result of system expansion project advancements funded

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by federal grants. The 2019 increases reflect regional economic growth, which drives tax revenues, and exceeded the growth in expenses during the year.

Sound Transit's Statements of Revenue, Expenses and Changes in Net Position is summarized in the table below:

<b>Changes in Net Position</b> <i>(in millions)</i>	<b>For the Year Ended December 31</b>			<b>% Change</b>	
	<b>2020</b>	<b>2019</b> <b>(Restated)</b>	<b>2018</b>	<b>2020-2019</b>	<b>2019-2018</b>
<b>Operating revenues</b>					
Passenger fares	\$ 30.8	\$ 97.1	\$ 96.0	(68.3)%	1.1%
Other	7.3	8.3	7.0	(11.5)	18.5
<b>Total operating revenues</b>	<b>38.1</b>	<b>105.4</b>	<b>103.0</b>	<b>(63.9)</b>	<b>2.3</b>
<b>Operating expenses</b>					
Total operating expenses, before depreciation	360.5	360.3	334.1	0.1	7.8
Depreciation and amortization	197.4	186.3	167.1	5.9	11.5
<b>Total operating expenses</b>	<b>557.9</b>	<b>546.6</b>	<b>501.2</b>	<b>2.1</b>	<b>9.1</b>
<b>Loss from operations</b>	<b>(519.8)</b>	<b>(441.2)</b>	<b>(398.2)</b>	<b>17.8</b>	<b>10.8</b>
Non-operating revenues, net of expenses	1,934.8	1,889.6	1,848.3	2.4	2.2
<b>Income before capital contributions</b>	<b>1,415.0</b>	<b>1,448.4</b>	<b>1,450.1</b>	<b>(2.3)</b>	<b>0.1</b>
Capital contributions	431.8	260.4	234.3	65.8	11.2
<b>Change in net position</b>	<b>1,846.8</b>	<b>1,708.8</b>	<b>1,684.4</b>	<b>8.1</b>	<b>1.4</b>
Total net position, beginning	12,016.3	10,297.4	8,613.0	16.7	19.6
Cumulative adjustment for adoption of GASB 87	-	10.1	-	(100.0)	100.0
<b>Total net position, ending</b>	<b>\$ 13,863.1</b>	<b>\$ 12,016.3</b>	<b>\$ 10,297.4</b>	<b>15.4%</b>	<b>16.7%</b>

### Operating Revenues

Operating revenues are comprised of passenger fares and other revenues related to operations, such as advertising, rental of facilities, and other miscellaneous revenues.

### Passenger Fare Revenue

Passenger fares are derived from the sale of Sounder commuter rail and Link light rail 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. Passenger fare revenue decreased 68.3% and increased 1.1% in 2020 and 2019, respectively. The decrease in 2020 was primarily due to COVID-19, which significantly impacted passenger fare revenue on all modes via temporary suspended fares and reduction in ridership. The increase in 2019 was primarily due to continued boardings growth on Link, growth in the ORCA Business Passport program, and the



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introduction of the Permit Parking program. In 2020 ST Express contributed 44.5% of total passenger fare revenue, Link contributed 37.0% and Sounder commuter rail contributed 18.5%.

Passenger fare revenue by mode are as follows:

<b>Passenger Fare Revenue</b>					
<i>(in millions)</i>				<b>% Change</b>	
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2020-2019</b>	<b>2019-2018</b>
ST Express	\$ 13.7	\$ 36.4	\$ 37.7	(62.4)%	(3.4)%
Link	11.4	43.3	41.6	(73.8)	4.1
Sounder	5.7	17.4	16.7	(67.1)	4.0
<b>Total</b>	<b>\$ 30.8</b>	<b>\$ 97.1</b>	<b>\$ 96.0</b>	<b>(68.3)%</b>	<b>1.1%</b>

### Ridership

Sound Transit provided 15.9 million rides in 2020, a decrease of 66.8%, compared to 47.8 million rides in 2019. Changes in ridership by mode were as follows:

- Link ridership decreased 67.9% from 2019 and increased 1.3% between 2019 and 2018. The decline in ridership in 2020 is attributable to COVID-19 ridership decline as public health measures were implemented to control the virus and more people worked remotely.
- ST Express ridership decreased 64.2% from 2019 and 3.8% between 2019 and 2018. The decline in ridership in 2020 is attributable to COVID-19 ridership decline as public health measures were implemented to control the virus and more people worked remotely.
- Sounder commuter rail ridership decreased 72.6% from 2019 and was comparable between 2019 to 2018. The decline in ridership in 2020 is attributable to COVID-19 ridership decline as public health measures were implemented to control the virus and more people worked remotely.

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

<b>Ridership</b>					
<i>(in millions)</i>				<b>% Change</b>	
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2020-2019</b>	<b>2019-2018</b>
Link	8.3	25.7	25.4	(67.9)%	1.3%
ST Express	6.3	17.5	18.2	(64.2)	(3.8)
Sounder	1.3	4.6	4.6	(72.6)	-
<b>Total</b>	<b>15.9</b>	<b>47.8</b>	<b>48.2</b>	<b>(66.8)%</b>	<b>(0.8)%</b>

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### Average Fare per Boarding (AFB)

The combined AFB decreased by 3.9% in 2020 due to COVID-19. Link's AFB decreased by 18.0% in 2020 mainly due to temporary fare suspensions and reduction in ridership, while ST Express and Sounder's increases of 5.0% and 19.7%, respectively, were primarily driven by reduction in ridership.

### Average Fare per Boarding

	2020	2019	2018	% Change	
				2020-2019	2019-2018
Link	\$ 1.43	\$ 1.73	\$ 1.70	(18.0)%	1.5%
ST Express	2.18	2.08	2.07	5.0	0.4
Sounder	4.51	3.76	3.60	19.7	4.5
<b>Combined average fare per boarding</b>	<b>\$ 1.99</b>	<b>\$ 2.06</b>	<b>\$ 2.03</b>	<b>(3.9)%</b>	<b>1.4%</b>

### Other Operating Revenues

Other operating revenues consist of vehicle advertising, rental of facilities, and other miscellaneous revenues.

### Operating Expenses

#### Operating expenses

(in millions)

	2020	2019	2018	% Change	
				2020-2019	2019-2018
		(Restated)			
<b>Operating expenses</b>					
Operations and maintenance	\$ 332.3	\$ 335.6	\$ 309.7	(1.0)%	8.4%
Agency administration	15.1	16.0	14.1	(5.8)	13.7
Fare and regional planning	13.1	8.7	10.3	51.4	(15.9)
Depreciation, amortization	197.4	186.3	167.1	5.9	11.5
<b>Total</b>	<b>\$ 557.9</b>	<b>\$ 546.6</b>	<b>\$ 501.2</b>	<b>2.1%</b>	<b>9.1%</b>

Operating expenses are comprised of operations and maintenance costs, agency administration, fare and regional planning, depreciation and amortization. Major operations and maintenance expense categories consist of services, materials, utilities, insurance, taxes, purchased transportation, allocated overhead from general and agency administration divisions, short-term leases and rentals. Purchased transportation includes amounts paid for the operation of Sound Transit's express bus service to Community Transit, King County Metro and Pierce Transit, for the operation of Link light rail and associated paratransit services to King County Metro and for the operation of Sounder commuter rail services to BNSF Railway Company (BNSF). Purchased transportation services accounts for 53.6% of operating expenses in 2020 (58.1% in 2019). Services are the next largest expenditure category and include the Sounder vehicle maintenance, contracted to the National Railroad Passenger Corporation (Amtrak), as well as various contracts for facility maintenance, policing services and security at Sound Transit's owned and shared facilities. Services were 23.1% in 2020 (20.5% in 2019) of total operating and maintenance expenses.

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## Operations and Maintenance Expenses by Mode

The following table presents operating and maintenance expenses by mode:

<b>Operations and Maintenance Expenses by Mode</b>					
<i>(in millions)</i>				<b>% Change</b>	
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2020-2019</b>	<b>2019-2018</b>
		<b>(Restated)</b>			
Link	\$ 144.3	\$ 138.5	\$ 122.4	4.8%	12.6%
ST Express	135.4	142.8	136.1	(5.2)%	5.0
Sounder	52.6	54.3	51.2	(3.3)	6.0
<b>Total</b>	<b>\$ 332.3</b>	<b>\$ 335.6</b>	<b>\$ 309.7</b>	<b>(1.0)%</b>	<b>8.4%</b>

Link operations and maintenance expenses include both Link and Tacoma Link light rail and increased \$5.8 million or 4.8% in 2020 and \$16.1 million or 12.6% in 2019. The majority of cost increases in 2020 and 2019 are related to increases in negotiated operator rates, security and maintenance on facilities, rails and vehicles.

ST Express operations and maintenance expenses decreased \$7.4 million or 5.2% in 2020 and increased \$6.7 million or 5.0% in 2019. Decreases in 2020 were mainly due to service level reductions from lower demand caused by the COVID-19 pandemic and lower fuel prices. 2019 increases primary due to negotiated partner rate increase which include costs for additional platform hours to relieve overcrowding, mitigate construction related obstacles, and maintain the service schedule despite increased traffic.

Sounder operations and maintenance expenses decreased \$1.7 million or 3.3% in 2020 and increased \$3.1 million or 6.0% in 2019. The decreases in 2020 were primarily due to service level reductions from lower demand caused by the COVID-19 pandemic and lower fuel prices. Increases in 2019 primarily relate to higher negotiated operating rates, increased use of maintenance parts and fuel costs.

## Agency Administration

Agency administration expenses are comprised of costs not allocated to capital projects or operations and include costs attributable to the general cost of government, such as the costs of the Chief Executive Office, Government Relations and Marketing. Agency administration expenses decreased \$0.9 million or 5.8% in 2020 and increased \$1.9 million or 13.7% in 2019. The decrease in 2020 was due internal organization realignment.

## Fare and Regional Planning

Fare and regional planning expense increased \$4.4 million or 51.4% in 2020 and decreased \$1.6 million or 15.9% in 2019. Increases in 2020 primarily due to continued growth in the ORCA team, creation of an innovation team and increased consulting services across multiple fare and regional planning projects.

## Depreciation and Amortization

Depreciation and amortization comprise non-cash expenses that reflect the reduction in the value of capital and intangible assets over time. Depreciation and amortization increased \$11.1 million or 5.9% in 2020 (\$19.2 million or 11.5% in 2019) reflecting increased expense related to capital assets placed in

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service during the year and the full year impact of capital assets placed in service in 2019, as well as amortization of right-of-use assets related to leases.

### Non-Operating Revenues and Expenses

Net non-operating revenues increased \$45.2 million or 2.4% in 2020 and \$41.3 million or 2.2% in 2019. The overall increase in 2020 was primarily due to \$166.3 million of CARES Act revenue from the Federal Transit Administration (FTA), partially offset by a decrease in tax revenues. Net non-operating revenues and expenses are summarized in the table. Additional commentary is provided below for select items with significant year over year changes.

#### Non-Operating Revenue / Expenses

<i>(in millions)</i>	2020	2019 (Restated)	2018	% Change	
				2020-2019	2019-2018
<b>Non-operating revenues</b>					
Sales and use tax	\$ 1,324.5	\$ 1,415.7	\$ 1,337.6	(6.4)%	5.8%
Motor vehicle excise tax	361.7	345.8	338.5	4.6	2.1
Property tax	155.3	150.3	146.3	3.3	2.8
Rental car tax	1.9	3.8	3.8	(50.4)	-
Investment income	45.3	70.2	37.8	(35.5)	85.8
Other revenues	209.6	66.3	20.1	216.1	228.0
<b>Total</b>	<b>2,098.3</b>	<b>2,052.1</b>	<b>1,884.1</b>	<b>2.2</b>	<b>8.9</b>
<b>Non-operating expenses</b>					
Interest expense	100.1	100.5	-	(0.3)	100.0
Contributions to other governments	21.7	33.7	24.5	(35.7)	37.6
Contributions to affordable housing	11.0	-	4.1	100.0	(100.0)
Other expenses	25.8	16.2	7.2	58.9	126.3
Loss (gain) on disposal of assets	0.9	12.1	-	(92.3)	100.0
Impairment	4.0	-	-	100.0	-
<b>Total</b>	<b>163.5</b>	<b>162.5</b>	<b>35.8</b>	<b>0.6</b>	<b>354.2</b>
<b>Non-operating revenues, net</b>	<b>\$ 1,934.8</b>	<b>\$ 1,889.6</b>	<b>\$ 1,848.3</b>	<b>2.4%</b>	<b>2.2%</b>

Sales and use tax revenues decreased by \$91.2 million or 6.4% in 2020 and increased \$78.1 million or 5.8% in 2019. The 2020 decrease is primarily due to COVID-19, which negatively impacted the regional economy, while the primary driver of the 2019 increase is reflective of regional economic growth.

Investment income decreased \$24.9 million or 35.5% in 2020 and increased \$32.4 million or 85.8% in 2019. Decrease in investment income in 2020 was primarily due to lower investment balances and lower interest rates. Investment income includes the impact of market adjustments to fair market value at year-end and interest income from leasing transactions.

Other revenues are comprised primarily of funds received from federal agencies to support light rail and bus operations and in relation to the Build America Bond program. Other revenues increased in 2020 by \$143.3 million or 216.1% mainly due to \$166.3 million from the CARES Act and offset by lower light rail and ST Express preventative maintenance funds. Other revenues increased in 2019 by \$46.2 million or 228.0% due to higher light rail and ST Express preventative maintenance funds.

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Contributions to other governments decreased \$12.0 million or 35.7% in 2020 and increased \$9.2 million or 37.6% in 2019. Contributions relate primarily to decrease in funding I-90 and I-405 highway transit improvement projects under agreements with the Washington State Department of Transportation (WSDOT). Funding for I-405 BRT project started in 2019, and funding for Phase 3 of the I-90 Two-Way Transit project peaked in 2017 and declined in 2018 and 2019 as the project nears completion. The agency receives credit from WSDOT under a land bank agreement for funding highway improvement projects. Sound Transit recognizes land bank credits when they are used to fund the purchase or lease of WSDOT property necessary for transit projects (see also note 12). Contributions to other governments and contributions to affordable housing are dependent upon the timing and scope of project activities. As such, there may be significant fluctuations from year to year depending upon the timing and scope of capital improvement or funding arrangements for other governments.

In 2020 and 2019, all incurred interest was expensed due to adoption of GASB Statement No.89, *Accounting for Interest Cost Incurred Before the End of A Construction Period*. Sound Transit elected to adopt Statement No. 89 effective January 1, 2019. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. Interest expense also includes interest from leasing transactions. Total interest incurred in 2020 and recognized as expense was \$100.1 million, as compared to \$100.5 million in 2019. Prior to 2019, interest costs, as described above, were capitalized during the period of construction or acquisition and depreciated over the life of the related assets once placed into service. Interest costs capitalized for the year ended December 31, 2018 were \$98.4 million.

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### Capital Contributions

Capital contributions include federal grant funding and state and local contributions to Sound Transit. Capital contributions increased in 2020 by \$171.4 million or 65.8% and by \$26.1 million or 11.2% in 2019 as a result of fluctuations in federal grants and the timing of utilization of WSDOT land bank credits for temporary construction easements and airspace leases. The following table summarizes capital contributions by major category:

<b>Capital Contributions</b>					
<i>(in millions)</i>				<b>% Change</b>	
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2020-2019</b>	<b>2019-2018</b>
Federal	\$ 411.5	\$ 216.0	\$ 156.4	90.6%	38.1%
State and local governments	20.3	44.4	77.9	(54.4)	(42.9)
<b>Total</b>	<b>\$ 431.8</b>	<b>\$ 260.4</b>	<b>\$ 234.3</b>	<b>65.8%</b>	<b>11.2%</b>

Capital contributions of \$431.8 million in 2020 were \$171.4 million or 65.8% higher than 2019 primarily as a result of \$143.5 million in federal contributions related to the Federal Way Link extension full funding grant agreement (FFGA) and \$40.6 million related to Lynnwood Link extension. Federal contributions in 2019 were \$216.0 million or 38.1% higher than 2018, also primarily as a result of \$141.8 million in federal contributions related to the Lynnwood Link extension full funding grant agreement (FFGA) and \$19.7 million related to Tacoma Link FFGA, executed in 2019.

Projects receiving federal funding in excess of \$5.0 million in 2020 and 2019 included Lynnwood, Northgate, Federal Way and Tacoma Dome Link extensions and the Sounder South Capacity expansion project.

State and local government contributions decreased \$24.1 million in 2020 and \$33.5 million in 2019. \$12.4 million and \$33.7 million of WSDOT land bank credits were utilized to fund temporary construction easements and access rights related to the Lynnwood Link Extension project in 2020 and 2019, respectively, and represent nearly all of the state and local government contributions for those years (see also note 12).

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### Capital Assets

A summary of Sound Transit's capital assets are presented in the following table:

<b>Capital Assets, net</b>					
<i>(in millions)</i>	<b>2020</b>	<b>December 31 2019 (Restated)</b>	<b>2018</b>	<b>% Change</b>	
				<b>2020-2019</b>	<b>2019-2018</b>
Land	\$ 1,029.8	\$ 913.7	\$ 836.3	12.7%	9.2%
Permanent easements	549.4	546.3	543.8	0.6	0.5
Capital projects in progress	7,759.7	5,839.3	3,981.7	32.9	46.7
<b>Total non-depreciable assets</b>	<b>9,338.9</b>	<b>7,299.3</b>	<b>5,361.8</b>	<b>27.9</b>	<b>36.1</b>
Transit facilities, rail and heavy equipment	3,842.2	3,949.4	4,056.9	(2.7)	(2.6)
Access rights	311.8	330.8	499.8	(5.8)	(33.8)
Revenue vehicles	470.8	461.2	498.0	2.1	(7.3)
Other depreciable assets	20.4	26.5	19.5	(23.1)	35.7
<b>Total depreciable assets</b>	<b>4,645.2</b>	<b>4,767.9</b>	<b>5,074.2</b>	<b>(2.6)</b>	<b>(6.0)</b>
<b>Total capital assets, net</b>	<b>\$ 13,984.1</b>	<b>\$ 12,067.2</b>	<b>\$ 10,436.0</b>	<b>15.9%</b>	<b>15.6%</b>

In 2020, spending on capital projects in progress was \$2,134.1 million while in 2019 it was \$2,023.8 million. Project spending on light rail projects increased 5.1% in 2020 as construction spending grew on Link light rail extensions projects including the East, Lynnwood, Federal Way and Redmond Link extension projects. In 2019, the same projects and the Operations & Maintenance Facility East contributed most to capital spending.

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Capital projects with major spending activity in excess of \$5 million in 2020 and 2019 are summarized in the following table:

Year	Link	Sounder	Regional Express / Stride
2020	Downtown Redmond Link Extension East Link Extension Federal Way Link Extension Hilltop Tacoma Link Extension Light Rail Vehicle Expansion Lynnwood Link Extension Northgate Link Extension Operations & Maintenance Facility East Tacoma Dome Link Extension West Seattle-Ballard Link Extension	Puyallup Station	I-405 Bus Rapid Transit Bus Rapid Transit Stations Fleet Replacement
2019	Downtown Redmond Link Extension East Link Extension Federal Way Link Extension Hilltop Tacoma Link Extension Light Rail Vehicle Expansion Lynnwood Link Extension Northgate Link Extension Operations & Maintenance Facility East Tacoma Dome Link Extension West Seattle-Ballard Link Extension		I-405 Bus Rapid Transit I-90 Two-Way Transit and HOV Operations, Stage 3 Bus Rapid Transit Stations

See note 6 to the Financial Statements for additional information about Sound Transit's capital assets.



## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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### Long-Term Debt

A summary of Sound Transit's long-term debt is presented in the following table:

<b>Long-Term Debt</b> <i>(in millions)</i>	<b>December 31</b>			<b>% Change</b>	
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2020-2019</b>	<b>2019-2018</b>
<b>Long-term debt</b>					
Bonds payable	\$ 2,275.7	\$ 2,330.0	\$ 2,381.1	(2.3)%	(2.1)%
TIFIA Loans	156.6	156.6	56.6	-	176.7
<b>Total long-term debt</b>	<b>\$ 2,432.3</b>	<b>\$ 2,486.6</b>	<b>\$ 2,437.7</b>	<b>(2.2)%</b>	<b>2.0%</b>

The reduction in bonds payable in 2020 and 2019 is due to regular scheduled principal payments. No additional bonds were issued during 2020 or 2019. 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 additional voter approval. 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 2019 assessed valuations for collection of 2020 taxes, Sound Transit's current approved remaining debt capacity is \$6.6 billion and its additional remaining debt capacity subject to voter approval is \$34.8 billion.

# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

## BASIC FINANCIAL STATEMENTS

### STATEMENTS OF NET POSITION

(in thousands)

	December 31	
	2020	2019 (Restated)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	\$ 425,848	\$ 282,921
Restricted assets (note 3)	79,331	78,093
Investments (note 3)	867,751	1,200,150
Taxes and other receivables (note 4)	428,420	448,843
Inventory, land held for disposition and prepaids	42,902	56,451
<b>Total current assets</b>	<b>1,844,252</b>	<b>2,066,458</b>
<b>Non-current assets</b>		
Restricted assets (note 3)	31,268	30,823
Investments (note 3)	668,168	647,565
Prepaid expenses and deposits	-	2,154
Lease related assets, net (note 5)	362,309	359,212
Capital assets, net (note 6)	13,984,144	12,067,193
<b>Total non-current assets</b>	<b>15,045,889</b>	<b>13,106,947</b>
<b>Total assets</b>	<b>16,890,141</b>	<b>15,173,405</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Asset retirement obligations	2,592	2,724
Unamortized costs on bond refunding	27,063	30,301
<b>Total deferred outflows of resources</b>	<b>29,655</b>	<b>33,025</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	373,005	452,902
Unearned revenue	12,508	13,494
Interest payable	30,330	26,961
Current portion, long-term debt (note 8)	54,300	42,915
Other claims and short-term obligations	776	5,659
<b>Total current liabilities</b>	<b>470,919</b>	<b>541,931</b>
<b>Non-current liabilities</b>		
Long-term debt (note 8)	2,377,960	2,443,729
Lease obligations (note 5)	175,733	179,518
Other long-term obligations (note 9)	13,661	6,234
<b>Total non-current liabilities</b>	<b>2,567,354</b>	<b>2,629,481</b>
<b>Total liabilities</b>	<b>3,038,273</b>	<b>3,171,412</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unrecognized lease revenue	18,429	18,708
<b>Total deferred inflows of resources</b>	<b>18,429</b>	<b>18,708</b>
<b>NET POSITION</b>		
Net investment in capital assets	11,463,783	9,472,986
Restricted (note 10)	76,880	75,342
Unrestricted	2,322,431	2,467,982
<b>Total net position</b>	<b>\$ 13,863,094</b>	<b>\$ 12,016,310</b>

See accompanying notes to financial statements.

# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(in thousands)

	Year ended, December 31	
	2020	2019 (Restated)
<b>Operating revenues</b>		
Passenger fares	\$ 30,758	\$ 97,101
Other operating revenue	7,312	8,258
<b>Total operating revenues</b>	<b>38,070</b>	<b>105,359</b>
<b>Operating expenses</b>		
Operations and maintenance	332,332	335,594
Agency administration	15,090	16,022
Fare and regional planning	13,129	8,674
Depreciation, amortization and accretion	197,375	186,324
<b>Total operating expenses</b>	<b>557,926</b>	<b>546,614</b>
<b>Loss from operations</b>	<b>(519,856)</b>	<b>(441,255)</b>
<b>Non-operating revenues (expenses)</b>		
Sales tax	1,324,465	1,415,704
Motor vehicle excise tax	361,749	345,757
Property tax	155,306	150,310
Rental car tax	1,880	3,792
Other revenues	209,594	66,301
Investment income	45,280	70,246
Interest expense	(100,149)	(100,500)
Contributions to other governments	(21,655)	(33,689)
Contributions to affordable housing	(10,992)	-
Other expenses	(25,770)	(16,220)
(Loss) gain on disposal of assets	(934)	(12,144)
Impairment	(3,976)	-
<b>Total non-operating revenues, net</b>	<b>1,934,798</b>	<b>1,889,557</b>
<b>Income before capital contributions</b>	<b>1,414,942</b>	<b>1,448,302</b>
Federal capital contributions	411,562	215,956
State and local capital contributions	20,280	44,493
<b>Total capital contributions</b>	<b>431,842</b>	<b>260,449</b>
<b>Change in net position</b>	<b>1,846,784</b>	<b>1,708,751</b>
<b>Total net position, beginning of year</b>	<b>12,016,310</b>	<b>10,297,390</b>
<b>Cumulative adjustment for adoption of GASB 87</b>	<b>-</b>	<b>10,169</b>
<b>Total net position, end of year</b>	<b>\$ 13,863,094</b>	<b>\$ 12,016,310</b>

See accompanying notes to financial statements.

# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

## STATEMENTS OF CASH FLOWS

(in thousands)

	Year ended, December 31	
	2020	2019 (Restated)
<b>Cash flows from operating activities</b>		
Cash receipts from fares	\$ 39,602	\$ 97,759
Cash receipts from other operating revenue	9,312	5,771
Payments to employees for wages and benefits	(50,612)	(36,102)
Payments to suppliers	(168,239)	(127,278)
Payments to transportation service providers	(228,710)	(156,379)
<b>Net cash used by operating activities</b>	<b>(398,647)</b>	<b>(216,229)</b>
<b>Cash flows from non-capital financing activities</b>		
Preventative maintenance grants received	27,392	30,329
Taxes received	1,849,801	1,900,137
Tax collection fees paid	(7,542)	(7,672)
<b>Net cash provided by non-capital financing activities</b>	<b>1,869,651</b>	<b>1,922,794</b>
<b>Cash flows from capital and related financing activities</b>		
Capital contributions from grants	424,970	261,267
Contributions to other government	(5,000)	(5,000)
Proceeds from insurance recoveries and sale of assets	6,857	3,645
Proceeds from TIFIA loans	-	100,000
Receipts from lessees	2,265	2,076
(Payments) proceeds for betterments and recoverable costs	(8,237)	285
Payments for bond principal	(42,915)	(39,520)
Payments for interest and bond related costs	(98,322)	(100,051)
Payments to employees capitalized to projects	(123,670)	(112,180)
Payments to suppliers for capital activities	(1,714,294)	(1,660,856)
Purchase of property	(116,618)	(100,564)
Payments for lease obligations	(12,721)	(15,825)
<b>Net cash used by capital and related financing activities</b>	<b>(1,687,685)</b>	<b>(1,666,723)</b>
<b>Cash flows from investing activities</b>		
Investment income	44,345	48,755
Proceeds from sales or maturities of investments	1,170,918	933,420
Purchases of investments	(854,710)	(1,087,884)
<b>Net cash used by investing activities</b>	<b>360,553</b>	<b>(105,709)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>143,872</b>	<b>(65,867)</b>
<b>Cash and cash equivalents</b>		
Beginning of year	369,214	435,081
<b>End of year</b>	<b>\$ 513,086</b>	<b>\$ 369,214</b>
<b>Cash and cash equivalents (note 3)</b>		
Unrestricted	\$ 425,848	\$ 282,921
Current restricted	78,799	77,569
Non-current restricted	8,439	8,724
	<b>\$ 513,086</b>	<b>\$ 369,214</b>

See accompanying notes to financial statements.

# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

## STATEMENTS OF CASH FLOWS, continued

<i>(in thousands)</i>	Year ended, December 31	
	2020	2019 (Restated)
<b>Loss from operations</b>	\$ (519,856)	\$ (441,255)
<b>Adjustments to reconcile loss from operations to net cash used by operating activities</b>		
Decrease in bad debt expense	10	1
Decrease in tenant improvement credits	-	(1,569)
Depreciation, amortization and accretion	197,375	186,324
Decrease in inventory allowance	-	(117)
Non-operating expense	(1,814)	(70)
Lease expense transferred to amortization	-	(9,115)
<b>Changes in operating assets and liabilities</b>		
Decrease (increase) in other receivables	10,743	(2,973)
Increase in inventory, prepaid and deposits	(20,239)	(1,800)
(Decrease) increase in accounts payable and accrued liabilities	(63,881)	54,089
(Decrease) increase in unearned revenue	(699)	1,302
Decrease in other current liabilities	(286)	(1,046)
<b>Net cash used by operating activities</b>	<u>\$ (398,647)</u>	<u>\$ (216,229)</u>

<i>(in thousands)</i>	Year ended, December 31	
	2020	2019 (Restated)
<b>Supplemental disclosures of non-cash operating, investing and financing activities</b>		
Capital assets financed with tenant improvement credits	-	1,569
Capital contribution from Land Bank	13,504	33,683
Contributions to other governments	(16,655)	(28,689)
Construction in progress in current liabilities	304,362	329,660
Increase in fair value of investments	1,885	14,896
Additions to lease related assets, net	9,514	150,026
Additions to lease obligations, net	(9,588)	(130,977)
Additions to deferred inflows of resources, net	-	(19,049)
Spare parts previously capitalized	(1,139)	(41)
Start-up costs previously capitalized	(14,991)	(7,213)

See accompanying notes to financial statements.

# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### 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, also referred to herein as “the agency”, was established in 1993. Sound Transit is implementing a high capacity transportation system throughout parts of King, Pierce and Snohomish counties in the State of Washington through the design, construction and operation of a commuter rail (Sounder), light rail (Link), regional express bus system (ST Express) and bus rapid transit system (Stride).

**Reporting Entity**—Sound Transit is a special purpose government supported primarily through sales and use, motor vehicle excise, property and rental car taxes assessed in Sound Transit’s operating jurisdiction (the District). In addition, Sound Transit receives capital and operating 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.

Accounting principles generally accepted in the United States of America (GAAP) require the financial statements of the reporting entity to 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. 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

**CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY**

***Notes to Financial Statements, continued***

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.

Operating revenues are recognized in the period earned and consist primarily of passenger fares. Operating expenses are recognized in the period in which they are incurred and consist primarily of purchased transportation services.

Non-operating revenues, primarily tax revenues are recorded in the period when the underlying transaction occurs on which the tax is imposed and include sales and use tax on goods and services, motor vehicle excise tax, property tax and rental car tax. Non-operating expenses are recognized in the period in which they are incurred and consist primarily of interest expense and contributions to other governments.

Sales, use and rental car taxes are collected on Sound Transit’s behalf by the Washington State Department of Revenue and the motor vehicle excise tax by the Washington State Department of Licensing. Property tax is levied on a calendar year basis and is administered and collected by King, Pierce and Snohomish counties. Taxes are levied within the district at a rate of 1.4% for sales and use, 1.1% for motor vehicle excise and 0.8% on rental cars. In November 2016, voters approved an increase in the sales and use tax of 0.5%, an additional motor vehicle excise tax of 0.8%, both of which are included in the rates stated above, and a property tax levy rate up to \$0.25 per \$1,000 of assessed property value. The additional motor vehicle tax came into effect March 1, 2017 and the additional sales and use tax came into effect April 1, 2017. The first property tax levy was authorized for calendar year 2017.

***Bond Discounts and Premiums***— Bond discounts and premiums are recorded net to long-term debt and amortized using the effective interest rate method over the life of the related debt issuance. Deferred outflows of resources includes the excess of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new debt, whichever is shorter.

***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. Maintenance, repairs and minor improvement costs are charged to operations as incurred. Depreciation and amortization of capital and intangible assets are recorded using the straight-line method applied to each asset over its estimated useful life, except for the amortization associated with leasehold improvements which is recognized over the shorter of the life of the asset and the remaining length of the related lease agreement. Estimated useful lives are shown in the following table:

	<b>Estimated Useful Life</b>
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

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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### *Notes to Financial Statements, continued*

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 and fair value of the affected asset. Impairment losses on assets that will continue to be used are measured using the method that best reflects the diminished service utility.

All qualifying costs, directly and indirectly, attributable to capital projects are capitalized. Construction In Progress (CIP) balances include costs incurred for 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 expensed in the period in which they are incurred. Prior to 2019, interest costs, as described above, were capitalized during the period of construction or acquisition and depreciated over the life of the related assets once placed into service.

**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. Costs incurred to construct assets for other governments are capitalized and included in CIP until the asset is substantially completed and accepted, at which time the costs are transferred out of CIP and recorded as contributions to other governments.

**Cash and Cash Equivalents**— Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less at the time of purchase. 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**— The agency has historically had separate programs for Employee Vacation and Sick leave. Effective December 21, 2020 these two programs were combined into one Personal Time Off (PTO) program. The conversion to the PTO program resulted in certain payouts to employees of accrued amounts under the old programs. These payouts were dependent on the employee's tenure and accrued balances. Under the new program, PTO is earned based on tenure and job level. PTO is payable at 50% upon employee termination. Certain accrued balances relating to the legacy programs will continue to be presented as liabilities until utilized or forfeited.

**Environmental Remediation Obligations**— Environmental remediation activities are reviewed annually to determine whether an obligating event has occurred, as defined by GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, when the liability should be accrued and whether the cost should be expensed or capitalized. Generally such costs are incurred in relation to properties that Sound Transit is preparing for use in operations, or in relation to properties acquired to support the construction of a project and which are subsequently resold. As such, these costs are recorded as incurred and capitalized to the project. Costs that are in excess of the property's fair



## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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### *Notes to Financial Statements, continued*

market value, or that do not meet capitalization criteria under GAAP, are expensed as soon as a reasonable estimate can be obtained.

**Indirect Cost Allocation**— Indirect costs relate to the overall costs of running the agency and include employee costs, office space, services and information technology costs. These indirect costs are allocated to capital projects, operating activities, agency administration and fare and regional planning using overhead rates that are based primarily on departmental headcount and budgeted expenditures. Overhead rates are designed to allocate all agency overhead costs except for certain executive divisions and marketing costs.

**Inventory**— Inventory includes spare parts and is recorded at the lower of average purchase cost and net realizable value. Allowances for excess and obsolete parts are provided for spare parts currently identified as excess and obsolete. Allowances are reflected as a charge to operations and are based on management's estimate, which is subject to change. As of December 31, 2020 and 2019, inventory reflects an allowance of \$0.8 million and \$0.8 million, respectively.

**Investment Valuation**— Investments are stated at fair value.

**Land Held for Disposition**— Properties determined to be excess to Sound Transit's use, authorized by the Board for disposition and intended to be disposed of within one year are classified as land held for disposition. Pursuant to RCW 81.112.350, surplus properties are evaluated for suitability as housing as 80% of such properties must be offered for either transfer at no cost, sale, or long-term lease first to qualified entities that agree to develop affordable housing on the property, consistent with local land use and zoning laws. Properties meeting such criteria and subject to an agreement or request for proposal are reclassified to land held for disposition at carrying cost until such time as the disposition closes, at which time a contribution to affordable housing is recorded. Properties not disposed as part of the 80% requirement are valued at the lower of purchase cost and net realizable value.

### *New Accounting Pronouncements*

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, effective for reporting periods beginning after June 15, 2022. This statement provides guidance on the accounting for SBITAs based on the concept that certain SBITAs result in a right-to-use intangible asset and corresponding liability that should be recognized on the financial statements, that certain costs may be capitalizable and that governments should make certain relevant disclosures. Sound Transit is evaluating the applicability and potential financial impact of the standard.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for reporting periods beginning after June 15, 2022. This statement provides guidance on the accounting for partnerships involving the operation of nonfinancial assets in an exchange or exchange-like transaction and availability payment arrangements. Sound Transit is evaluating the applicability and potential financial impact of the standard.

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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### *Notes to Financial Statements, continued*

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*, effective for reporting periods beginning after December 15, 2019. The standard establishes a single model for lease accounting based on the foundational principle that leases are a form of financing the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Sound Transit has implemented this Statement and its various provisions in 2020 with a conversion date of January 1, 2019 and has restated the 2019 financial statements presented herein, and indicated any previous years' impact as a cumulative adjustment for adoption of GASB 87, as required by the Statement.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2018. This Statement, along with its related Implementation Guide 2019-2, establishes criteria for identifying fiduciary activities of state and local governments based on certain criteria including control of the activities and relationship with the beneficiaries. Governments with qualifying activities, should present a statement of fiduciary net position and a statement of changes in fiduciary net position together with the government's financial statements. The Statement includes provisions for pension and other employee trust funds. In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-An Amendment of GASB Statements No. 14 and No. 84, and Supersession of GASB Statements No. 32*, effective for reporting periods beginning after June 15, 2021. Sound Transit has considered these statements and the related implementation guide, along with the structural details of the defined contribution plans in place at the agency for the benefit of agency employees, and has determined that Sound Transit does not have any qualifying fiduciary activities, and therefore, is not subject to the fiduciary reporting requirements within the Statement.

**Restatements**— The 2019 financial statements have been restated to reflect the impact of the adoption of a new accounting standard and change in accounting principle.

The agency adopted GASB 87 during 2020 resulting in the restatement of 2019 amounts in various line items related to the accounting of leases. Lease related line items that were significantly impacted include right-of-use assets, lease receivables, lease liabilities and deferred inflows of resources on the Statements of Net Position and the reduction of lease expense and increase of amortization expense related to right-of-use assets on the Statements of Revenues, Expenses and Changes in Net Position.

Additionally, the agency has changed its accounting policy related to the presentation of the TIFIA program to reflect that the program has resulted in long-term debt that is being utilized to fund capital asset acquisitions, therefore including it in the net position category of net investment in capital assets, rather than as unrestricted net position, as previously reported.

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### *Notes to Financial Statements, continued*

The following schedules illustrate the affected line items as a result of the aforementioned activities:

<i>(in thousands)</i>	<b>As Previously Reported 2019</b>	<b>Effect of Restatement 2019</b>	<b>As Restated 2019</b>
<b>STATEMENT OF NET POSITION</b>			
<b>Non-current assets</b>			
Prepaid expenses and deposits	\$ 1,267	\$ 887	\$ 2,154
Lease related assets, net (note 5)	\$ 64,876	\$ 294,336	\$ 359,212
Capital assets, net (note 6)	\$ 12,231,306	\$ (164,113)	\$ 12,067,193
<b>Current liabilities</b>			
Accounts payable and accrued liabilities (note 7)	\$ 457,025	\$ (4,123)	\$ 452,902
<b>Non-current liabilities</b>			
Lease obligations (note 5)	\$ 64,876	\$ 114,642	\$ 179,518
<b>Deferred inflows of resources</b>			
Unrecognized lease revenue	\$ -	\$ 18,708	\$ 18,708
<b>Net position</b>			
Net investment in capital assets	\$ 9,625,461	\$ (152,475)	\$ 9,472,986
Unrestricted	\$ 2,313,624	\$ 154,358	\$ 2,467,982

<i>(in thousands)</i>	<b>As Previously Reported 2019</b>	<b>Effect of Restatement 2019</b>	<b>As Restated 2019</b>
<b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>			
<b>Operating revenues</b>			
Other operating revenue	\$ 8,071	\$ 187	\$ 8,258
<b>Operating expenses</b>			
Operations and maintenance	\$ 344,522	\$ (8,928)	\$ 335,594
Depreciation, amortization and accretion	\$ 176,377	\$ 9,947	\$ 186,324
<b>Non-operating revenues (expenses)</b>			
Investment income	\$ 69,131	\$ 1,115	\$ 70,246
Interest expense	\$ (97,491)	\$ (3,009)	\$ (100,500)
(Loss) gain on disposal of assets	\$ (6,584)	\$ (5,560)	\$ (12,144)

# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

## Notes to Financial Statements, continued

<i>(in thousands)</i>	<b>As Previously Reported 2019</b>	<b>Effect of Restatement 2019</b>	<b>As Restated 2019</b>
<b>STATEMENT OF CASH FLOWS</b>			
<b>Cash flows from capital and related financing activities</b>			
Receipts from lessees	\$ -	\$ 2,076	\$ 2,076
Payments for interest and bond related costs	\$ (97,042)	\$ (3,009)	\$ (100,051)
Payments to suppliers for capital activities	\$ (1,677,614)	\$ 16,758	\$ (1,660,856)
Payments for lease obligations	\$ -	\$ (15,825)	\$ (15,825)
<b>Loss from operations</b>	<b>\$ (440,423)</b>	<b>\$ (832)</b>	<b>\$ (441,255)</b>
<b>Adjustments to reconcile loss from operations to net cash used by operating activities</b>			
Depreciation, amortization and accretion	\$ 176,377	\$ 9,947	\$ 186,324
Lease expense transferred to amortization	\$ -	\$ (9,115)	\$ (9,115)
<b>Supplemental disclosures of non-cash operating, investing and financing activities</b>			
Additions to lease related assets, net	\$ 4,777	\$ 145,249	\$ 150,026
Additions to lease obligations, net	\$ (4,777)	\$ (126,200)	\$ (130,977)
Additions to deferred inflows of resources, net	\$ -	\$ (19,049)	\$ (19,049)

**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 an 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.

**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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Tax Abatements**—As of December 31, 2020 and 2019, Sound Transit has no direct tax abatement agreements wherein taxes are decreased for a particular payer which contribute to economic development or otherwise benefits the government or its citizens. In 2020 and 2019, Sound Transit collected property tax revenue through Snohomish, King and Pierce counties which have direct tax abatement agreements. However, the tax abatements do not result in reduction or loss of revenue to Sound Transit, pursuant to Washington State law, as these taxes are reallocated to other property taxpayers.

# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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## *Notes to Financial Statements, continued*

**Undivided Interests**— Sound Transit participates in a joint operation (or undivided interest), jointly governed with six other agencies for the provision of a regional fare coordination system (One Regional Card for All, ORCA). Sound Transit reports its undivided interest in assets, liabilities, expenses and revenues of ORCA within its financial statements, as they are specifically identifiable to Sound Transit. ORCA 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 at the time of purchase. Cash in the Local Government Investment Pool (LGIP) is managed by the Washington State Treasurer’s Office. Investments in the King County Investment Pool (KCIP) are managed by the King County Finance Division. 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. Cash, cash equivalents, investments and restricted assets consist of the following:

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### *Notes to Financial Statements, continued*

<i>(in thousands)</i>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash and cash equivalents - current</b>		
LGIP *	\$ 422,568	\$ 274,573
FDIC or PDPC insured bank deposits	1,757	2,388
Cash on hand	1,523	5,960
	<b>425,848</b>	<b>282,921</b>
<b>Restricted assets - current</b>		
Cash and cash equivalents - LGIP	78,799	77,569
Investments - KCIP	532	524
	<b>79,331</b>	<b>78,093</b>
<b>Investments - current</b>	<b>867,751</b>	<b>1,200,150</b>
<b>Restricted assets - non-current</b>		
Cash and cash equivalents		
LGIP	-	285
FDIC or PDPC Insured Bank Deposits	435	435
Escrow funds	8,004	8,004
	8,439	8,724
Investments - Debt service and OCIP reserve	22,740	21,974
Other	89	125
	<b>31,268</b>	<b>30,823</b>
<b>Investments - non-current</b>	<b>668,168</b>	<b>647,565</b>
<b>Total cash, cash equivalents, investments and restricted assets</b>	<b>\$ 2,072,366</b>	<b>\$ 2,239,552</b>

\* The balance includes amounts set aside in satisfaction of Sound Transit's financial policies for an operating expense reserve and an emergency loss fund.

All surplus cash is invested in accordance with Washington State statute and an Asset Liability Management policy approved by Sound Transit's Board. Qualifying investments under this policy include obligations of the United States government, Treasury and Agency securities, bankers' acceptances, certificates of deposit, corporate bonds & 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. Duration is presented in years.

Sound Transit holds a significant amount of investments that are measured at fair value on a recurring basis, within the following hierarchy:

- Level 1 – inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly
- Level 3 – inputs are unobservable inputs for an asset or liability

# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

## Notes to Financial Statements, continued

Unrestricted investments consist of the following:

(in thousands)	2020			2019		
	Total	Level 1	Level 2	Total	Level 1	Level 2
<b>Investments – current</b>						
Commercial Paper	\$ 74,922	\$ -	\$ 74,922	\$ -	\$ -	\$ -
KCIP *	65,872	-	-	64,695	-	-
U.S. Agency Securities	197,537	-	197,537	286,206	-	286,206
U.S. Treasury Securities	465,414	465,414	-	849,249	849,249	-
Municipal Bonds	20,000	-	20,000	-	-	-
Corporate Bonds	44,006	-	44,006	-	-	-
<b>Total investments – current</b>	<b>867,751</b>	<b>465,414</b>	<b>336,465</b>	<b>1,200,150</b>	<b>849,249</b>	<b>286,206</b>
<b>Investments – non-current</b>						
Investments – undesignated						
U.S. Agency Securities	226,653	-	226,653	146,894	-	146,894
U.S. Treasury Securities	40,575	40,575	-	130,512	130,512	-
Municipal Bonds	12,111	-	12,111	-	-	-
Corporate Bonds	27,848	-	27,848	24,968	-	24,968
Total investments - undesignated	307,187	40,575	266,612	302,374	130,512	171,862
Investments – capital replacement						
U.S. Agency Securities	221,378	-	221,378	200,271	-	200,271
U.S. Treasury Securities	76,208	76,208	-	109,959	109,959	-
Municipal Bonds	42,985	-	42,985	29,768	-	29,768
Corporate Bonds	20,410	-	20,410	5,193	-	5,193
Total investments – capital replacement	360,981	76,208	284,773	345,191	109,959	235,232
<b>Total investments – non-current</b>	<b>\$ 668,168</b>	<b>\$ 116,783</b>	<b>\$ 551,385</b>	<b>\$ 647,565</b>	<b>\$ 240,471</b>	<b>\$ 407,094</b>

\* The KCIP is valued using amortized cost basis and is not included in the fair value hierarchy.

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### *Notes to Financial Statements, continued*

Restricted investments consist of the following:

<i>(in thousands)</i>	2020			2019		
	Total	Level 1	Level 2	Total	Level 1	Level 2
<b>Restricted assets - current</b>						
KCIP *	\$ 532	\$ -	\$ -	\$ 524	\$ -	\$ -
<b>Total restricted assets - current</b>	<b>532</b>	<b>-</b>	<b>-</b>	<b>524</b>	<b>-</b>	<b>-</b>
<b>Restricted assets - non-current</b>						
Municipal bonds	10,167	-	10,167	19,525	-	19,525
U.S. Agency securities	12,573	-	12,573	2,449	-	2,449
<b>Total restricted assets - non-current</b>	<b>\$ 22,740</b>	<b>\$ -</b>	<b>\$ 22,740</b>	<b>\$21,974</b>	<b>\$ -</b>	<b>\$ 21,974</b>

\* The KCIP is valued using amortized cost basis and is not included in the fair value hierarchy.

U.S Treasury securities are classified as Level 1 and are valued using prices in active markets for identical assets. Commercial paper, U.S. Agency securities, municipal bonds and corporate bonds are classified as Level 2 and are valued using inputs that are observable but not actively using the market approach.

The KCIP is valued using amortized cost basis. The objective of the KCIP investment policy is to invest public funds in a manner which will preserve the safety and liquidity of all investments while obtaining a reasonable rate of return. The redemption period for the KCIP is one to ten days, depending on the dollar amount redeemed.

**Interest Rate Risk**— Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The agency manages duration as means of mitigating its exposure to interest rate risk. The greater the duration of a bond, or portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice versa. Sound Transit policy limits its maximum weighted portfolio duration to three years.



# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

## Notes to Financial Statements, continued

### Modified duration

(in thousands)

	2020			2019		
	Total	Duration	Percent of total	Total	Duration	Percent of total
<b>Investments – current</b>						
Commercial Paper	\$ 74,922	0.46	8.6%	\$ -	-	-
KCIP	65,872	1.20	7.6%	64,695	0.92	5.4%
U.S. Agency Securities	197,537	0.09	22.8%	286,206	0.53	23.8%
U.S. Treasury Securities	465,414	0.29	53.6%	849,249	0.69	70.8%
Municipal Bonds	20,000	0.19	2.3%	-	-	0.0%
Corporate Bonds	44,006	0.46	5.1%	-	-	0.0%
<b>Total investments - current</b>	<b>867,751</b>	<b>0.34</b>	<b>100.0%</b>	<b>1,200,150</b>	<b>0.66</b>	<b>100.0%</b>
<b>Investments – non-current</b>						
Investments – undesignated						
U.S. Agency Securities	226,653	1.60	73.8%	146,894	2.10	48.6%
U.S. Treasury Securities	40,575	0.79	13.2%	130,512	0.92	43.2%
Municipal Bonds	12,111	2.46	3.9%	-	-	0.0%
Corporate Bonds	27,848	1.04	9.1%	24,968	1.09	8.3%
<b>Total investments - undesignated</b>	<b>307,187</b>	<b>1.47</b>	<b>100.0%</b>	<b>302,374</b>	<b>1.51</b>	<b>100.0%</b>
Investments – capital replacement						
U.S. Agency Securities	221,378	2.70	61.3%	200,271	3.11	58.0%
U.S. Treasury Securities	76,208	0.87	21.1%	109,959	1.69	31.9%
Municipal Bonds	42,985	4.47	11.9%	29,768	5.92	8.6%
Corporate Bonds	20,410	3.61	5.7%	5,193	3.82	1.5%
<b>Total investments – capital replacement</b>	<b>\$ 360,981</b>	<b>2.57</b>	<b>100.0%</b>	<b>\$ 345,191</b>	<b>2.91</b>	<b>100.0%</b>
<b>Total investments – non-current</b>	<b>\$ 668,168</b>			<b>\$ 647,565</b>		

### Specific identification

(in thousands)

	December 31		Maturity	Call Date
	2020	2019		
<b>Restricted assets - non-current</b>				
<b>Debt service reserve</b>				
Municipal bonds:				
Georgia State GO Unlimited	-	10,005	4/1/2026	4/1/2017*
Georgia State GO Unlimited BAB	3,186	2,946	11/1/2027	11/24/2009*
New York City GO	6,981	6,574	8/1/2024	8/13/2019*
Federal Home Loan Mortgage Corporation	5,009	-	8/24/2023	
Federal Home Loan Mortgage Corporation	4,996	-	9/23/2025	
	<b>20,172</b>	<b>19,525</b>		
<b>OCIP reserve</b>				
U.S. agency securities:				
Federal Home Loan Mortgage Corporation	1,021	970	3/15/2023	
Federal National Mortgage Association	1,547	1,479	7/15/2022	
	<b>2,568</b>	<b>2,449</b>		
	<b>\$ 22,740</b>	<b>\$ 21,974</b>		

\* Continuously callable from this date forward

**CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY**

***Notes to Financial Statements, continued***

**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. At both December 31, 2020 and 2019, Sound Transit portfolios were within these guidelines.

<b>Investment Type Per Investment Policy</b>	<b>Maximum</b>
Treasury securities and investments in the LGIP	100%
Total U.S. Agency securities	75%
Single U.S. Agency and investments in the KCIP	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, 2020 and 2019, all Treasury, U.S. Agency, general obligation bonds and commercial paper securities are rated in one of the four highest credit rating categories 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*

**4. TAXES AND OTHER RECEIVABLES**

Taxes and other receivables consist of the following:

<i>(in thousands)</i>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Taxes receivable	\$ 285,239	\$ 292,251
Grants receivable	120,963	128,305
Due from other governments	15,034	16,361
Interest receivable	5,508	9,723
Accounts receivable, net	1,676	2,203
	<b>\$ 428,420</b>	<b>\$ 448,843</b>

Amounts due from other governments include amounts due from ORCA for fare revenues and reimbursable administration expenses (see also note 12) and amounts reimbursable under other 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 to 60 days. Where payment terms are not defined by agreement, they are due in accordance with the terms specified on the invoice, which is generally 30 days.

**5. LEASES**

Sound Transit, as lessee, has entered into various leases for office space, parking, land, storage and equipment with lease terms expiring between 2021 and 2050, with some leases containing options to renew.

As lessor, Sound Transit has entered into leases for commercial space, equipment, and land for use in transportation-oriented development. Sound Transit’s activities as lessor are generally intended to be temporary and relate mainly to property held for a period of time between acquisition for right of way, and other system assets and facilities, through the completion of construction of the related assets and eventually disposition of surplus property.

Sound Transit adopted GASB Statement No. 87, *Leases*, in 2020 with a conversion date of January 1, 2019. In accordance with the adopted standard, the agency, as a lessee, is required to recognize intangible right-of-use assets and corresponding lease liabilities, and as a lessor, lease receivables and deferred inflows of resources, for all leases that are not considered short-term. Sound Transit has adopted the following policies to assist in determining lease treatment according to the new standard (unless otherwise specified, the following policies pertain to agreements in which Sound Transit acts as lessee, and agreements in which Sound Transit acts as lessor):

**Basis of lease classification** – Leases that meet the following requirements will not be considered short-term: (1) the maximum possible lease term(s) is non-cancelable by both lessee and lessor, and is more than 12 months, and (2) the monthly lease payment is greater than \$5 thousand.

**Term** – At the time of lease commencement or conversion, the term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### *Notes to Financial Statements, continued*

likelihood of renewal. For extension periods without explicit rent payment amounts in the lease agreement, the agency included an increase of 3% to prior rent payment amounts on an annual basis.

**Discount rate** – Unless explicitly stated in the lease agreement, known by the agency, or the agency is able to determine the rate implicit within the lease, the discount rate used to calculate lease right-of-use assets and liabilities in the case of agreements in which Sound Transit acts as lessee, or deferred inflow of resources and related lease receivable, in the case of agreements in which Sound Transit acts as lessor, will be the agency’s tax exempt market borrowing rate for 30 year fixed terms at the end of each year, which will be the rate utilized for the next calendar year. The published 30 year fixed tax exempt borrowing rate was 3.83% at December 31, 2018, and was the discount rate utilized for applicable leases beginning in 2019 and applicable lease conversions. The 30 year fixed tax exempt borrowing rate at December 31, 2019 was 3.30% and was used for applicable leases beginning in 2020.

**Prepaid lease payments** – Prepaid lease payments related to leases wherein Sound Transit acts as lessee, are not included in right-of-use assets until such time as the lease term commences.

**Variable payments** – Variable payments based on the future performance of the lessee or lessor or usage of the underlying asset are not included in the measurement of lease assets or liabilities. For the years ended December 31, 2020 and 2019, all leases are based on fixed payments and do not have variable payment components.

**Residual value guarantees** – There were no residual guarantees included in the measurement of lease assets and liabilities, or deferred inflow of resources and lease receivables, for the years ended December 31, 2020 and 2019.

**Remeasurement** – For the years ended December 31, 2020 and 2019, the agency remeasured lease liabilities for three leases in which Sound Transit acts as lessee, due to (1) early termination which included a termination fee, (2) reduction in monthly lease payment, and (3) a change in borrowing rate.

Total lease related assets consist of the following:

<i>(in thousands)</i>	<b>December 31</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
Right-of-use assets	\$ 130,548	\$ 126,976
Accumulated amortization	(26,970)	(11,815)
<b>Right-of-use assets, net</b>	<b>103,578</b>	<b>115,161</b>
Prepaid lease payments	171,619	159,165
Lease receivables	21,098	20,010
Lease-leaseback investment account asset	66,014	64,876
<b>Total lease related assets</b>	<b>\$ 362,309</b>	<b>\$ 359,212</b>

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### *Notes to Financial Statements, continued*

Lease related right-of-use assets by major class of underlying assets:

<i>(in millions)</i>	December 31	
	2020	2019
Office buildings	\$ 97.5	\$ 97.7
WSDOT land access rights (airspace leases)	14.9	14.9
Land	9.8	8.7
Warehouse space	6.9	4.3
Equipment	1.4	1.4
<b>Total right-of-use assets</b>	<b>\$ 130.5</b>	<b>\$ 127.0</b>

As lessee, the agency recognized \$15.5 million and \$11.8 million of amortization expense in the years ended December 31, 2020 and 2019, respectively. The agency also recognized \$4.3 million and \$3 million of interest expense in the years ended December 31, 2020 and 2019, respectively.

As lessor, the agency recognized \$1.2 million and \$1.1 million in interest revenue in the years ended December 31, 2020 and 2019, respectively. The agency also recognized revenues from deferred inflows of resources of \$0.2 million and \$0.3 million in the year ended December 31, 2020 and 2019, respectively.

Total lease obligations consist of the following:

<i>(in thousands)</i>	December 31	
	2020	2019 (Restated)
Lease obligations	\$ 109,719	\$ 114,642
Lease-leaseback obligations	66,014	64,876
<b>Total lease obligations</b>	<b>\$ 175,733</b>	<b>\$ 179,518</b>

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### *Notes to Financial Statements, continued*

Minimum lease payments, excluding lease-leaseback obligations, through 2050 are as follows (in thousands):

<i>(in thousands)</i>				
Year ending December 31	Interest Payments	Principal Payments	Total Payments	
2021	\$ 3,979	\$ 10,294	\$ 14,273	
2022	3,550	11,455	15,005	
2023	3,120	11,088	14,208	
2024	2,774	8,371	11,145	
2025	2,440	7,972	10,412	
2026-2030	7,599	40,439	48,038	
2031-2035	2,778	8,657	11,435	
2036-2040	1,821	5,721	7,542	
2041-2045	688	3,910	4,598	
2046-2050	75	1,812	1,887	
	<b>\$ 28,824</b>	<b>\$ 109,719</b>	<b>\$ 138,543</b>	

**Lease-Leaseback**— In May 2001, Sound Transit entered into a transaction to lease 22 rail passenger cab and coach cars and 5 locomotives (the head lease) to an investor and simultaneously sublease the vehicles back from the investor (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 current lease expires on September 17, 2040.

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 head lease 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 lease obligation. The agreements with AIG-FP Special Finance Ltd. and AIG Matched Funding Corp. have been structured to meet all future obligations under the sublease when due and, as such, the corresponding investment account has been recorded to equal the sublease obligations. As of December 31, 2020 and 2019, the fair value of the underlying securities was sufficient to satisfy the current required value as set forth in the related agreements.

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### *Notes to Financial Statements, continued*

Net changes in the lease-leaseback sublease are shown in the following table:

	2020	2019
<i>(in thousands)</i>		
Net sublease, January 1	\$ 64,876	\$ 63,817
Accrued interest	4,856	4,777
Less payment	(3,718)	(3,718)
<b>Net sublease, December 31</b>	<b>\$ 66,014</b>	<b>\$ 64,876</b>

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’s and “Aaa” by Moody’s Investment Service. However, starting in March 2005, AIG suffered a series of credit rating downgrades and as of December 31, 2020 was rated “BBB+” by Standard & Poor’s and “Baa1” by Moody’s Investment Service. As of December 31, 2020 and 2019, the defeasance accounts were unrated.

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 and temporary waiver of delivery of required items letter 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 the Fifth Extension Amendment to the waiver agreement and Fifth Temporary Waiver of Delivery of Required Items letter with the transaction participants, Sound Transit may request successive six-month extensions of the waiver agreements until September 30, 2020, unless extended by agreement of the parties. Sound Transit requested and has been granted an extension of the waiver agreements through September 30, 2021. If the default is not cured and the extension is not granted, the investor could demand a termination payment from Sound Transit of approximately \$10.7 million.

# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

## *Notes to Financial Statements, continued*

### 6. CAPITAL ASSETS

Capital assets are summarized as follows:

<i>(in thousands)</i>	<b>2020</b>				<b>2020</b>
	<b>Beginning</b>		<b>Disposals /</b>	<b>Transfers</b>	<b>Ending</b>
	<b>balance</b>	<b>Additions</b>	<b>reductions</b>		<b>balance</b>
<b>Non-depreciable assets</b>					
Land	\$ 913,686	\$ 1,050	\$ (20,857)	\$ 135,953	\$ 1,029,832
Permanent easements	546,284	-	-	3,123	549,407
Capital projects in progress:					
Sound Transit - tangible	5,799,948	2,112,882	(16,135)	(176,807)	7,719,888
Sound Transit - intangible	30,580	11,587	(8,632)	(4,034)	29,501
Other governments - tangible	8,822	9,593	(8,039)	(35)	10,341
<b>Total non-depreciable assets</b>	<b>7,299,320</b>	<b>2,135,112</b>	<b>(53,663)</b>	<b>(41,800)</b>	<b>9,338,969</b>
<b>Depreciable assets</b>					
Access rights	566,498	-	(5,983)	(4,979)	555,536
Buildings and leasehold improvements	40,499	-	-	945	41,444
Furniture, equipment and vehicles	23,707	-	(316)	3,487	26,878
Revenue vehicles	792,346	-	(19,082)	48,872	822,136
Software	34,184	-	-	1,059	35,243
Transit facilities, rail and heavy equipment	4,794,329	-	(123)	7,680	4,801,886
<b>Total depreciable assets</b>	<b>6,251,563</b>	<b>-</b>	<b>(25,504)</b>	<b>57,064</b>	<b>6,283,123</b>
<b>Accumulated depreciation</b>					
Access rights	(235,655)	(13,823)	-	5,725	(243,753)
Buildings and leasehold improvements	(21,631)	(1,899)	-	(492)	(24,022)
Furniture, equipment and vehicles	(17,877)	(4,072)	312	60	(21,577)
Revenue vehicles	(331,189)	(37,897)	17,713	-	(351,373)
Software	(27,488)	(4,729)	-	(60)	(32,277)
Transit facilities, rail and heavy equipment	(849,850)	(115,711)	123	492	(964,946)
<b>Total accumulated depreciation</b>	<b>(1,483,690)</b>	<b>(178,131)</b>	<b>18,148</b>	<b>5,725</b>	<b>(1,637,948)</b>
<b>Total depreciable assets, net</b>	<b>4,767,873</b>	<b>(178,131)</b>	<b>(7,356)</b>	<b>62,789</b>	<b>4,645,175</b>
<b>Total capital assets, net</b>	<b>\$ 12,067,193</b>	<b>\$ 1,956,981</b>	<b>\$ (61,019)</b>	<b>\$ 20,989</b>	<b>\$ 13,984,144</b>



# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

## *Notes to Financial Statements, continued*

<i>(in thousands)</i>	<b>2019</b>		<b>Disposals /</b>		<b>2019</b>
	<b>Beginning</b>	<b>Additions</b>	<b>reductions</b>	<b>Transfers</b>	<b>Ending</b>
	<b>balance</b>			<b>(Restated)</b>	<b>balance</b>
					<b>(Restated)</b>
<b>Non-depreciable assets</b>					
Land	\$ 836,331	\$ -	\$ (6,584)	\$ 83,939	\$ 913,686
Permanent easements	543,784	-	-	2,500	546,284
Capital projects in progress:					
Sound Transit - tangible	3,956,567	1,995,374	(31,180)	(120,813)	5,799,948
Sound Transit - intangible	21,313	19,497	(799)	(9,431)	30,580
Other governments - tangible	3,841	8,904	(3,923)	-	8,822
<b>Total non-depreciable assets</b>	<b>5,361,836</b>	<b>2,023,775</b>	<b>(42,486)</b>	<b>(43,805)</b>	<b>7,299,320</b>
<b>Depreciable assets</b>					
Access rights	726,932	5,983	-	(166,417)	566,498
Buildings and leasehold improvements	38,219	1,570	-	710	40,499
Furniture, equipment and vehicles	17,862	-	(422)	6,267	23,707
Revenue vehicles	791,853	-	-	493	792,346
Software	26,165	-	-	8,019	34,184
Transit facilities, rail and heavy equipment	4,787,061	-	-	7,268	4,794,329
<b>Total depreciable assets</b>	<b>6,388,092</b>	<b>7,553</b>	<b>(422)</b>	<b>(143,660)</b>	<b>6,251,563</b>
<b>Accumulated depreciation</b>					
Access rights	(227,114)	(13,520)	-	4,979	(235,655)
Buildings and leasehold improvements	(19,802)	(2,203)	-	374	(21,631)
Furniture, equipment and vehicles	(14,729)	(3,551)	403	-	(17,877)
Revenue vehicles	(293,848)	(37,340)	-	(1)	(331,189)
Software	(23,497)	(5,571)	-	1,580	(27,488)
Transit facilities, rail and heavy equipment	(734,934)	(117,858)	-	2,942	(849,850)
<b>Total accumulated depreciation</b>	<b>(1,313,924)</b>	<b>(180,043)</b>	<b>403</b>	<b>9,874</b>	<b>(1,483,690)</b>
<b>Total depreciable assets, net</b>	<b>5,074,168</b>	<b>(172,490)</b>	<b>(19)</b>	<b>(133,786)</b>	<b>4,767,873</b>
<b>Total capital assets, net</b>	<b>\$ 10,436,004</b>	<b>\$1,851,285</b>	<b>\$ (42,505)</b>	<b>\$ (177,591)</b>	<b>\$12,067,193</b>

## 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:

<i>(in thousands)</i>	2020	2019 (Restated)
Accrued liabilities	\$ 263,554	\$ 278,967
Due to other governments	56,723	119,880
Accounts payable	26,071	33,823
Accrued salaries, wages and benefits	26,440	20,012
Retainage payable	217	220
	<b><u>\$ 373,005</u></b>	<b><u>\$ 452,902</u></b>

#### 8. LONG-TERM DEBT

Sound Transit's long-term debt is comprised of three categories: Prior Bonds, Parity Bonds and Second Tier Junior Obligations borrowed pursuant to the Transportation Infrastructure Finance and Innovation Act (TIFIA Loans). All bond issuances and borrowings are considered public debt. Prior Bonds have first claim upon the local option taxes of sales and use, rental car, and MVET. Parity Bonds are subordinate to the Prior Bonds and also have claim upon the local option taxes of sales and use, rental car, and MVET. TIFIA Loans are subordinate to both Prior Bonds and Parity Bonds and have claim on the local option taxes of sales and use, rental car, and MVET, as well. Proceeds from bond issues are used for funding Sound Transit's capital program or refunding prior bond issues. As of December 31, 2020 and 2019, Sound Transit had no direct borrowings.

As of December 31, 2020 and 2019, total outstanding long-term debt is as follows:

<i>(in thousands)</i>	2020	2019
<b>Long-term debt</b>		
Bonds payable		
Prior bonds	\$ 418,630	\$ 454,795
Parity bonds	1,710,270	1,717,020
Premium	148,886	160,737
Discount	(2,132)	(2,514)
<b>Total bonds payable</b>	<b><u>2,275,654</u></b>	<b><u>2,330,038</u></b>
TIFIA Loans	156,606	156,606
<b>Total debt</b>	<b><u>2,432,260</u></b>	<b><u>2,486,644</u></b>
Amounts due within one year	(54,300)	(42,915)
<b>Total long-term debt</b>	<b><u>\$ 2,377,960</u></b>	<b><u>\$ 2,443,729</u></b>

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### *Notes to Financial Statements, continued*

#### *Bonds Payable (Prior and Parity)*

<i>(in thousands)</i>	<b>2020</b>			<b>2020</b>	<b>Amounts due</b>
	<b>Beginning</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending</b>	<b>within</b>
	<b>balance</b>			<b>balance</b>	<b>one year</b>
<b>Bonds payable</b>					
Series 1999	\$ 253,685	\$ -	\$ (23,055)	\$ 230,630	\$ 24,265
Series 2009P-2T	76,845	-	(7,390)	69,455	7,665
Series 2009S-2T	300,000	-	-	300,000	-
Series 2012P-1	124,265	-	(5,720)	118,545	7,455
Series 2012S-1	77,080	-	(6,750)	70,330	7,090
Series 2015S-1	789,940	-	-	789,940	-
Series 2015S-2A	75,000	-	-	75,000	-
Series 2015S-2B	75,000	-	-	75,000	-
Series 2016S-1	400,000	-	-	400,000	7,825
	<b>2,171,815</b>	<b>-</b>	<b>(42,915)</b>	<b>2,128,900</b>	<b>54,300</b>
Plus unamortized premium	160,737	-	(11,851)	148,886	
Less unamortized discount	(2,514)	-	382	(2,132)	
<b>Total bonds payable</b>	<b>\$ 2,330,038</b>	<b>\$ -</b>	<b>\$ (54,384)</b>	<b>\$ 2,275,654</b>	<b>\$ 54,300</b>

<i>(in thousands)</i>	<b>2019</b>			<b>2019</b>	<b>Amounts due</b>
	<b>Beginning</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending</b>	<b>within</b>
	<b>balance</b>			<b>balance</b>	<b>one year</b>
<b>Bonds payable</b>					
Series 1999	\$ 275,590	\$ -	\$ (21,905)	\$ 253,685	\$ 23,055
Series 2009P-2T	76,845	-	-	76,845	7,390
Series 2009S-2T	300,000	-	-	300,000	-
Series 2012P-1	135,435	-	(11,170)	124,265	5,720
Series 2012S-1	83,525	-	(6,445)	77,080	6,750
Series 2015S-1	789,940	-	-	789,940	-
Series 2015S-2A	75,000	-	-	75,000	-
Series 2015S-2B	75,000	-	-	75,000	-
Series 2016S-1	400,000	-	-	400,000	-
	<b>2,211,335</b>	<b>-</b>	<b>(39,520)</b>	<b>2,171,815</b>	<b>42,915</b>
Plus unamortized premium	172,698	-	(11,961)	160,737	
Less unamortized discount	(2,895)	-	381	(2,514)	
<b>Total bonds payable</b>	<b>\$ 2,381,138</b>	<b>\$ -</b>	<b>\$ (51,100)</b>	<b>\$ 2,330,038</b>	<b>\$ 42,915</b>

Excluding unamortized premium and discount, Sound Transit had a total of \$2,128.9 million Prior and Parity Bonds outstanding at December 31, 2020, compared to \$2,171.8 million at December 31, 2019. A total of \$42.9 million and \$39.5 million of principal payments were made in 2020 and 2019, respectively.

# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

## Notes to Financial Statements, continued

Sound Transit maintains certain minimum deposit accounts pursuant to Sound Transit Board resolutions, the Prior Master Bond Resolution and the Parity Master Bond Resolution, to meet debt service requirements. A Prior Bond Account and a Parity Bond Account are funded with monthly deposits so that the balance will be sufficient to pay the interest, or principal and interest, next coming due on the bonds (see also note 3).

The following tables set forth average coupon and effective rates, rating agency information, principal payment commencement dates, fair value and minimum deposits currently restricted for debt service related to bonds.

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

<i>(in millions)</i>									
	Issue date	Average rate	Ratings		Principal Payment begins	Fair value*		Principal and interest restricted	
		Coupon	Moody's	S&P		2020	2019	2020	2019
Series 1999	Dec 1, 1998	4.75 - 5.25%	Aaa	AAA	Feb 1, 2006	\$231.4	\$299.5	\$28.9	\$ 28.2
Series 2009P-2T	Sep 29, 2009	4.85 - 5.15%	Aaa	AAA	Feb 1, 2020	80.2	84.7	9.1	9.0
Series 2012P-1	Aug 22, 2012	5.00%	Aaa	AAA	Feb 1, 2013	124.3	133.4	9.9	8.3

\* Estimated using quoted market prices

Sound Transit is also required, by covenant, to maintain a common debt service reserve account for all Prior Bonds. The common debt service reserve requirement for these 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-2T bonds were issued, and an \$11.5 million cash reserve, funded at the time the 2012P-1 bonds were issued (see also note 3). 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, 2020, and 2019, the market value of the Prior debt service reserve exceeded the required reserve amount. Reserve account proceeds are invested in municipal bonds.

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

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### Notes to Financial Statements, continued

**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	Fair value*		Principal and interest restricted	
		Coupon	Moody's	S&P	begins	2020	2019	2020	2019
Series 2009S-2T	Sep 29, 2009	5.49%	Aa1	AAA	Nov 1, 2029	\$430.8	\$387.6	\$ 2.7	\$ 2.7
Series 2012S-1	Aug 22, 2012	3.25 - 5.00%	Aa1	AAA	Nov 1, 2016	76.1	84.4	7.7	7.4
Series 2015S-1	Sep 10, 2015	4.00 - 5.00%	Aa1	AAA	Nov 1, 2018	935.8	908.5	6.2	6.2
Series 2015S-2A	Sep 10, 2015	Var	Aa1	AAA	Nov 1, 2041	150.3	75.0	0.2	0.1
Series 2015S-2B	Sep 10, 2015	Var	Aa1	AAA	Nov 1, 2041	-	75.0	0.2	0.1
Series 2016S-1	Dec 19, 2016	5.00%	Aa1	AAA	Nov 1, 2021	531.8	509.3	11.2	3.3

\* Estimated using quoted market prices

There are no externally imposed legal or contractual obligations requiring Sound Transit to establish a reserve account for Parity Bonds.

Sound Transit makes monthly deposits into a Parity Bond Account from pledged taxes 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.

### Long-term Bond Requirements

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

(in thousands)

Year ending December 31	Principal	Interest *	Total
2021	\$ 54,300	\$ 102,058	\$ 156,358
2022	58,390	99,275	157,665
2023	62,670	96,346	159,016
2024	78,620	93,218	171,838
2025	82,720	89,226	171,946
2026-2030	378,295	385,753	764,048
2031-2035	410,040	301,733	711,773
2036-2040	467,240	189,215	656,455
2041-2045	347,730	90,763	438,493
2046-2050	188,895	24,241	213,136
	<b>\$ 2,128,900</b>	<b>\$ 1,471,828</b>	<b>\$ 3,600,728</b>

\* Does not deduct 35% Build America Bonds subsidy on the interest payments.

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. 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. Sound Transit received subsidies of \$6.7 million and \$6.7 million, in 2020 and 2019, respectively. The 2009P-2T bonds and the 2009S-2T bonds are Build America Bonds.

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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### *Notes to Financial Statements, continued*

#### *Second Tier Junior Obligations (TIFIA Loans)*

TIFIA loans are second tier junior obligations and as such, are subordinate to both the Parity and Prior bonds. The TIFIA loans are governed by two credit agreements, the TIFIA Master Credit Agreement and the East Link Loan Agreement, the details of which are presented below.

In December 2016, Sound Transit entered into a TIFIA Master Credit Agreement with the United States Department of Transportation with a contingent commitment of up to \$1.99 billion for a program of four loans for the following projects: Northgate Link Extension, Lynnwood Link Extension, Federal Way Link Extension and Operations and Maintenance Facility East (OMFE). If funds are not drawn within one year of each project's respective substantial completion date, the contingent commitment and available credit, respectively, may be reduced.

With the execution of the TIFIA Master Credit Agreement, the East Link Loan Agreement was amended and restated to be consistent with the TIFIA Master Credit Agreement; however, it is not included in the scope of the Master Credit Agreement. Under the East Link Loan Sound Transit may borrow up to \$1.33 billion. On August 15, 2019, Sound Transit made its first draw on the TIFIA East Loan for \$50.0 million. As of December 31, 2020, the loan has accrued \$1.7 million in interest. Principal and interest on the loan is payable semi-annually in May and November of each year commencing May 1, 2030.

Concurrent with the execution of the TIFIA Master Credit Agreement, Sound Transit executed the first loan under the TIFIA Master Credit Agreement for the Northgate Link Extension for a loan of up to \$615.3 million with a fixed rate of 3.13% to fund up to 33% of the project costs for the Northgate Link Extension. As of December 31, 2020 and 2019, the TIFIA Northgate Loan had a principal balance of \$81.6 million in both years and accrued interest of \$6.6 million and \$3.8 million, respectively. Principal and interest on the loan is payable semi-annually in May and November of each year commencing November 1, 2026.

On June 22, 2017, Sound Transit entered into the TIFIA OMFE Loan Agreement under the TIFIA Master Credit Agreement for up to \$87.7 million with a fixed rate of 2.73% to fund a portion of the OMFE project costs. On August 15, 2019, Sound Transit made its first draw on the TIFIA OMFE Loan for \$25.0 million. As of December 31, 2020, the loan has accrued \$0.6 million in interest. Principal and interest on the loan is payable semi-annually in May and November of each year commencing November 1, 2025.

On December 19, 2018, Sound Transit closed the TIFIA Lynnwood Loan Agreement under the TIFIA Master Credit Agreement for up to \$657.9 million with a fixed rate of 3.06%.

On December 16, 2019, Sound Transit closed the TIFIA Federal Way Loan Agreement under the TIFIA Master Credit Agreement for up to \$629.5 million with a fixed rate of 2.36%.

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### *Notes to Financial Statements, continued*

The following table sets forth TIFIA loan activity for the years ended December 31, 2020:

<i>(in thousands)</i>							2020
	Year executed	Credit line	Interest rate	Final maturity	Drawn amount	Interest	Ending balance
<b>TIFIA loans</b>							
East Link Extension	2015	\$1,330,000	2.38%	2058	\$ 50,000	\$ 1,662	\$ 51,662
Northgate Link Extension	2016	615,300	3.13%	2056	81,606	6,618	88,224
OMFE	2016	87,700	2.73%	2055	25,000	603	25,603
Lynnwood Link Extension	2018	657,900	3.06%	2059	-	-	-
Federal Way Link Extension	2019	629,500	2.36%	2059	-	-	-
<b>Total TIFIA loans</b>		<b><u>\$ 3,320,400</u></b>			<b><u>\$ 156,606</u></b>	<b><u>\$ 8,883</u></b>	<b><u>\$ 165,489</u></b>

### 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>	2020 Beginning balance	Additions, accrion and changes in estimates	Reductions	2020 Ending balance	Amounts due within one year *
<b>Asset retirement obligations</b>	\$ 4,581	\$ -	\$ (48)	\$ 4,533	\$ -
<b>Uninsured losses</b>	3,072	16,502	(16,835)	2,739	762
<b>Compensated absences</b>	11,810	12,196	(7,103)	16,903	9,752
<b>Total other long-term obligations</b>	<b><u>\$ 19,463</u></b>	<b><u>\$ 28,698</u></b>	<b><u>\$ (23,986)</u></b>	<b><u>\$ 24,175</u></b>	<b><u>\$ 10,514</u></b>

<i>(in thousands)</i>	2019 Beginning balance	Additions, accrion and changes in estimates	Reductions	2019 Ending balance	Amounts due within one year *
<b>Asset retirement obligations</b>	\$ 3,800	\$ 781	\$ -	\$ 4,581	\$ -
<b>Uninsured losses</b>	4,002	6,771	(7,701)	3,072	1,419
<b>Compensated absences</b>	10,422	11,706	(10,318)	11,810	11,810
<b>Total other long-term obligations</b>	<b><u>\$ 18,224</u></b>	<b><u>\$ 19,258</u></b>	<b><u>\$ (18,019)</u></b>	<b><u>\$ 19,463</u></b>	<b><u>\$ 13,229</u></b>

\* Amounts due within one year are included in current liabilities under the line items *Accounts payable and accrued liabilities*, and *Other claims and short-term obligations*.

**Asset Retirement Obligations (ARO)**— In the course of entering into agreements with other governments and rail providers to construct Sound Transit's capital assets, 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.

**CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY**

**Notes to Financial Statements, continued**

The ARO liability is measured based on estimated costs to fulfill Sound Transit’s ARO developed by internal resources with in depth knowledge of construction and demolition costs and adjusted annually for inflation. The corresponding deferred outflow of resources is amortized over the estimated remaining useful lives of the associated tangible capital assets and ranges from 20 to 33 years. There are no assets required to be restricted for the payment of these liabilities nor is there any legally required funding or assurance provisions associated with the AROs.

**Risk Management**— In the ordinary course of planning, building and operating its regional transit systems and services, Sound Transit is exposed to various types of risks and exposures of loss including: torts; theft of, damage to and destruction of assets; errors and omissions; job related injuries to persons; natural disasters; and environmental occurrences.

Sound Transit has established a comprehensive risk management and insurance program to mitigate the potential for loss and for the administration of claims through a combination of commercial insurance and coverage under partner agency operating agreements. Sound Transit’s agency operations and rail operations insurance policies are written on an occurrence or claims made basis, with a specific deductible or self-insured retention, renewing annually. Agency operation policies renew on May 1<sup>st</sup> and rail operation policies renew on November 1<sup>st</sup>. Worker’s compensation is insured through the state of Washington.

Major coverages under these programs are as follows:

<b>Program</b>	<b>Major Coverage</b>	<b>Limit / Deductible or *Retention</b>
Agency Operation	Property (Earthquake/DIC) Primary and Excess Liability Commercial Auto / Excess Liability Pollution / Excess Liability Public Officials / Employer Liability Fiduciary Liability	\$400M (\$150M) / \$100K (\$3%) \$100M / \$350K \$11M / \$500 comprehensive or \$1K collision \$50M / \$100K * \$25M / \$250K \$10M / \$0
Rail Operation	Light Rail / Excess Liability Heavy Rail / Excess Liability Property – Rolling Stock	\$100M / \$5M \$295M / \$5M \$40M / \$50K or \$500K derailment
Bus Operation	Provided through partner agency operating agreements	N/A

For certain larger capital projects, Sound Transit utilizes Owner Controlled Insurance Programs (OCIP’s) to address general liability, builders risk and contractors’ pollution liability claims related to project construction carried out by Sound Transit’s third party contractors, as well as professional liability coverage extending through December 31, 2020 for Central Link and University Link OCIP’s.

Sound Transit’s first OCIP was secured in 2001, for construction of the Central Link light rail project and subsequently amended to include the Airport Link light rail extension. Coverage for the Central Link OCIP is now expired, the Professional Liability coverage for final design having expired as of December 31, 2020.

Sound Transit secured a second OCIP in October 2008 for the University Link Light rail extension project with coverage provided from October 20, 2008 through March 19, 2016. On-going operations coverage is now expired, but the University Link Light rail extension OCIP provides six years of completed operations coverage, which will expire March 19, 2022.



**CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY**

***Notes to Financial Statements, continued***

Sound Transit’s 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 and includes six years of completed operations coverage, which will expire December 31, 2027.

Major coverages under these programs are as follows:

<b>Program</b>	<b>Major Coverage</b>	<b>Limit / Deductible or *Retention</b>
Central Link OCIP	Professional Liability (extended reporting period)	\$50M / \$250K *
University Link OCIP	Primary and Excess Liability (completed operations) Pollution Liability (completed operations)	\$100M / \$100K \$50M / \$250K *
Northgate Link OCIP	Primary and Excess Liability Pollution Liability Builders Risk	\$100M / \$100K \$50M / \$250K * \$400M / \$500K

Sound Transit has deposited \$1.0 million for the University Link OCIP and an additional \$0.7 million for the North Link 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 resulting from these projects. While Sound Transit is directly responsible for payment of the deductible to the insurers, it has further transferred its risk of loss through its construction contracts, requiring contractors covered by these programs to be responsible for 100% of the deductible on general liability and pollution liability claims (\$100 thousand and \$250 thousand respectively) and the first \$250 thousand of any builders risk loss.

Self-insured liabilities are recorded when probable that a loss has occurred and the amount can be reasonably estimated and includes estimates for claims that have been incurred but not yet reported. As actual liabilities depend on a number of complex factors the process used in estimating the claims liability does not necessarily result in an exact amount. 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.

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

# CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

## Notes to Financial Statements, continued

### 10. RESTRICTED NET POSITION

Restricted net position consists of the following:

<i>(in thousands)</i>	<b>2020</b>	<b>2019</b>
Debt service	\$ 65,230	\$ 58,044
Contractual arrangements	11,650	17,298
	<b>\$ 76,880</b>	<b>\$ 75,342</b>

### 11. EMPLOYEE BENEFITS

Sound Transit provides a defined contribution money purchase plan and trust (401(a) Plan) to its employees. Empower Retirement 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. 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. The amount of covered payroll during 2020 and 2019 was \$126.7 million and \$111.8 million, respectively, and total payroll was \$127.2 million and \$112.2 million, respectively. The required contribution rates, expressed as a percentage of covered payroll, and required Sound Transit contributions during 2020 and 2019 were as follows:

	<b>Contribution rate</b>		<b>Contributions</b>	
	<b>2020</b>	<b>2019</b>	<i>(in thousands)</i>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Employer	12%	12%	\$ 15,206	\$ 13,412
Employee	10	10	12,672	11,176
<b>Total</b>	<b>22%</b>	<b>22%</b>	<b>\$ 27,878</b>	<b>\$ 24,588</b>

**CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY**

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***Notes to Financial Statements, continued***

**12. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS**

In the ordinary course of its operations, Sound Transit enters into a number of agreements with other governmental and quasi-governmental agencies, including: the operation and maintenance of buses and trains that it has purchased; right of way access and use; planning, building and operation of its facilities; and collection of its taxes. With the exception of Tacoma Link light rail, all services are operated by partner agencies. A summary of significant agreements follows:

***ST Express***— Agreements have been entered into with King County Metro, Community Transit and Pierce Transit for the operations and maintenance of bus service, covering vehicle maintenance, operations, coordination of service planning, revenue processing, customer service, personnel and performance standards, and information and compliance reporting. The agreements set forth the process for annual financial authorization for service and the basis of compensation, substantially comprised of a baseline cost rate for purchased transportation, as well as fuel and other costs provided for, but not included, as part of the baseline. Baseline cost rates, including allocated costs, are established by no later than December 15<sup>th</sup> for the upcoming year and are reconciled to actual incurred costs by no later than March 31<sup>st</sup> of the year following. The current agreements with Community Transit and Pierce Transit are for 1 year, expiring June 30, 2021. The current agreement with King County is for 5 years, expiring December 31, 2024.

***Link Light Rail***— Sound Transit contracts with King County Metro for the operation and maintenance of its light rail service, operating between the Angle Lake and the University of Washington stations. The agreement sets forth the process for annual financial authorization for service and the basis of compensation, substantially comprised of a baseline cost rate for purchased transportation, as well as other costs provided for, but not included, as part of the baseline. Baseline cost rates, including allocated costs, are established by no later than December 15<sup>th</sup> for the upcoming year and are reconciled to actual incurred costs by no later than March 31<sup>st</sup> of the year following. The current 2009 agreement expired on July 2014 and has been extended thereafter, currently through December 31, 2023.

Sound Transit has also entered into the following agreements related to light rail or station operations:

***Downtown Seattle Transit Tunnel (DSTT) Agreement***— This agreement with King County and City of Seattle provides for cost sharing with regard to the maintenance and operation in the DSTT in exchange for the right to use the tunnel for light rail operations. Sound Transit’s ongoing obligations include reimbursement of maintenance costs and cost-sharing for future capital repairs or replacements as they arise. Sound Transit has entered into negotiations to transfer ownership of the tunnel from King County to Sound Transit.

***Light Rail Agreements***— Sound Transit has entered into a variety of agreements to secure the permanent right to operate light rail in the right of way (under, upon and over streets and property) owned by the City of Seattle, Tukwila, SeaTac, the Port of Seattle, Bellevue, Lynnwood, Shoreline, Mountlake Terrace, Federal Way, Kent, Des Moines and Tacoma. The cost of public right of way improvements have been capitalized to rail access rights and include those costs necessary to operate light rail service, such as costs to acquire real property and relocate existing residents and businesses, as well as certain improvements to the right of way required under those agreements.

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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### *Notes to Financial Statements, continued*

**Sounder**— Agreements have been entered into with BNSF for the operation of Sounder commuter rail service and with Amtrak for operation and maintenance of the locomotives, cab and coach cars (rolling stock). Service between Everett and Seattle and Seattle and Tacoma is on rail right of way owned and operated by BNSF.

**South Line**— Service between Seattle and Lakewood is provided by BNSF under a 40-year service agreement for the operation of 26 daily one-way (13 round-way) commuter rail trips that expires in 2040. The agreement establishes the compensation paid to BNSF for train crews, maintenance of way and other expensed incurred in the operation of the Sounder Service and is based on actual cost of crew, dispatch and management, as well as cost for performance incentives. Upon expiration of the service agreement, Sound Transit's use of BNSF track will be bound by a dormant Joint Use Agreement for BNSF's Seattle-Tacoma corridor.

**North Line**— BNSF operates 4 daily commuter rail round trips between Seattle and Everett for Sound Transit under a service agreement. The service agreement expires in December 2030. Upon expiration of the service agreement, Sound Transit's use of BNSF track will be bound by a dormant Joint Use Agreement for BNSF's Seattle-Everett corridor.

**Rolling Stock**— In 2000, Sound Transit leased the initial portion of its rolling stock to 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, Amtrak subleased this rolling stock to BNSF for operation of Sounder Service. Both lease agreements are for a 40-year term, expiring in 2040.

**Maintenance Service Agreement**— In 2016 Sound Transit entered into an amended agreement with Amtrak, under which 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. A negotiated rate is also established for additional service above the baseline operating plan. This agreement is renewed from time to time.

**First Hill Streetcar**—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 was established in the November 2009 Funding and Cooperative Agreement, of which \$5.0 million is payable annually through 2023 for annual operations and maintenance expenses. The City of Seattle owns and operates the First Hill Streetcar facilities and vehicles.

**Land Bank Agreement**— Sound Transit entered into an agreement called the Land Bank Agreement with WSDOT in July 2000 which was restated in December 2003. The purpose of the agreement is to establish a framework within which WSDOT can, from time to time, convey portions of WSDOT property through lease or sale to Sound Transit for non-highway use 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, the land bank agreement was extended to 2080. Sound Transit will continue to earn land bank credits for constructing projects containing highway improvements and use credits on projects that are located within the public highway right of way through July, 2080.

Sound Transit has light rail guideways located on WSDOT property governed under multiple 20-year and 40-year airspace leases issued under the Land Bank Agreement. These airspace leases have options to renew for an additional 20 to 35 years. Should Sound Transit and WSDOT not enter into a new agreement

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### *Notes to Financial Statements, continued*

at the end of the leases, property interests revert to WSDOT. At December 31, 2020, the value of the unused land bank credits that have not been conveyed by WSDOT to Sound Transit was \$96.5 million. This value is not recorded in the financial statements as there is not sufficient certainty that the credit will be utilized.

The following table provides information on additions to and uses of credits accruing to the benefit of Sound Transit in 2020 and 2019:

<i>(in millions)</i>	<b>2020</b>	<b>2019</b>
Balance in Land Bank, beginning of year	\$ 90.0	\$ 50.1
Additions:		
I-90 Two-Way Transit & HOV	11.5	50.2
I-405 BRT Roadway	-	24.4
North Jackson 145th St. Park & Ride in Shoreline	1.0	-
Federal Way Link	0.9	-
Northgate	0.6	-
East Link	4.9	-
Draws:		
145th Street Park & Ride Parcel	-	(1.0)
Temporary Construction Airspace Lease (TCAL):		
Downtown Redmond Link	-	(21.8)
Federal Way Link	-	(5.9)
Airspace Lease:		
Federal Way Link	-	(6.0)
Downtown Redmond Link	(12.4)	-
<b>Balance in Land Bank, end of year</b>	<b>\$ 96.5</b>	<b>\$ 90.0</b>

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

### *Notes to Financial Statements, continued*

**Amended and Restated Agreement for Regional Fare Coordination System (One Regional Card for All, ORCA)**— In April 2009, Sound Transit entered into an amended agreement to operate and maintain ORCA, a system that establishes a common, non-cash fare system throughout seven participating transit agencies' service areas and commits the agencies to using ORCA for a minimum of ten years. In June 2019, Sound Transit entered into an agreement to plan and implement activities necessary to transition the legacy ORCA system, as established in 2009, to the next generation ORCA system, and agreed with the other parties, to keep the 2009 amended agreement in place until termination of the legacy ORCA vendor contract, currently projected to take place in 2022. Each agency shares in operating and maintaining ORCA in accordance with the agreement. Sound Transit's proportionate share of ORCA operating and maintenance costs was 26.2% in both 2020 and 2019.

Sound Transit's proportionate share of ORCA's assets, liabilities, revenues and expenses are presented in these financial statements as follows:

<i>(in thousands)</i>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 10,229	\$ 16,337
Accounts receivable	4,228	13,983
<b>Total assets</b>	<b>14,457</b>	<b>30,320</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	5,806	17,496
Unearned revenue	8,651	12,824
<b>Total liabilities</b>	<b>14,457</b>	<b>30,320</b>
<b>Net position</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total operating revenues</b>	<b>\$ 29,339</b>	<b>\$ 85,298</b>
<b>Total expenses</b>	<b>\$ 2,140</b>	<b>\$ 2,360</b>

**Purchases**— At December 31, 2020 and 2019, Sound Transit had outstanding construction commitments of approximately \$4.4 billion and \$5.6 billion, respectively.

**Grants**— Sound Transit participates in several federal, state and local 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, 2020 and 2019 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

## CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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### *Notes to Financial Statements, continued*

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.

***Motor-Vehicle Excise Tax Litigation***— Sound Transit collects a 0.3% motor-vehicle excise tax approved by voters in 1996. In September 2019, plaintiffs filed a lawsuit seeking a refund of approximately 25% of the taxes collected after September 2016, and an order permanently reducing the tax by 25% until the tax terminates in 2028. In September 2020, the trial granted Sound Transit’s motion for summary judgement affirming its right to continue collecting the MVET as currently calculated. The Plaintiffs have appealed the trial court’s ruling, and the case remains appending before the Washington Court of Appeals.

***Initiative 976***— In November 2019, Washington State voters passed Initiative 976 (I-976) which (1) requires Sound Transit to repay its bond debt, but does not require that the bonds be retired by a certain date, and (2) repeals the agency’s statutory authority to collect the motor-vehicle excise taxes and the related rental-car tax on the date the bond debt is repaid. On November 30, 2020 the Washington Supreme Court issued a final ruling holding I-976 violated Art. II, Sec. 19 of the Washington Constitution and invalidated the entire initiative, which barred it from taking effect.

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**APPENDIX B**

**2015 PARITY BOND RESOLUTIONS**

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B-1

**SOUND TRANSIT  
RESOLUTION NO. R2016-34**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY RESTATING AS A PARITY BOND MASTER RESOLUTION, RESOLUTION NO. R2015-16, AS AMENDED BY RESOLUTION NO. R2016-32; 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: NOVEMBER 29, 2016

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SOUND TRANSIT

RESOLUTION NO. R2016-34

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY RESTATING AS A PARITY BOND MASTER RESOLUTION, RESOLUTION NO. R2015-16, AS AMENDED BY RESOLUTION NO. R2016-32; 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

BE IT RESOLVED by the Board of Directors of The Central Puget Sound Regional Transit Authority that Resolution No. R2015-16, as amended by Resolution No. R2016-32, 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 13(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.

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"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 7.

"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 12(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 7(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 12(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 17.

"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 Section 5(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 Section 5(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 7 or Section 8 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 7 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, together with the additional motor vehicle excise tax and sales and use tax approved at an election held on November 8, 2016, 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.

"1996 Motor Vehicle Tax" means the Motor Vehicle Tax approved at an election held on November 5, 1996 and levied by the Authority at the rate of 0.3 percent.

"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

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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 14 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 10(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 13, 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. R2012-16 and provided for in Section 10(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%, together with the additional sales and use tax approved at an election held on November 8, 2016 and levied by the Authority at the rate of 0.5%, (iii) the motor vehicle excise tax authorized by RCW 81.104.160, initially approved at an election held on November 5, 1996 and levied by the Authority at the rate of 0.3%, together with the additional motor vehicle excise tax approved at an election held on November 8, 2016 and levied by the Authority at the rate of 0.8% and (iv) Additional Taxes 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 7(d)(i), and with respect to an Authority Pledged Taxes Sufficiency Certificate, has the meaning assigned that term in Section 12(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 11.

"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 8.

"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 Section 5(b).

"Series" means any separate series of Parity Bonds issued in accordance with Section 7 or Section 8 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.

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"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 16, 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 3 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 Section 5(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. Findings and Determinations. The Board makes the following findings and determinations.

(a) The Board, by Resolution No. 73 authorized the Sound Move Plan.

(b) 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.

(c) 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.

(d) 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 the 1999 Prior Bonds, secured by a pledge of the Local Option Taxes, to finance improvements for the purpose of providing high capacity transportation service.

(e) 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 the 2005A Parity Bonds, secured by a pledge of the Pledged Taxes 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, to finance improvements for the purpose of providing high capacity transportation service.

(f) 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 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.

(g) The Board, by Resolution No. R2008-10, authorized and adopted the Sound Transit 2 Plan as a regional transit system plan to provide additional high capacity transportation services in the central Puget Sound region.

(h) 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.

(i) 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.

(j) 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 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.

(k) 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 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.

(l) Pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and the 2012 Parity Resolution, the Authority on August 22, 2012 issued 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.

(m) On August 22, 2012, pursuant to the Master Prior Bond Resolution and Resolution No. R2012-15, the Authority issued the 2012 Prior Bonds to refund a portion of the 2005A Parity Bonds not refunded by the 2012 Parity Bonds.

(n) On January 16, 2015, pursuant to the 2014 TIFIA Resolution, the Authority entered into the TIFIA Loan Agreement with the TIFIA Lender, and issued to the TIFIA Lender 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.

(o) 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 5 of this Parity Bond Master Resolution.

(p) On July 23, 2015, the Board adopted the 2015 TIFIA Resolution to confirm and clarify certain provisions of the 2014 TIFIA Resolution.

(q) 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.

(r) On November 29, 2016, the Board adopted Resolution No. R2016-32 to amend certain provisions of Resolution No. R2015-16.

### Section 3. 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 4. 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 5. 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 Section 5(b), including for the purposes set forth in Section 12(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 10(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 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 6. 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 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 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. The Authority has included the 1996 Motor Vehicle Tax as a component of Pledged Taxes pledged to the payment of the Parity Bonds. The Authority has designated the additional motor vehicle excise tax and the additional sales and use tax approved at an election held on November 8, 2016, and imposed by Resolution No. R2016-17, as an Adopted Parity Rate Adjustment and a component of Pledged Taxes pledged to the payment of the Parity Bonds.

(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 10(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 Section 23(b) of Resolution No. R2012-16 and except as provided in any Series Resolution or in Section 10(c) or Section 14 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. R2012-16. 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 10(b) and/or 10(c) and except as provided in a Series Resolution or in Section 10(c) or Section 14 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 7. Issuance of Future Parity Bonds and Future Prior Bonds. Except as provided in Section 8, 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 10(b);
- (c) no Default (as defined in Section 17) 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. 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.

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 6, 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 8. Refunding Parity Bonds. The Authority, by means of a Series Resolution and in compliance with the provisions of Section 7 (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 7(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 7, 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 9. 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 10. 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 13 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 13, 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 6(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 Section 10(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 10(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 Section 10(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 5(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 10(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 10(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 Section 10(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 11. 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 12. 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 fix, levy and 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 one and four-tenths of one percent; provided, that the Authority may impose the Sales Tax at a rate of less than one and four-tenths of one percent but not less than one and three-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 one and four-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 one and four-tenths of one percent and any increase in the rental car sales and use tax rate 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 one and four-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. 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 on all 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 6 and this Section 11(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 one and four-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 one and four-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 one and four-tenths of one percent for the purpose of being able to deliver such Authority Pledged Taxes Sufficiency Certificate.

The Authority shall fix, levy and impose the additional motor vehicle excise tax approved at an election held on November 8, 2016 at a rate of not less than eight-tenths of one percent. Notwithstanding the foregoing, the Authority may at its discretion pledge amounts attributable to any increase of the Motor Vehicle Tax rate above eight-tenths of one percent (or, during any time the 1996 Motor Vehicle Tax is being imposed, above one and one-tenth of one percent) to any other obligations or to other Authority purposes.

The Authority shall fix, levy and impose the 1996 Motor Vehicle Tax, to the extent permitted by law, at a rate of not less than three-tenths of one percent.

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 13. 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 14. 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) of this Section 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 15. 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 16. 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 7 or Section 8 and/or to authorize a Parity Payment Agreement pursuant to Section 13;

(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 5 or to revise or (other than "Tenth" and Thirteenth") to delete the provisions of paragraphs Fifth through Thirteenth of Section 5(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 16(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 Section 17(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 17. 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 16 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 18. 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 5(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:

APPENDIX A  
THE 2012 PARITY BONDS

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.

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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.

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Section 19. Resolution a Contract. This Parity Bond Master Resolution shall constitute a contract with the Owners of the Parity Bonds.

Section 20. 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 21. 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 22. 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 Directors of The Central Puget Sound Regional Transit Authority at a regular meeting thereof held on November 29, 2016.

\_\_\_\_\_  
Paul Roberts  
Board Vice Chair

\_\_\_\_\_  
Kathryn Flores  
Board Administrator

ATTEST:

\_\_\_\_\_  
Kathryn Flores  
Board Administrator

**CERTIFICATE**

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

1. That the attached resolution numbered R2016-34 (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 29th day of November, 2016, 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 29th day of November, 2016.

**SOUND TRANSIT  
RESOLUTION NO. R2018-11**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AMENDING AND RESTATING RESOLUTION NO. R2015-17 TO ADD A NEW INTEREST RATE MODE FOR THE 2015 PARITY BONDS, TO CONSOLIDATE CERTAIN TERMS RELATING TO THE CONVERSION AND REMARKETING OF THE 2015 PARITY BONDS IN APPENDIX A, TO MAKE CERTAIN OTHER CHANGES RELATED THERETO, EFFECTIVE SUBJECT TO THE CONDITIONS OF THE PARITY BOND MASTER RESOLUTION, AND TO AUTHORIZE RELATED BUDGET AMENDMENTS AND PAYMENT OF EXPENSES IN AN AMOUNT NOT TO EXCEED \$1.875 MILLION FOR EACH CONVERSION.

ADOPTED May 24, 2018

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ADOPTED \_\_\_\_\_, 2018

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 by certain resolutions adopted by the Board of Directors of the Authority (the "Board") from time to time, including 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, as amended and restated by Resolution No. R2015-16, adopted by the Board on July 23, 2015, as amended by Resolution No. R2016-32, adopted by the Board on November 29, 2016, and as amended and restated by Resolution No. R2016-34, adopted by the Board on November 29, 2016 (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, the Board adopted Resolution No. R2015-17 on July 23, 2015 (the "2015 Parity Bond Series Resolution") authorizing the issuance of the 2015 Parity Bonds (as defined herein) and providing for certain terms of the 2015 Parity Bonds and conditions relating to the sale thereof;

WHEREAS, the 2015 Parity Bonds were issued initially as Index Floating Rate Bonds and will be remarketed on June 28, 2018 (the "2018 Remarketing");

WHEREAS, Section 16(a)(x) of the Parity Bond Master Resolution permits the adoption by the Board of a Series Resolution (as defined in Parity Bond Master Resolution) without the consent or concurrence of any Owner (as defined in the Parity Bond Master Resolution) to modify the provisions of a Series Resolution in a way that does not materially and adversely affect the security for the payment of the Prior Bonds (as defined in the Parity Bond Master Resolution) or any Parity Bonds (as defined in the Parity Bond Master Resolution) and will not cause any Rating Agency (as defined in the Parity Bond Master Resolution) to lower a rating on any Parity Bonds;

WHEREAS, Section 9(4) of Appendix A to the 2015 Parity Bond Series Resolution permits the Designated Authority Representative to amend any one or more provisions of Appendix A to the 2015 Parity Bond Series Resolution;

WHEREAS, the Board has determined to amend and restate the 2015 Parity Bonds Series Resolution by (a) adding the Adjustable Term Rate as a new variable rate mode to provide additional financial flexibility for the Authority and (b) to consolidate certain terms relating to the conversion and remarketing of the 2015 Parity Bonds in Appendix A to the 2015 Parity Bond Series Resolution, as amended and restated by this Resolution No. R2018-11;

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:

"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, Adjustable 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.

"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.

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"Designated Authority Representative" means, for purposes of this Series Resolution (including Appendix A), the Chief Financial Officer (including any Interim Chief Financial Officer) or in his or her 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.

"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.

"Maximum Rate" means an amount not to exceed 12 percent per annum as specified in the applicable Delivery Certificate.

"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.

"Record Date" for the 2015 Parity Bonds means the 15<sup>th</sup> day of the month immediately preceding an Interest Payment Date, regardless of whether the 15<sup>th</sup> 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.

"Tax-Exempt 2015 Parity Bonds" means the 2015 Parity Bonds that are Tax-Exempt Parity Bonds.

"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 and Motor Vehicle Excise Tax 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 Parity Bond Proceeds Account" means the account of the Authority designated as the "2015 Refunding 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.

"Underwriters" means the Underwriters named in Section 10(b) of this Series Resolution.

**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 Appendix A. 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, Adjustable 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) and Appendix A, or a LIBOR Index Rate Period, determined as provided in Section 4(b)(2) and Appendix A. The Calculation Agent shall notify the Authority of the Index Floating Rate for each Index Floating Rate Period in accordance with Subsection 4(b) and Appendix A. 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.

(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.

**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.

(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 Appendix A 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. Reserved.**

**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 and Motor Vehicle Excise 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 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 select Interest Rate Modes of the 2015 Variable Rate Parity Bonds of one or more Series; to determine or designate provisions of the 2015 Variable Rate Parity Bonds as provided in Appendix A; to approve and to execute and deliver on behalf of the Authority any Remarketing Agreement or other agreements or closing certificates, including any Delivery Certificates, required in connection with the reissuance or remarketing of the 2015 Variable Rate Parity Bonds 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 effective on a Conversion Date or other Purchase Date, amend any one or more provisions of Appendix A hereof, together with any provisions of this 2015 Parity Bond Series Resolution that are necessary to effect changes to revise timing and other mechanical terms of the 2015 Variable Rate Parity Bonds, to reflect then-current market conditions and rating agency requirements, and to clarify ambiguities.

**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, including supplements and amendments thereto as shall be deemed necessary or desirable by the Designated Authority Representative.

**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.**

(a) **Appointment of Escrow Agent.** The Designated Authority Representative is authorized to appoint an Escrow Agent in connection with the Refunded Bonds.

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**(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. R2007-22 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. R2014-36.** The Designated Authority Representative is hereby authorized and directed to determine the amount of debt service on the 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. The Designated Authority Representative is hereby authorized and directed to pay the fees and expenses that will be payable in connection with the 2018 conversion and future conversions and/or remarketings of the 2015 Variable Rate Parity Bonds and to amend or cause to be amended the Authority's budgets only in the fiscal year of conversion and/or remarketing to include such amounts not to exceed 1.25% of the par amount of the 2015 Variable Rate Parity Bonds. The payment of the fees and expenses in connection with each conversion and/or remarketing shall be done in a competitive manner in compliance with Resolution No. R78-2, as such resolution may be amended or supplemented in accordance of such resolution.

**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.** Section 18 of this resolution shall take effect immediately upon its adoption. The remaining provisions of this resolution shall take effect subject to the conditions of Section 16(a)(x) of the Parity Bond Master Resolution.

ADOPTED by the Board of Directors of The Central Puget Sound Regional Transit Authority at a regular meeting thereof held on May 24, 2018, 2018.

\_\_\_\_\_  
Don Lucas  
Board Vice Chair

ATTEST:

\_\_\_\_\_  
Kathryn Flores  
Board Administrator

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## 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.

“Adjustable Term Interest Period” means each period during which a particular Adjustable Term Rate is in effect as set forth in this Appendix A.

“Adjustable Term Rate” means an interest rate for the 2015 Variable Rate Parity Bonds of a Series that is determined for a period of at least 12 months, as set forth in this Appendix A.

“Adjustable Term Rate Bonds” means 2015 Variable Rate Parity Bonds of a Series that bear interest at an Adjustable Term Rate.

“Adjustable Term Rate Conversion Date” means the day on which (a) interest begins to accrue on the 2015 Variable Rate Parity Bonds of a Series at an Adjustable Term Rate following Conversion as set forth in this Appendix A, or (b) the then-current Adjustable Term Rate Period is changed to a new Adjustable Term Rate Period as set forth in this Appendix A.

“Adjustable Term Rate Mandatory Purchase Date” means the first day after the last day of each Adjustable Term Interest Period.

“Adjustable Term Rate Period” means a period during which the 2015 Variable Rate Parity Bonds of a Series are Adjustable Term Rate Bonds.

“Alternate Credit Facility” means a Credit Facility delivered to the Bond Registrar in accordance with Section 8(b) of this Appendix A 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 A to replace the Liquidity Facility then in effect.

“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 of this Series Resolution.

“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 of this Series Resolution (in the case of the Initial Period) and this Appendix A.

“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 in the case of the Initial Period 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) 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” 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 or Adjustable Term 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.

“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.

“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, an Adjustable Term Rate Conversion Date or the Fixed Rate Conversion Date.

“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” means the issuer of a Credit Facility.

“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.

"Daily Interest Period" means each period during which a particular Daily Rate is in effect as set forth in this 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 this 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 this 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 (a) the period beginning on a Purchase Date for Index Floating Rate Bonds of a Series or Adjustable Term Rate Bonds of a Series on which the related Purchase Price for all of the Index Floating Rate Bonds of such Series or the Adjustable Term Rate Bonds of such a Series 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 the Authority and the Bond Registrar that all of the Index Floating Rate Bonds of such Series or all of the Adjustable Term Rate Bonds of such Series can be remarketed and (ii) if the Authority elects to convert the Index Floating Rate Bonds of such Series or the Adjustable Term Rate Bonds of such Series to another Interest Rate Mode, the Conversion Date; or (b) 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 or Adjustable Term Rate Bonds of a Series, an interest rate not to exceed the Maximum Rate; as shall be specified by the Authority Designated Representative in the Delivery Certificate.

"Delivery Certificate" means the certificate of the Authority Designated Representative delivered in connection with any optional or mandatory purchase and/or any Conversion, as applicable, of the 2015 Variable Rate Parity Bonds specifying the terms and conditions related to such Conversion.

"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.

"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 this 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 this 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 (a) the then-current Index Floating Rate Period is changed to a new Index Floating Rate Period as set forth in this Appendix A or (b) 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) of this Series Resolution.

"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) for Index Floating Rate Bonds, 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;

(c) 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;

(d) 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;

(e) with respect to Long-Term Rate Bonds, each Payment Date and any day that is a Conversion Date for such Long-Term Rate Bonds;

(f) with respect to Adjustable Term Rate Bonds, each Payment Date and any day that is a Conversion Date for such Adjustable Term Rate Bonds;

(g) with respect to Fixed Rate Bonds, each Payment Date;

(h) the Maturity Date for such 2015 Variable Rate Parity Bonds; and

(i) 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:

(a) 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

(b) with respect to Fixed Rate Bonds, Long-Term Rate Bonds or Adjustable Term Rate Bonds, the period from and including the Fixed Rate Conversion Date, the Long-Term Rate Conversion Date or the Adjustable Term Rate Conversion Date, as applicable, to but excluding the next succeeding Interest Payment Date for such Fixed Rate Bonds, Long-Term Rate Bonds or Adjustable Term Rate Bonds and thereafter, the period from and including each Interest Payment Date for such Fixed Rate Bonds, Long-Term Rate Bonds or Adjustable Term Rate Bonds to but excluding the next succeeding Interest Payment Date for such Fixed Rate Bonds, Long-Term Rate Bonds or Adjustable Term Rate Bonds; and

(c) 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 to but excluding the Index Floating Rate Conversion Date for such Index Floating Rate Bonds).

"Interest Rate Mode" means each period in which the 2015 Variable Rate Parity Bonds of a Series bear interest at the Index Floating Rates, the Daily Rates, the Weekly Rates, the Long-Term Rates, the Short-Term Rates, the Adjustable Term Rates or the Fixed Rates.

"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 a.m., 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 (a) 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 (b) 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 (i) the LIBOR Index multiplied by (ii) 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 Account" means the account by that name in the Purchase Fund established pursuant to Section 6(d)(1) 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 Provider" means the issuer of a Liquidity Facility.

"Liquidity Facility Request" has the meaning assigned to that term in Section 6(d)(3)(A) of this Appendix A.

"Long-Term Interest Period" means each period during which a particular Long-Term Rate is in effect as set forth in this 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 this 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 this 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.

"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.

"Par Call Date" means, for Index Floating Rate Bonds or Adjustable Term Rate Bonds of a Series, each Conversion Date, each Purchase Date and each Business Day within the period of time specified in the Delivery Certificate preceding a Conversion Date.

"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, Long-Term Rate Bonds or Adjustable Term Rate Bonds determined by the Remarketing Agent pursuant to Section 2(e) or Section 3 of this Appendix A.

"Purchase Date" means each date on which 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, a Long-Term Rate Bond, an Index Floating Rate Bond or an Adjustable 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, a Long-Term Rate Conversion Date, an Adjustable Term Rate Conversion Date or an Index Floating 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 (a) plus accrued interest on the 2015 Variable Rate Parity Bonds of such Series (i) for no less than 37 days at a rate equal to the lower of 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 (ii) 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 (iii) 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 (b) 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.

"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 this 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 this 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 this 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.

"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.

"Tender Agent" means the Bond Registrar or any successor thereto appointed in accordance with the 2015 Parity Bond Resolutions.

"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" means any 2015 Variable Rate Parity Bond that is subject to purchase pursuant to Section 6(f)(1) of this Appendix A 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.

"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.

"Weekly Interest Period" means each period during which a particular Weekly Rate is in effect as set forth in this Appendix A.

"Weekly Rate" means an interest rate for the 2015 Variable Rate Parity Bonds determined on each Wednesday as set forth in this 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 this 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. Determination of Interest Rates on 2015 Variable Rate Parity 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 Rate.

(3) Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds, Long-Term Rate Bonds, Index Floating Rate Bonds or Adjustable Term Rate Bonds. Subject to the further provisions of this Section with respect to particular Daily Rates, Weekly Rates, Short-Term Rates, Long-Term Rates, Index Floating Rates or Adjustable Term Rates or Conversions between Daily Rates and Weekly Rates or to Short-Term Rates, Long-Term Rates or Index Floating Rates or Adjustable 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, Long-Term Interest Period, Index Floating Rate Period or Adjustable Term Rate 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, Long-Term Interest Period, Index Floating Rate Period or Adjustable Term Rate Period in question shall be determined by the Remarketing Agent on the date or dates and at the applicable time or times required below.

(B) If the Remarketing Agent fails for any reason to determine the Daily Rate, Weekly Rate, Short-Term Rate, Long-Term Rate, Index Floating Rate or Adjustable Term Rate for any Daily Rate Period, Weekly Rate Period, Short-Term Rate Period, Long-Term Rate Period, Index Floating Rate Period or Adjustable Term Rate Period, as applicable, when required hereunder, or a court holds that the Daily Rate, Weekly Rate, Short-Term Rate, Long-Term Rate, Index Floating Rate or Adjustable Term Rate for any Daily Rate Period, Weekly Rate Period, Short-Term Rate Period, Long-Term Rate Period, Index Floating Rate Period or Adjustable Term Rate Period, as applicable, is invalid, illegal or unenforceable, then the interest rate on such Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds and Long-Term Rate Bonds and 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, and the interest rate on such Index Floating Rate

Bonds and Adjustable Term Rate Bonds shall be equal to the Delayed Remarketing Rate as provided in Section 2(i) of this Appendix A.

(C) All Daily Rate Bonds of a Series shall bear interest accruing at the same Daily Rate, all Weekly Rate Bonds of a Series shall bear interest accruing at the same Weekly Rate, all Long-Term Rate Bonds of a Series shall bear interest accruing at the same Long-Term Rate, all Index Floating Rate Bonds of a Series shall bear interest accruing at the same Index Floating Rate, and all Adjustable Term Rate Bonds of a Series shall bear interest accruing at the same Adjustable 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. The interest rate to be determined for a Daily Rate Period shall be the lowest rate of interest that, in the reasonable judgement 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 that Daily Interest Period as of the date of determination.

(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 another Interest Rate Mode, the last Weekly Interest Period prior to Conversion shall end on the last day immediately preceding the applicable Conversion Date. The interest rate to be determined for a Weekly Rate 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 that Weekly Interest Period as of the date of determination.

(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, the Long-Term Interest Period 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 or such effective date, which is in each case 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.

(f) Index Floating Rate Bonds.

(1) SIFMA Index Rate Period. 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 Agent 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) LIBOR Index Rate Period. 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 Purchase Date. 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 Agent 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.

(g) Adjustable Term Rates.

(1) Interest Period. Whenever 2015 Variable Rate Parity Bonds of a Series are to bear interest accruing at an Adjustable Term Rate, the Adjustable Term Interest Period shall commence on an Adjustable Term Rate Conversion Date or, thereafter, the effective date of a subsequent Adjustable Term Interest Period, and end on a day which is at least 12 months after such Adjustable Term Rate Conversion Date or such effective date, which in each case is the day preceding (A) the effective date of a subsequent Adjustable Term Interest Period, (B) the Conversion Date on which a different Interest Payment Period shall become effective or (C) the Maturity Date. The term of each Adjustable Term Interest Period shall be specified in writing by the Authority to the Remarketing Agent, the Bond Registrar and the Tender Agent at least 5 days prior to its commencement.

(2) Effective Period. The interest rate for each Adjustable Term Interest Period shall be effective from and including the commencement date of that Adjustable Term Interest Period and shall remain in effect through and including the last day thereof.

(3) Determination Time. Each Adjustable 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 Adjustable Term Interest Period to which it relates. Notice of each Adjustable Term Rate shall be given by the Remarketing Agent to the Bond Registrar, the Tender Agent and the Authority 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 Adjustable Term Rate determined by the Remarketing Agent upon request.

(4) Remarketing. The Adjustable Term Rate for each Adjustable 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 Adjustable Term Rate for an Adjustable 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 Adjustable 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 Adjustable 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 Adjustable 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 Adjustable 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 Adjustable 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.

(h) 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, Index Floating Rate or Adjustable Term Rate as follows:

(1) Conversion Date. For 2015 Variable Rate Parity Bonds of a Series (other than Fixed Rate Bonds), 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, Index Floating Rate Bonds or Adjustable Term Rate Bonds, such Conversion shall occur only on a date that such Long-Term Rate Bonds, Index Floating Rate Bonds or Adjustable Term Rate Bonds are subject to optional or mandatory purchase pursuant to this Appendix A. Interest shall accrue on 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.

If an Adjustable Term Rate is to be in effect immediately following such Conversion Date, such notice shall state (i) if applicable, each Par Call Date, and (ii) the date on which such Adjustable Term Rate Period shall end (which date shall be a Purchase Date or the Maturity Date). The Authority shall determine the date on which such Adjustable Term Rate Period shall end and shall provide notice in writing to the Remarketing Agent of such.

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) 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 determine the Applicable Factor to be in effect and the date on which such Index Floating Rate Period shall end and shall provide notice in writing to the Remarketing Agent of such.

(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(e)(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, 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.

(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(h), such Conversion 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 of such Series required by paragraph (3) of this Subsection 2(h) 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(h).

(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 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 or Adjustable Term Rate shall bear interest at the Delayed Remarketing Rate during a Delayed Remarketing Period;

(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) of this Appendix A 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.

(i) Delayed Remarketing Rate. During a Delayed Remarketing Period, the Remarketing Agent shall continue to remarket the Index Floating Rate Bonds of such Series or

Adjustable Term 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 or Adjustable Term 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 or Adjustable Term Rate Bonds of such Series that such Index Floating Rate Bonds or Adjustable Term 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 or the Adjustable Term Rate Bonds to the Owners of such Index Floating Rate Bonds or Adjustable Term 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 2(h)(3) of this Appendix A.

During a Delayed Remarketing Period, the Index Floating Rate Bonds of such Series or Adjustable Term 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 or Adjustable Term 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 (i) in the case of Index Floating Rate Bonds, 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 Appendix A; and (ii) in the case of Adjustable Term Rate Bonds, elect to convert the Adjustable Term 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 Adjustable Term Rate Bonds of such Series, as provided in this Appendix A.

### **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, Long-Term Rate or Adjustable 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 and Adjustable 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, Long-Term Rate Bonds or Adjustable 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, Long-Term Rate Bonds or Adjustable 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, Long-Term Rate Bonds or Adjustable 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, Index Floating Rate Bonds or Adjustable Term 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. Except as provided under subsection (i), 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, Long-Term Rate Bonds or Adjustable 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:

(l) 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 or Adjustable Term Rate shall bear interest at the Delayed Remarketing Rate during a Delayed Remarketing Period;

(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 but 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, the Remarketing Agreement 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 Par Call 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.

(c) *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.

(d) *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.

(e) *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**

Equal to or less than 5 years (or as set forth in the Bond Purchase Contract)

Greater than 5 years (or as set forth in the Bond Purchase Contract)

**Initial Redemption Dates (Anniversary of Fixed Rate Conversion Date or Long-Term Conversion Date)**

Not subject to optional redemption

5th (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.

(f) *Adjustable Term Rate Period.* Unless otherwise provided in the Bond Purchase Contract, Remarketing Agreement or as determined by the Remarketing Agent in connection with the remarketing of the Adjustable Term Rate Bonds of a Series, Adjustable Term Rate Bonds of a Series shall be subject to redemption at the option of the Authority, on any Par Call 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 Adjustable Term Rate Bonds of such Series to be redeemed, plus interest accrued thereon to the date fixed for redemption, without premium.

(g) *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.

(h) *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.

(i) *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.

(j) *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, Long-Term Rate Bonds or Adjustable Term Rate Bonds selected for redemption, such Index Floating Rate Bonds, Long-Term Rate Bonds or Adjustable 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.

(k) *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, Short-Term Rate Bonds, Long-Term Rate Bonds or Adjustable 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.

(2) 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, Long-Term Rate Bonds and Adjustable 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, Long-Term Rate Bonds and Adjustable 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 (A) a commercial bank and trust company or (B) 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 (A) 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 (B) 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, (i) 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, (ii) 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, (iii) 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 (iv) 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) of this Appendix A; and moneys shall be applied from the Undelivered Bond Payment Account of the Purchase Fund in accordance with Section 6(d)(5) of this Appendix A.

(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) of this Appendix A, 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 (i) 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 (ii) 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 (i) 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 (ii) 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:

(A) Moneys on deposit in the Remarketing Account of the Purchase Fund (representing the proceeds of the remarketing by the Remarketing Agent);

(B) 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

(C) 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 of this Appendix A, for application in accordance with Section 6(d)(6) of this Appendix A. 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

(l) Each Authority Elective Purchase Date.

(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(h)(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 of this Appendix A, 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) of this Appendix A, 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 (A) 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 (B) 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 (A) 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 (B) 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 or any Adjustable Term Rate Period on any Par Call Date, 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 (A) return all of such 2015 Variable Rate Parity Bonds that were tendered or deemed tendered to the Owners thereof, (B) 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 (C) notify the Bond Registrar of the foregoing.

The Authority shall not be obligated to purchase (i) any Index Floating Rate Bonds of a Series or any Adjustable Term 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 in either such case, such failure to purchase shall not be a Default or an event of default under any other resolution or agreement of the Authority.

(2) Except as otherwise provided in subparagraph (3) below, if 2015 Variable Rate Parity Bonds 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. 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 this Appendix A. If Adjustable Term Rate Bonds are not purchased on an Authority Elective Purchase Date, then such Adjustable Term Rate Bonds shall continue to bear interest at the applicable Adjustable Term Rate for an Adjustable Term Rate Period.

(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 Index Floating Rates, Daily Rates, Weekly Rates, Short-Term Rates, Long-Term Rates, Adjustable 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 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

(F) 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 (A) notice of tender of Daily Rate Bonds or Weekly Rate Bonds or (B) 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 an 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: (A) 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 (B) 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 (i) 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 (ii) 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 (i) 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 (ii) 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 (i) 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 (ii) 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 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, (A) the Tender Agent shall so notify the Bond Registrar, (B) 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 (C) 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 (A) to permit a Liquidity Facility to expire without delivering a new Liquidity Facility or (B) 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) of this Appendix A.

(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 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 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 (A) the redemption, cancellation and/or defeasance of 2015 Variable Rate Parity Bonds, or (B) 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. 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 2015 Variable Rate Parity Bonds of a Series in accordance with this Series Resolution. Any Credit Facility (or Alternate Credit Facility) shall be not less than 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. 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 2015 Variable Rate Parity Bonds of a Series 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 interest rate on the Bonds is converted from the Index Floating Rate to a different Interest Rate Mode or (ii) the interest rate on the Bonds is converted from the Adjustable Term 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 (E) 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) (i) a Conversion Date on which the then current Index Floating Rate Period is changed to a new Index Floating Rate Period or (ii) a Conversion Date on which the then current Adjustable Term Rate Period is changed to a new Adjustable Term Rate Period;
- (B) an Authority Elective Purchase Date;
- (C) a Liquidity Facility Date or a Credit Facility Date; and
- (D) 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 (D) 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 (a) affect Conversions and remarketings of the 2015 Variable Rate Parity Bonds of each Series from one Interest Rate Mode to the same or another Interest Rate Mode and may execute documents and/or amendments to existing documents to effect such conversions and remarketings; (b) 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, including amendments, in this regard; (c) execute documents necessary to designate and effect one or more Authority Elective Purchase Dates; and (d) effective on a Conversion Date or other Purchase 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, together with any provisions of the Resolution that are necessary to effect changes to revise timing and other mechanical terms of the 2015 Parity Bonds, to reflect then-current market conditions and rating agency requirements, and to clarify ambiguities. The Designated Authority Representative also is authorized and directed to execute written undertakings, and amendments to 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.

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**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 R2018-11 (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 24th day of May 2018, 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 \_\_\_\_\_ day of \_\_\_\_\_ 2018.

\_\_\_\_\_  
Kathryn Flores  
Board Administrator

## APPENDIX C

### CONTINUING DISCLOSURE CERTIFICATE

#### THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

##### Sales Tax and Motor Vehicle Excise Tax Improvement Bonds, Series 2015S-2A (Green Bonds)

I, Tracy Butler, Chief Financial Officer of The Central Puget Sound Regional Transit Authority (the “Authority”), certify on behalf of the Authority as follows:

#### A. Contract/Undertaking

The Authority enters into this undertaking (the “Undertaking”) constituting the written undertaking for the benefit of the beneficial owners of the above-referenced bonds (the “2015S-2A Parity Bonds”) in order to assist the Underwriters of the 2015S-2A 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 2015S-2A Parity Bonds” shall have the meaning intended for such term under Rule 15c2-12.

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:

#### B. Financial Statements/Operating Data

1. *Annual Disclosure Report.* The Authority covenants that not later than nine months after the end of each Fiscal Year (the “Submission Date”), commencing September 30, 2022 for the Fiscal Year ending December 31, 2021, the Authority 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 the Authority’s Fiscal Year changes, the Authority shall give notice of such change in the same manner as notice is to be given of the occurrence of an event listed in subsection (C) hereof.

2. *Content of Annual Disclosure Reports.* The Authority’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 of Washington such as the Authority (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 the Authority, and the Authority’s audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available.

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 the Authority is authorized to impose; and
- h. Sufficiency Test calculation if the Authority 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**

The Authority 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 2015S-2A 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 2015S-2A Parity Bonds;
- 7. Modifications to rights of the holders of the 2015S-2A Parity Bonds, if material;
- 8. 2015S-2A Parity Bond calls (other than scheduled mandatory redemptions of Term Parity Bonds), if material, and tender offers;
- 9. Defeasances;
- 10. Release, substitution or sale of property securing the repayment of the 2015S-2A 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;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a financial obligation of the Authority, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.

The term “financial obligation” means (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

#### **D. Notice upon Failure to Provide Financial Data**

The Authority 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 2015S-2A Parity Bonds without the consent of any holder of any 2015S-2A 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. The Authority 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 the Authority or any other obligated person fails to comply with this Undertaking, the Authority will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the Authority learns of that failure. No failure by the Authority or any other obligated person to comply with this Undertaking shall constitute a default with respect to the 2015S-2A Parity Bonds. The sole remedy of any holder of a 2015S-2A 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 the Authority or any other obligated person to comply with this Undertaking.

#### **E. Termination/Modification**

The Authority’s obligations under this Undertaking shall terminate upon the legal defeasance of all of the 2015S-2A 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 2015S-2A 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. 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 this Undertaking of the Authority in respect of the 2015S-2A Parity Bonds in accordance with Rule 15c2-12, including, without limitation, the following actions:

1. Preparing and filing the annual financial information undertaken to be provided;
2. Determining whether any event specified in subsection (A) has occurred and preparing and disseminating notice of its occurrence;
3. Determining whether any person other than the Authority is an “obligated person” within the meaning of Rule 15c2-12 with respect to the 2015S-2A 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;
4. Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the Authority in carrying out this Undertaking; and
5. Effecting any necessary amendment of this Undertaking.

**G. Additional Information**

Nothing in this Undertaking shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of a listed event, in addition to that which is required by this Undertaking. If the Authority chooses to include any information in any Annual Disclosure Report or notice of the occurrence of a listed event in addition to that specifically required by this Undertaking, the Authority shall have no obligation under the 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.

DATED: October 21, 2021.

THE CENTRAL PUGET SOUND REGIONAL TRANSIT  
AUTHORITY

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Tracy Butler, Chief Financial Officer

## 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 iv of this Remarketing Memorandum. King County ranks first, Pierce County ranks second and Snohomish County ranks third in population among the State's 39 counties. The Counties constitute the financial, economic and industrial center of the Pacific Northwest region. The city of Seattle is the center of economic activity in the District.

The 2020 population of the District is estimated to be 3.2 million, which is approximately 80.3% of the population of the Counties, and 42% of the State's 2020 population of 7.7 million.

As of December 2020, 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
2016	2,105,100	844,490	772,860	3,722,450
2017	2,153,700	859,400	789,400	3,802,500
2018	2,190,200	872,220	805,120	3,807,550
2019	2,226,300	888,300	818,700	3,933,300
2020	2,260,800	900,700	830,500	3,992,000
2021	2,293,300	917,100	844,400	4,054,800

*Source:* State Office of Financial Management.

**TABLE D-2  
TAXABLE RETAIL SALES IN THE COUNTIES  
(\$000s)**

Year	King County	Pierce County	Snohomish County	Total
2016	\$ 59,530,883	\$ 14,878,551	\$ 13,618,315	\$ 88,027,748
2017	62,910,609	16,081,078	14,509,900	93,501,587
2018	69,018,354	17,592,772	15,673,270	102,284,396
2019	72,785,180	18,746,939	16,861,829	108,393,949
2020	66,955,896	19,407,955	17,079,323	103,443,174
2021 <sup>(1)</sup>	16,934,197	5,181,080	4,381,795	26,497,072

<sup>(1)</sup> First quarter of 2021 only. By comparison, in the first quarter of 2020, taxable retail sales for these three counties was as follows (\$000s): \$16,548,124 (King); \$4,340,893 (Pierce); and \$3,816,333 (Snohomish), for a total of \$24,705,350.

*Source:* State Department of Revenue.

**TABLE D-3  
PERSONAL INCOME IN THE COUNTIES  
(\$000s)**

<b>Year</b>	<b>King County</b>	<b>Pierce County</b>	<b>Snohomish County</b>
2015	\$ 162,285,799	\$ 38,492,409	\$ 37,382,596
2016	173,036,160	40,552,080	39,550,221
2017	186,440,160	42,955,131	41,988,388
2018	203,139,369	45,753,481	45,516,824
2019	213,956,690	48,481,266	48,279,831

*Source:* United States Bureau of Economic Analysis.

**TABLE D-4  
PER CAPITA INCOME IN THE COUNTIES**

<b>Year</b>	<b>King County</b>	<b>Pierce County</b>	<b>Snohomish County</b>
2015	\$ 76,327	\$ 45,619	\$ 48,568
2016	79,875	46,995	50,247
2017	84,598	48,832	52,349
2018	91,161	51,192	55,982
2019 <sup>(1)</sup>	94,974	53,572	58,729

<sup>(1)</sup> Per capita personal income was computed using Census Bureau midyear population estimates. Estimates reflect county population estimates available as of March 2020.

*Source:* United States Bureau of Economic Analysis.

**TABLE D-5  
NEW BUILDING PERMIT VALUES (RESIDENTIAL) IN THE COUNTIES**

<b>Year</b>	<b>Single-Family</b>		<b>Multi-Family</b>	
	<b>Total Permits</b>	<b>Total Value (\$000s)</b>	<b>Total Units</b>	<b>Total Value (\$000s)</b>
2017	9,997	\$ 3,429,128	17,337	\$ 3,210,610
2018	9,134	3,224,958	19,052	2,289,615
2019	8,737	2,341,544	17,862	2,554,337
2020	8,860	3,039,185	14,179	1,824,251
2021 <sup>(1)</sup>	3,485	1,183,155	6,545	995,637

<sup>(1)</sup> Most data recent available as of April 2021.

*Source:* United States Census Bureau.

**TABLE D-6**  
**MAJOR EMPLOYERS IN THE STATE**

<b>Employer</b>	<b>Business Activity</b>
The Boeing Company <sup>(1)</sup>	Aerospace manufacturer
Amazon.com <sup>(2)</sup>	Online retailer
Microsoft Corporation	Software developer
Joint Base Lewis-McChord	Government
University of Washington Seattle	Education
Providence Health System	Health care
Walmart Inc.	Retailer
Costco Wholesale Corp.	Membership warehouses
MultiCare Health System	Health care
Fred Meyers Stores	Retailer
King County government	Government
City of Seattle	Government
Starbucks Coffee Co.	Coffee
CHI Franciscan Health	Health care
Seattle Public Schools	Education
Kaiser Permanente	Health care
Alaska Air Group Inc.	Airline
Nordstrom Inc.	Retailer
Virginia Mason Health System	Health care
Washington State University	Education
T-Mobile US Inc.	Telecommunications
Google Inc.	Software developer
Tacoma Public Schools	Education
Comcast NBCUniversal	Cable communications
Expedia Group	Travel

<sup>(1)</sup> Since the date of this table, Boeing has faced financial stress and has significantly reduced its companywide workforce through a combination of buyouts and layoffs and the shift of 787 production out of State. The State's economic and revenue forecast released in March 2021 expected that aerospace employment in the State (including Boeing and other employers) will be 29,800 lower in December 2021 than January 2020. The State estimates that about 19,000 of these job losses occurred prior to February 2021 and an additional 10,700 jobs will be lost during the remainder of 2021.

<sup>(2)</sup> Amazon reports more than 60,000 employees but does not provide an exact count. As a result of the layoffs described in footnote (1), it is expected that Amazon is currently the largest employer in the State.

*Source: Puget Sound Business Journal 2019 Book of Lists, as of June 2020.*

**TABLE D-7**  
**ANNUAL AVERAGE NONAGRICULTURAL EMPLOYMENT IN THE COUNTIES <sup>(1)</sup>**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021<sup>(2)</sup></b>
Total <sup>(3)</sup>	2,007,900	2,044,384	2,090,867	1,974,433	1,968,700
Total Private	1,726,300	1,766,784	1,815,358	1,708,099	1,708,650
Mining, Logging & Construction	122,300	127,591	129,830	125,325	130,700
Manufacturing	179,400	179,357	184,325	168,692	156,800
Trade, Transportation and Utilities	385,400	391,042	398,042	390,883	400,650
Information	111,600	118,609	128,399	133,742	136,825
Financial Activities	99,100	101,391	103,058	100,483	99,225
Professional and Business Services	287,800	294,517	302,125	295,025	294,375
Education and Health Services	266,800	276,184	283,026	272,041	281,325
Leisure and Hospitality	199,900	204,600	207,775	150,833	139,375
Other Services	74,000	74,017	78,734	71,050	69,325
Government	281,700	277,600	275,509	266,334	260,050

<sup>(1)</sup> Not seasonally adjusted.

<sup>(2)</sup> Annual Average as of April 2021.

<sup>(3)</sup> Totals may not foot due to rounding.

Source: State Employment Security Department.

**TABLE D-8**  
**ANNUAL AVERAGE UNEMPLOYMENT IN THE COUNTIES <sup>(1)</sup>**

<b>Year</b>	<b>King County</b>		<b>Pierce County</b>		<b>Snohomish County</b>	
	<b>Labor Force</b>	<b>% Unemployed</b>	<b>Labor Force</b>	<b>% Unemployed</b>	<b>Labor Force</b>	<b>% Unemployed</b>
2017	1,229,398	3.5%	418,598	5.2%	419,339	3.9%
2018	1,264,754	3.2	425,870	5.3	430,814	3.5
2019	1,288,635	2.6	441,661	5.1	438,741	2.8
2020	1,286,608	7.5	450,573	9.6	441,156	8.5
2021 <sup>(2)</sup>	1,317,899	4.8	444,568	5.3	451,358	5.6

<sup>(1)</sup> Not seasonally adjusted.

<sup>(2)</sup> Average as of August 2021.

Source: State Employment Security Department.

**APPENDIX E**

**ORIGINAL BOND COUNSEL OPINION  
AND  
PROPOSED FORM OF CONVERSION OPINION**

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ORIGINAL BOND COUNSEL OPINION



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September 10, 2015

The Central Puget Sound Regional Transit Authority  
Seattle, Washington

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,



The Central Puget Sound Regional Transit Authority  
September 10, 2015

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 August 4, 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



The Central Puget Sound Regional Transit Authority  
September 10, 2015

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,

## PROPOSED FORM OF CONVERSION OPINION

\_\_\_\_\_, 2021

U.S. Bank National Association  
Seattle, Washington

The Central Puget Sound Regional Transit Authority  
Sales Tax and Motor Vehicle Excise Tax Improvement Bonds, Series 2015S-2A

Ladies and Gentlemen:

The Central Puget Sound Regional Transit Authority Sales Tax and Motor Vehicle Excise Tax Improvement Bonds, Series 2015S-2A (the “Bonds”) in the aggregate principal amount of \$75,000,000 were issued by The Central Puget Sound Regional Transit Authority (the “Issuer”) on September 10, 2015, pursuant to Resolution No. R2015-16, adopted by the Board of Directors of the Issuer (the “Board”) on July 23, 2015, as amended by Resolution No. R2016-32 and as amended and restated by Resolution No. R2016-34, each adopted by the Board on November 29, 2016 (collectively, the “Master Parity Bond Resolution”), as supplemented by Resolution No. R2015-17, adopted by the Board on July 23, 2015 (as amended and restated by Resolution No. 2018-11, adopted by the Board on May 24, 2018, the “2015 Series Resolution” and, together with the Master Parity Bond Resolution, the “2015 Parity Bond Resolutions”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the 2015 Parity Bond Resolutions.

Pursuant to Section 2(h) of Appendix A to the 2015 Series Resolution, the Bonds are being converted from the existing SIFMA Index Rate to a new SIFMA Index Rate (the “Conversion”). In connection with such Conversion, as bond counsel to the Issuer, we have reviewed the 2015 Parity Bond Resolutions, the Certificate of the Designated Authority Representative, dated \_\_\_\_\_, 2021, the Tax Certificate of the Issuer, dated September 10, 2015 (the “Tax Certificate”), an opinion of counsel to the Issuer, certificates of the Issuer, the Bond Registrar and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinion 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. 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 party other than the Issuer. 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 2015 Parity Bond Resolutions and the Tax Certificate (including any supplements or amendments thereto), including (without limitation) covenants and agreements compliance with which is necessary to assure that actions, omissions or events on and after the date of issuance of the Bonds have not caused and will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We have not undertaken to determine compliance with any of such covenants and agreements or any other requirements of law, and, except as expressly set forth below, we have not otherwise reviewed any actions, omissions or events occurring after the date of issuance of the Bonds or the exclusion of interest on the Bonds from gross income for federal income tax purposes. Accordingly, no opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. Nothing in this letter should imply that we have

considered or in any manner reaffirm any of the matters covered in any prior opinion we rendered with respect to the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Remarketing Memorandum, dated \_\_\_\_\_, 2021, or other offering material relating to the Bonds and express no view or opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Conversion is authorized by the 2015 Series Resolution.
2. The Conversion, in accordance with the provisions of the 2015 Series Resolution, will not, in and of itself, cause the interest on the Bonds to be includable in the gross income of Owners for federal income tax purposes.

This opinion is furnished by us as bond counsel to the Issuer solely for purposes of Section 2(h)(4) of Appendix A to the 2015 Series Resolution. No attorney-client relationship has existed or exists between our firm and the Bond Registrar in connection with the Bonds or by virtue of this opinion, and we disclaim any obligation to update this opinion.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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**APPENDIX F**

**DTC AND ITS BOOK-ENTRY SYSTEM**

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## **SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities 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 a 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](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.





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