NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: Moody's: Aa1
S & P: AAA
See "RATINGS"

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2016 Parity Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest on the 2016 Parity Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Tax Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2016 Parity Bonds. See "TAX MATTERS."

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY
$400,000,000
Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2016S-1 (Green Bonds)

Dated: Date of initial delivery **Due:** As shown on inside cover

The Central Puget Sound Regional Transit Authority ("Sound Transit"), a Washington regional transit authority, is issuing its Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2016S-1 (the "2016 Parity Bonds"), in the aggregate principal amount of $400,000,000.

The 2016 Parity Bonds are being issued as fixed-rate bonds and will mature, subject to redemption prior to maturity, in the principal amounts on the dates and bear interest at the rates, all as set forth on the inside cover.

The 2016 Parity Bonds are being issued under a book-entry system, initially registered to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as initial securities depository for the 2016 Parity Bonds. Individual purchases of 2016 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 2016 Parity Bonds, except as described herein. Payments of principal of and interest on the 2016 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 2016 Parity Bonds is the responsibility of DTC participants. The 2016 Parity Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices described herein.

Interest on the 2016 Parity Bonds is payable on each May 1 and November 1, commencing on May 1, 2017, until maturity or prior redemption.

The 2016 Parity Bonds are being issued (i) to pay or to reimburse Sound Transit for the payment of costs of constructing a portion of Sound Transit's System Plan and (ii) to pay costs of issuing the 2016 Parity Bonds.

The 2016 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, including taxes approved by the voters on November 8, 2016, 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 2016 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 2016 Parity Bonds are not obligations of the State of Washington or any political subdivision thereof other than Sound Transit. The 2016 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 2016 Parity Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Foster Pepper PLLC, Seattle, Washington, Bond Counsel to Sound Transit, and to certain other conditions. Certain tax matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel to Sound Transit. Certain legal matters will be passed upon for Sound Transit by its General Counsel and by Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Pacifica Law Group LLP, Seattle, Washington. It is expected that the 2016 Parity Bonds will be available for delivery in New York, New York, through the facilities of DTC, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about December 19, 2016.

Citigroup

Goldman, Sachs & Co. **BofA Merrill Lynch**

J.P. Morgan **RBC Capital Markets** **Wells Fargo Securities**

December 7, 2016

The Central Puget Sound Regional Transit Authority

$400,000,000
Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2016S-1 (Green Bonds)

Due (November 1)	Principal Amount	Interest Rate	Yield	CUSIP No. 155048*
2021	$7,825,000	5.00%	1.71%	CT6
2022	8,215,000	5.00	1.86	CU3
2023	8,630,000	5.00	2.02	CV1
2024	9,060,000	5.00	2.17	CW9
2025	9,510,000	5.00	2.32	CX7
2026	9,990,000	5.00	2.43	CY5
2027	10,490,000	5.00	2.53†	CZ2
2028	11,010,000	5.00	2.61†	DA6
2029	11,565,000	5.00	2.70†	DB4
2030	12,140,000	5.00	2.76†	DC2
2031	12,745,000	5.00	2.83†	DD0
2032	13,385,000	5.00	2.90†	DE8
2033	14,055,000	5.00	2.96†	DF5
2034	14,755,000	5.00	3.02†	DG3
2035	15,495,000	5.00	3.07†	DH1
2036	16,270,000	5.00	3.11†	DJ7

$94,395,000 5.00% Term Parity Bonds due November 1, 2041, priced to yield of 3.26%† CUSIP No. 155048DK4*

$120,465,000 5.00% Term Parity Bonds due November 1, 2046, priced to yield of 3.60% CUSIP No. 155048DL2*

* The CUSIP numbers herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard and Poor's. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with Sound Transit and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the 2016 Parity Bonds. Neither Sound Transit nor the Underwriters take responsibility for the accuracy of the CUSIP numbers.
† Priced to the first par call date of November 1, 2026.

No dealer, broker, salesperson or other person has been authorized by Sound Transit or the Underwriters to give any information or to make any representations in connection with the offering of the 2016 Parity Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of the 2016 Parity Bonds, by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

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

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

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

In connection with the offering of the 2016 Parity Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the 2016 Parity Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2016 Parity Bonds to certain dealers (including dealers depositing 2016 Parity Bonds into investment trusts) and others at prices lower than the initial offering prices or prices corresponding to the yields set forth on the inside cover, and such initial offering prices may be changed, from time to time, by the Underwriters, without prior notice.

Information on web site addresses set forth in this Official Statement is not part of this Official Statement and should not be relied upon to be accurate as of the date of this Official Statement, nor should such information be relied upon in making investment decisions regarding the 2016 Parity Bonds.

The 2016 Parity Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such laws. The 2016 Parity Bonds will not have been recommended by the Securities and Exchange Commission ("SEC") or any other federal, state or foreign securities commission or regulatory authority, and no such commissions and regulatory authorities will have reviewed or passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

Sound Transit

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

Board of Directors

Name (Board Position)	Entity Represented	Elected/Appointed Position
Dow Constantine (Chair)	King County	County Executive
Paul Roberts (Vice Chair)	City of Everett	Councilmember
Marilyn Strickland (Vice Chair)	City of Tacoma	Mayor
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John Marchione	City of Redmond	Mayor
Pat McCarthy	Pierce County	County Executive
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Mary Moss	City of Lakewood	Councilmember
Ed Murray	City of Seattle	Mayor
Dave Somers	Snohomish County	County Executive
Dave Upthegrove	King County	Councilmember
Peter von Reichbauer	King County	Councilmember

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Peter Rogoff	Chief Executive Officer
Michael Harbour	Deputy Chief Executive Officer
Brian McCartan	Executive Director, Finance and Information Technology
Desmond Brown	Executive Director, General Counsel
Ahmad Fazel	Executive Director, Design, Engineering and Construction Management
Ric Ilgenfritz	Executive Director, Planning, Environment and Project Development
Craig Davison	Executive Director, Communications and External Affairs
Bonnie Todd	Executive Director, Operations
Tracy Butler	Treasurer/Director of Financial Planning and Risk Management

Advisors and Consultants

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

Bond Registrar

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

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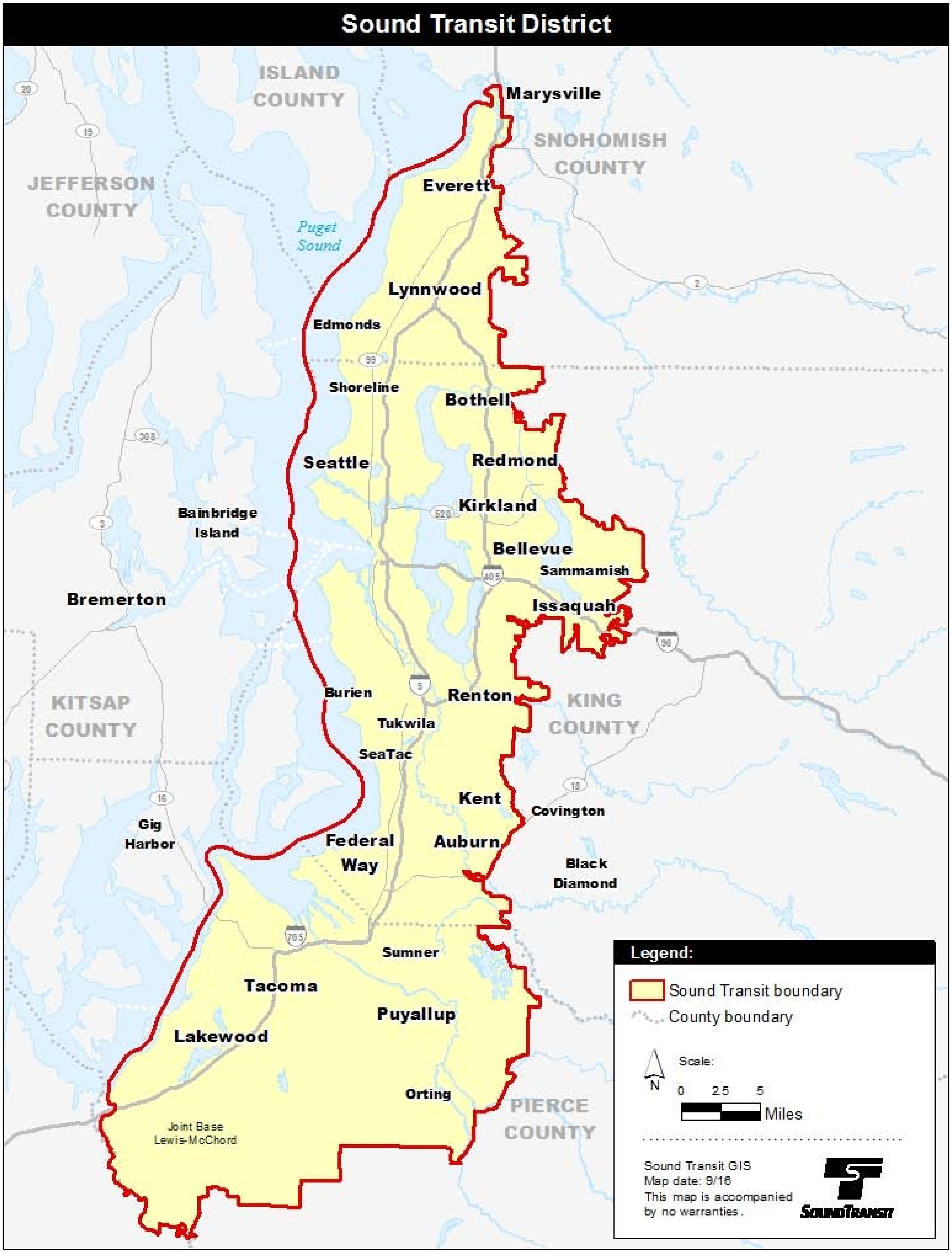
SOUND TRANSIT DISTRICT MAP



OFFICIAL STATEMENT

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

$400,000,000
SALES TAX AND MOTOR VEHICLE EXCISE TAX BONDS, SERIES 2016S-1 (GREEN BONDS)

INTRODUCTION

This Official Statement, including the cover, inside cover and appendices, is being provided by The Central Puget Sound Regional Transit Authority ("Sound Transit"), a Washington regional transit authority, to furnish information in connection with the issuance by Sound Transit of its Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2016S-1, in the aggregate principal amount of $400,000,000 (the "2016 Parity Bonds").

The 2016 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 (Green Bonds) (the "2015S-1 Parity Bonds"), Sales Tax Improvement Bonds, Series 2015S-2A (Green Bonds) (the "2015S-2A Parity Bonds") and Sales Tax Improvement Bonds, Series 2015S-2B (Green Bonds) (the "2015S-2B Parity Bonds" and together with the 2009S-2T Parity Bonds, the 2012S-1 Parity Bonds, the 2015S-1 Parity Bonds and the 2015S-2A Parity Bonds, the "Outstanding Parity Bonds") and any obligations issued in the future that are secured by a pledge of the Pledged Taxes (defined herein) on a parity with the pledge to the payment of the Outstanding Parity Bonds and the 2016 Parity Bonds (the "Future Parity Bonds"), are referred to collectively as the "Parity Bonds." See "SECURITY FOR THE 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," as defined herein) 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, the 2009P-1 Prior Bonds and the 2009P-2T Prior Bonds, the "Outstanding Prior Bonds"). The Outstanding Prior Bonds and any obligations issued in the future that are secured by a pledge of the Local Option Taxes (defined herein) on a parity with the pledge to the payment of the Outstanding Prior Bonds (the "Future Prior Bonds") are referred to collectively as the "Prior Bonds." See "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS."

This Introduction does not purport to be complete, and reference is made to the entire Official Statement, including the cover, inside cover and appendices, for more complete statements with respect to the matters summarized herein. Unless defined in this Official Statement, capitalized terms used herein have the meanings set forth in APPENDIX B – "FORM OF THE PARITY BOND MASTER 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 2015 estimated population of approximately 2.9 million, or approximately 40% of the population in the State, and includes, among others, the cities of Seattle, Tacoma, Bellevue and Everett. A map of the District is set forth on page iv of this Official Statement.

The primary statutory purpose of Sound Transit is to develop and operate a "high capacity transportation system" within the District. State law permits such a system to include, in addition to trains, buses, tracks and 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 2016 Parity Bonds

The 2016 Parity Bonds are being issued to provide funds necessary (i) to pay or to reimburse Sound Transit for the payment of costs of constructing a portion of Sound Transit's System Plan (as defined below under "—Summary of System Plan") and (ii) to pay costs of issuing the 2016 Parity Bonds. See "SOURCES AND USES OF FUNDS."

Green Bonds

Sound Transit has designated the 2016 Parity Bonds as "Green Bonds" based on the planned use of the proceeds of the 2016 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 2016 PARITY BONDS – Designation as Green Bonds" and APPENDIX E – "GREEN BOND PROJECT DESCRIPTIONS AND SECOND-PARTY REVIEW."

Authority for Issuance

The 2016 Parity Bonds are authorized to be issued pursuant to chapters 81.104 and 81.112 RCW (the "Act") and chapter 39.46 RCW.

The 2016 Parity Bonds are being issued pursuant to Resolution No. R2015-16, adopted on July 23, 2015, as amended by Sections 15, 16, 17, and 18 of Resolution No. R2016-32, adopted on November 29, 2016, and as restated by Resolution No. R2016-34, adopted on November 29, 2016 (collectively, the "Parity Bond Master Resolution"), as supplemented by Resolution No. R2016-32, adopted on November 29, 2016 (together, the "2016 Parity Bond Resolutions"). The 2016 Parity Bond Resolutions, together with the other resolutions, as amended, that authorized the issuance of the Outstanding Parity Bonds, are referred to collectively as the "Parity Bond Resolutions."

The form of the Parity Bond Master Resolution is set forth in its entirety in APPENDIX B – "FORM OF THE PARITY BOND MASTER RESOLUTION."

Resolution No. R2012-14, adopted on June 28, 2012, as amended by Resolution No. R2016-33, adopted on November 29, 2016, and restated by 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, community connections (such as transit centers, park-and-ride lots and transit access improvements) and high-occupancy vehicle ("HOV") facilities and other improvements. The three primary programs are regional express buses ("ST Express"); commuter rail ("Sounder"); and electric light rail ("Link"). The implementation of the initial phase of the System Plan ("Sound Move") was approved by voters in 1996. In 2008, voters approved "Sound Transit 2" as a second phase of the System Plan to finance the expansion of the light rail system, commuter rail and express bus service. 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. The capital component of the entire System Plan, including Sound Transit

3, is estimated to cost $53.9 billion (in year of expenditure dollars), including an estimated $36.7 billion for Sound Transit 3, and is being financed with a combination of Sales Tax, Rental Car Tax and Motor Vehicle Tax (each defined herein) revenues, other taxes, federal, State and local grants and loans, bond 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 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 November 2016, Sound Transit obtained voter approval to increase the rate at which the Sales Tax is imposed by an additional 0.5% (the "ST3 Sales Tax") and to increase the rate at which the Motor Vehicle Tax is imposed by an additional 0.8% (the "ST3 Motor Vehicle Tax").

In the 2016 Parity Bond Resolutions, Sound Transit has added the 1996 Motor Vehicle Tax to Pledged Taxes and designated the ST3 Sales Tax and the ST3 Motor Vehicle Tax as "Adopted Parity Rate Adjustments," also included as 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 2016 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 – "FORM OF THE PARITY BOND MASTER RESOLUTION – Covenants – Pledged Taxes."

Before 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 2016 Parity Bonds, are "Subordinate Obligations," as that term is defined in the Master Prior Bond Resolution. The 2016 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 2016 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, 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 2016 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 also has pledged to the payment of the 2016 Parity Bonds the proceeds of the 2016 Parity Bonds to be deposited in the 2016 Project Account in the Project Fund and in any other account or subaccount established by Sound Transit to hold proceeds of the 2016 Parity Bonds, and such pledge is a charge on the amounts in such accounts superior to all other charges of any kind or nature.

The Parity Bond Master Resolution provides for various amendments to the Parity Bond Resolutions, to which the Owners of the 2016 Parity Bonds will be deemed to have consented. See "SECURITY FOR THE PARITY BONDS – Security for the Parity Bonds – Special Amendments."

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."

Prior to the adoption of Resolution No. R2016-33, Local Option Taxes consisted of the Sales Tax, imposed at a rate of 0.9%, the 1996 Motor Vehicle Tax and the Rental Car Tax. The current Local Option Taxes 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%.

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"). The obligations of Sound Transit under the East Link TIFIA Loan Agreement are evidenced by a TIFIA Bond (the "East Link TIFIA Bond"). The East Link 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."

Sound Transit is currently pursuing entering into a master credit agreement (the "TIFIA Master Credit Agreement") with the TIFIA Lender providing for four separate loans for the following projects: Northgate Link Extension, Lynnwood Link Extension, Federal Way Link Extension and the Operations and Maintenance Facility East. Sound Transit expects that the TIFIA Master Credit Agreement and the related loan agreements and bonds will contain terms substantially similar to the terms of the East Link TIFIA Loan Agreement and the East Link TIFIA Bond. See "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bonds."

Capital Lease. In 2001, Sound Transit entered into a transaction to lease 22 rail passenger cab and coach cars and five locomotives to an investor and simultaneously subleased the vehicles from the investor (the "Capital Lease"). 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. See "SECURITY FOR THE PARITY BONDS" and "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS," "SOUND TRANSIT—System Plan—Financial Plan."

THE 2016 PARITY BONDS

General

The 2016 Parity Bonds are being issued in the aggregate principal amount of $400,000,000 and mature on the dates and in the principal amounts set forth on the inside cover. The 2016 Parity Bonds are dated their date of initial delivery and are being issued in denominations of $5,000 and any integral multiple thereof within a maturity.

Interest on the 2016 Parity Bonds is calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the 2016 Parity Bonds is payable on each May 1 and November 1, commencing on May 1, 2017, until maturity or prior redemption.

Redemption of the 2016 Parity Bonds

Optional Redemption. The 2016 Parity Bonds stated to mature on November 1 in the years 2021 through 2026, inclusive, and 2046 are not subject to redemption prior to maturity at the option of Sound Transit. The 2016 Parity Bonds stated to mature on November 1 in the years 2027 through 2036, inclusive, and 2041 are subject to redemption prior to maturity, at the option of Sound Transit, within the requirements of the best long-term financial interests of Sound Transit, in whole or in part on November 1, 2026, or any date thereafter, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the date fixed for redemption.

Mandatory Redemption. The 2016 Parity Bonds stated to mature on November 1, 2041 are Term Parity Bonds and, if not optionally redeemed, purchased or defeased in accordance with the 2016 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.

2016 Parity Bonds Stated to Mature in 2041

Year	Principal Amount
2037	$17,085,000
2038	17,935,000
2039	18,835,000
2040	19,775,000
2041*	20,765,000

* Maturity.

If Sound Transit redeems pursuant to optional redemption provisions, purchases for cancellation or defeases such Term Parity Bonds, the principal amount of such 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 for such Term Parity Bonds.

The 2016 Parity Bonds stated to mature on November 1, 2046 are Term Parity Bonds and, if not purchased or defeased in accordance with the 2016 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.

2016 Parity Bonds Stated to Mature in 2046

Year	Principal Amount
2042	$21,800,000
2043	22,890,000
2044	24,035,000
2045	25,240,000
2046*	26,500,000

* Maturity.

If Sound Transit purchases for cancellation or defeases such Term Parity Bonds, the principal amount of such Term Parity Bonds so purchased or defeased (irrespective of their actual redemption or purchase prices) are to be credited against one or more scheduled mandatory sinking fund redemptions for such Term Parity Bonds.

Selection for Redemption. If fewer than all of the outstanding 2016 Parity Bonds within a maturity and interest rate are to be redeemed prior to maturity, 2016 Parity Bonds of such maturity and interest rate are to be selected for redemption randomly within such maturity and interest rate in such manner as the Bond Registrar shall determine. Notwithstanding the foregoing, so long as the 2016 Parity Bonds are registered in the name of DTC or its nominee, selection of 2016 Parity Bonds for redemption within a maturity and interest rate shall be in accordance with the Letter of Representations.

Notice of Redemption; Conditional Notice; Rescission. Sound Transit is required to cause notice of any intended redemption of 2016 Parity Bonds to be given not less than 20 but not more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Owner of any 2016 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 2016 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 2016 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 2016 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 2016 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 2016 Parity Bond or portion thereof will cease to be outstanding and to be entitled to any benefit, protection or security under the 2016 Parity Bond Resolutions, and the Owner of such 2016 Parity Bond or portion thereof will have no rights in respect thereof except to receive payment of the redemption price upon delivery of such 2016 Parity Bond to the Bond Registrar.

Cancellation upon Redemption. All 2016 Parity Bonds redeemed in accordance with the provisions of the 2016 Parity Bond Resolutions described under this heading are to be surrendered to the Bond Registrar and canceled.

Purchases of 2016 Parity Bonds

Sound Transit has reserved the right, within the requirements of the best long-term financial interests of Sound Transit, to purchase any or all of the 2016 Parity Bonds offered to Sound Transit or in the open market at any time at any price acceptable to Sound Transit, plus accrued interest to the date of purchase. All 2016 Parity Bonds purchased in accordance with the provisions of the 2016 Parity Bond Resolutions described under this heading are to be surrendered to the Bond Registrar and canceled.

Payment of 2016 Parity Bonds

The fiscal agent of the State (currently U.S. Bank National Association in Seattle, Washington) will serve as initial paying agent, authenticating agent, transfer agent and registrar for the 2016 Parity Bonds (the "Bond Registrar").

The 2016 Parity Bonds are being issued as fully registered bonds under a book-entry system, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as initial securities depository for the 2016 Parity Bonds. Individual purchases of 2016 Parity Bonds are to be made in authorized denominations in book-entry form only. Purchasers will not receive certificates representing their interest in the 2016 Parity Bonds, except as described in Appendix H – "DTC AND ITS BOOK-ENTRY SYSTEM."

Payments of principal of and interest on the 2016 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 2016 Parity Bonds is the responsibility of DTC participants, all as described in APPENDIX H – "DTC AND ITS BOOK-ENTRY SYSTEM."

Interest on certificated 2016 Parity Bonds is payable by checks or drafts of the Bond Registrar, or, if requested in writing prior to the Record Date by the Owner of $1,000,000 or more in principal amount of Parity Bonds, by wire, mailed or transferred on the interest payment date to Owners of the 2016 Parity Bonds as those Owners and their addresses and accounts appear on the Bond Register on the Record Date. Principal of certificated 2016 Parity Bonds is payable at maturity or on such date as may be specified for prior redemption upon presentation and surrender of the 2016 Parity Bonds by the Owners at the designated office or offices of the Bond Registrar.

If any 2016 Parity Bond is not paid when properly presented at its maturity or date fixed for redemption, Sound Transit is obligated to pay interest on that 2016 Parity Bond at the same rate provided in that 2016 Parity Bond from and after its maturity or date fixed for redemption until that 2016 Parity Bond, principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Account.

Registration and Transfer or Exchange of 2016 Parity Bonds

The 2016 Parity Bonds initially are to be registered in the name of Cede & Co., as the nominee of DTC. The 2016 Parity Bonds so registered initially are to be held by DTC as securities depository in its book-entry system in accordance with the provisions of the Letter of Representations, all as described in APPENDIX H – "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 2016 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 2016 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 2016 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 2016 Parity Bonds.

2016 Parity Bonds surrendered to the Bond Registrar may be exchanged for 2016 Parity Bonds in any authorized denomination of an equal aggregate principal amount and of the same maturity and interest rate. 2016 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 2016 Parity Bond during the period beginning on the date the Bond Registrar receives direction to send notice of redemption of that 2016 Parity Bond and ending on the date the Bond Registrar sends such notice.

Designation as Green Bonds

Sound Transit has designated the 2016 Parity Bonds as "Green Bonds" based on the planned use of the proceeds of the 2016 Parity Bonds 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.

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

Sound Transit's mission is for the System Plan and Sustainability Plan to enable more people to travel affordably and reliably on environmentally-friendly buses and trains throughout the region in order to reduce greenhouse gases and reliance on fossil fuels. According to the State Department of Ecology, the transportation sector is responsible for the majority of the region's greenhouse gas emissions, differing from most of the United States, where electricity generation is the primary source of emissions. Sound Transit's mission has thereby had a direct beneficial impact on the sector that is responsible for the majority of the region's emissions. By providing green transit services, Sound Transit has been making continuous efforts in reducing emissions in the transportation sector and will continue to do so with the proceeds of the 2016 Parity Bonds. See "SOUND TRANSIT – Environmental and Sustainability Management" for further information on the Sustainability Plan and a description of Sound Transit's environmental accomplishments.

Pursuant to the 2016 edition of the Green Bond Principles published by the International Capital Market Association, Sound Transit has committed to complying with guidelines to qualify the 2016 Parity Bonds as Green Bonds. The Green Bond Principles specify that Green Bond issuers should provide information regarding (i) use of proceeds, (ii) the process for project evaluation and selection, (iii) management of proceeds, and (iv) reporting. The 2016 Parity Bonds will comply with the Green Bond Principles as follows.

Use of Proceeds. The 2016 Parity Bonds are being issued, for among other reasons, to provide funds necessary to pay or to reimburse Sound Transit for the payment of costs of constructing a portion of the System Plan that adheres to the Sustainability Plan. Projects that are to be paid or reimbursed from proceeds of the 2016 Parity Bonds are set forth in APPENDIX E – "GREEN BOND PROJECT DESCRIPTIONS AND SECOND-PARTY REVIEW."

Process for Project Evaluation and Selection. The specific projects to be paid or reimbursed with a portion of the 2016 Parity Bonds were selected based on (i) the projects satisfying at least one of the requirements of the Green Eligibility Criteria set forth in Appendix E, (ii) the time period in which the expenditures were made, (iii) preliminary expenditures that are eligible for reimbursement, including design, engineering and surveying that occurred before the commencement of the project, and (iv) expenditures that have not been allocated to grants or other bond issues. Sound Transit implements its Sustainability Plan through its Environmental and Sustainability Management System ("ESMS"), which holds Sound Transit accountable for controlling potential environmental impacts, achieving annual ESMS targets and demonstrating continual improvement in performance. Since 2007, Sound Transit has been among a select number of transit agencies nationwide to achieve the International Organization for Standardization ("ISO") 14001 certification of its ESMS. This certification recognizes Sound Transit's compliance with the ISO set of standards designed to aid in the creation of environmental management systems to help organizations minimize how their operations negatively affect the environment, comply with applicable laws, regulations and other environmentally oriented requirements and implement continuous improvement of these systems.

Proceeds Management. The proceeds of the 2016 Parity Bonds are expected to be spent immediately to reimburse Sound Transit for the payment of costs of constructing a portion of the System Plan that adheres to the Sustainability Plan as set forth in APPENDIX E – "GREEN BOND PROJECT DESCRIPTIONS AND SECOND-PARTY REVIEW."

Reporting. The Annual Green Bond Report to be prepared and issued annually by Sound Transit is to provide information on the allocation of bond proceeds and Sound Transit's environmental and sustainability results. Information relating to Sound Transit's Green Bonds can be found at its website (www.soundtransit.org/sustainability/green-bonds). In addition, Sound Transit annually updates its progress on its Sustainability Plan on its website (www.soundtransit.org/About-Sound-Transit/Environment-and-sustainability). The information on Sound Transit's website is not incorporated herein by these references.

The Green Bond Principles also recommend the use of independent external assurance to confirm compliance with the guidelines described above. Sound Transit has engaged Sustainalytics US ("Sustainalytics"), a provider of environmental, social and governance research and analysis, to provide an opinion regarding compliance of the 2016 Parity Bonds with such guidelines. Sustainalytics evaluated Sound Transit's planned use of the 2016 Parity Bonds and the alignment thereof with relevant industry standards and provided views on the robustness and credibility of Sound Transit's planned use of the 2016 Parity Bonds within the meaning of the Green Bond Principles. See APPENDIX E – "GREEN BOND PROJECT DESCRIPTIONS AND SECOND-PARTY REVIEW."

SOURCES AND USES OF FUNDS

Expected Sources and Uses of Funds

The 2016 Parity Bonds are being issued to provide funds necessary (i) to pay or to reimburse Sound Transit for the payment of costs of constructing a portion of Sound Transit's System Plan and (ii) to pay costs of issuing the 2016 Parity Bonds. Sound Transit has designated the 2016 Parity Bonds as "Green Bonds" based on the planned use of the proceeds of the 2016 Parity Bonds. See "THE 2016 PARITY BONDS – Designation as Green Bonds" and APPENDIX E – "GREEN BOND PROJECT DESCRIPTIONS AND SECOND-PARTY REVIEW.

Table 1 sets forth the expected sources and uses of funds, including proceeds of the 2016 Parity Bonds, rounded to the nearest dollar.

TABLE 1
EXPECTED SOURCES AND USES OF FUNDS

Sources of Funds	
Principal of the 2016 Parity Bonds	$400,000,000
Original Issue Premium	78,790,806
Total Sources	$478,790,806
Uses of Funds	
2016 Project Account	$477,023,274
Issuance Costs (1)	1,767,532
Total Uses	$478,790,806

(1) Includes rating agency fees, financial advisor and legal fees, Underwriters' discount and other costs of issuing the 2016 Parity Bonds.

Source: Sound Transit.

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 November 2016, Sound Transit obtained voter approval to increase the rate at which the Sales Tax is imposed by an additional 0.5% (as previously defined, the "ST3 Sales Tax") and to increase the rate at which the Motor Vehicle Tax is imposed by an additional 0.8% (as previously defined, the "ST3 Motor Vehicle Tax"). Sound Transit has designated the ST3 Sales Tax and the ST3 Motor Vehicle Tax as "Adopted Prior Rate Adjustments" and included them in Local Option Taxes. The current Local Option Taxes 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 the 2016 Parity Bond Resolutions, Sound Transit added the 1996 Motor Vehicle Tax to Pledged Taxes and designated the ST3 Sales Tax and the ST3 Motor Vehicle Tax as "Adopted Parity Rate Adjustments" included in Pledged Taxes. The current Pledged Taxes 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 2016 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 – "FORM OF THE PARITY BOND MASTER RESOLUTION – Covenants – Pledged Taxes."

A map of the District is set forth on page iv of this Official Statement. 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 2016 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 sales and use taxes to generate revenues to carry out essential governmental purposes. Neither the State nor any local government within the State collects a tax on personal or corporate net income.

The State currently imposes a sales and use tax of 6.5%. Sales and use taxes in the District currently are imposed by the State and local taxing entities at aggregate rates ranging from 8.6% to 9.9%. These rates include the Sales Tax imposed at a rate of 0.9%. In 2017, sales and use taxes in the District are expected to be imposed by the State and local taxing entities at aggregate rates ranging from 9.1% to 10.4%, which rates reflect adjustments to various sales taxes, including imposing the Sales Tax at the rate of 1.4%.

In 2015, Sound Transit received or accrued $699.1 million on account of the Sales Tax. See Table 2 under this heading for historical information regarding Sales Tax revenues.

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.

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.

Sound Transit has entered into an agreement with the DOR for State administration of the Sales Tax and the Rental Car Tax. Under this agreement, the DOR administers and collects the taxes from retailers, taxpayers and the County auditors on account of the Sales Tax and the Rental Car Tax and disburses the proceeds to Sound Transit on a monthly basis. The DOR charges an ongoing administrative fee for this service of 0.7% on 4/9ths of the Sound Transit monthly tax distribution through 2025 and on all of the monthly tax distributions after 2025. The DOR agreement also provides for reimbursement of DOR for costs of modifications or changes to the administration of Sound Transit taxes as well as refunds not in the ordinary course of administering the taxes. The agreement expired December 31, 2014, and was automatically renewed for another three-year period expiring on December 31, 2017. This agreement is subject to automatic renewal for an additional four successive three-year periods and is subject to termination by either party upon proper written notice. Sound Transit expects to amend the agreement with DOR to address the administration of the ST3 Sales Tax.

Although the ST3 Sales Tax has been imposed for collection effective as of January 2017, Sound Transit does not expect that the DOR will begin collecting the ST3 Sales Tax until April 2017, after DOR has updated its systems to provide for the collection of the ST3 Sales Tax.

Sales Tax Offset. Sound Transit 3 includes 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. 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 2016 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 2016 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 2015, Sound Transit received or accrued $79.6 million on account of the Motor Vehicle Tax. See Table 2 under this heading for historical information regarding Motor Vehicle Tax revenues.

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 imposed the 1996 Motor Vehicle Tax. Currently, 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 as currently in effect, which generally values passenger vehicles at a percentage of the latest purchase price of the vehicle. The 1996 Motor Vehicle Tax and the ST3 Motor Vehicle Tax do 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") for the collection and disbursement of the Motor Vehicle Tax through 2017. The agreement may be extended for three additional terms, in increments up to five years each, upon written consent of both parties. Under this contract, the DOL segregates money received from the County auditors on account of the Motor Vehicle Tax into a separate account of the State Treasury. This money is disbursed to Sound Transit on a monthly basis. 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 the DOL for all reasonable ongoing direct and indirect administrative costs in collecting the Motor Vehicle Tax. Sound Transit expects to amend the agreement with the DOL to address the administration of the ST3 Motor Vehicle Tax.

Although the ST3 Motor Vehicle Tax has been imposed for collection effective as of January 2017, Sound Transit does not expect that the DOL will begin collecting the ST3 Motor Vehicle Tax until February or March 2017, after DOL has updated its systems to provide for the collection of the ST3 Motor Vehicle Tax.

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 2016 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.

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

In 2015, Sound Transit received or accrued approximately $3.3 million on account of the Rental Car Tax. See Table 2 under this heading for historical information regarding Rental Car Tax revenues.

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.

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

Table 2 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 2006 through 2015.

TABLE 2
HISTORICAL SALES TAX, MOTOR VEHICLE TAX AND RENTAL CAR TAX REVENUES
($000s)

Year	Sales Tax Revenue (1)	Growth Rate	Motor Vehicle Tax Revenue (1)	Growth Rate	Rental Car Tax Revenue (1)	Growth Rate	Total	Growth Rate
2006	$259,164	8.1%	$70,202	5.9%	$2,427	8.1%	$331,793	-
2007	280,263	8.1	72,403	3.1	2,531	4.3	355,197	7.1%
2008(2)	265,358	(5.3)	68,621	(5.2)	2,498	(1.3)	336,477	(5.3)
2009(3)	440,929	66.2	67,290	(1.9)	2,869	14.9	511,088	51.9
2010	504,101	14.3	65,788	(2.2)	2,409	(16.0)	572,298	12.0
2011	528,022	4.7	65,893	0.2	1,958	(18.7)	595,873	4.1
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

(1) On an accrual basis.
(2) Beginning in December 2008, Sound Transit and the DOL began a process to issue refunds for Motor Vehicle Tax overpayments affecting some vehicle owners who live near but outside the District. The overpayments affected approximately 1.5% of the vehicles that were assessed the Motor Vehicle Tax. Approximately $3.8 million was refunded. Sound Transit and the DOL revised the process for boundary determinations in January 2009 so that incorrect assessments do not continue to occur.
(3) The rate of the Sales Tax was increased to 0.9% from 0.4% in April 2009.
Source: Sound Transit.

ST3 Property Tax

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 "ST3 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). The assessed value of property within the District in 2016 for collection of taxes in 2017 is $503,648,988,000. See "DEBT CAPACITY—Debt Capacity."

Because the District encompasses portions of King County, Snohomish County and Pierce County, the District is considered a "joint taxing district." King County is the lead and accumulates assessed values for the District and coordinating Sound Transit's levy with Snohomish and Pierce Counties. In November 2016, the Board levied the ST3 Property Tax for 2017. King County, Snohomish County and Pierce County will include Sound Transit's levy in their respective 2017 property tax notices mailed out in in January 2017 to affected taxpayers within the District. The ST3 Property Taxes will be collected with other property taxes in April and October, as required by statute.

ST3 Property Tax Not Pledged to Bondholders. The ST3 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 ST3 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 2016 Parity Bonds are not obligations of the State or any political subdivision thereof other than Sound Transit. The 2016 Parity Bonds are not secured by any lien, nor are the 2016 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;

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

(i) to pay the interest when due on the Parity Bonds (including regularly scheduled payment obligations under Parity Payment Agreements for Parity Bonds);

(ii) to pay the maturing principal (including sinking fund redemptions) of Parity Bonds; and

(iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of the Parity Reserve Account Requirement, and other than the provider of a Liquidity Facility) for payments of the principal of and/or interest on Parity Bonds;

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

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

(i) to pay the interest when due on First Tier Junior Obligations (including regularly scheduled payment obligations under any Payment Agreement for the First Tier Junior Obligations);

(ii) to pay the maturing principal (including sinking fund redemptions) of First Tier Junior Obligations; and

(iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of any reserve account requirement for First Tier Junior Obligations, and other than the provider of a Liquidity Facility) for payments of the principal of and/or interest on First Tier Junior Obligations;

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

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

(i) to pay the interest when due on the East Link 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 East Link 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 of and/or interest on Second Tier Junior Obligations;

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

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

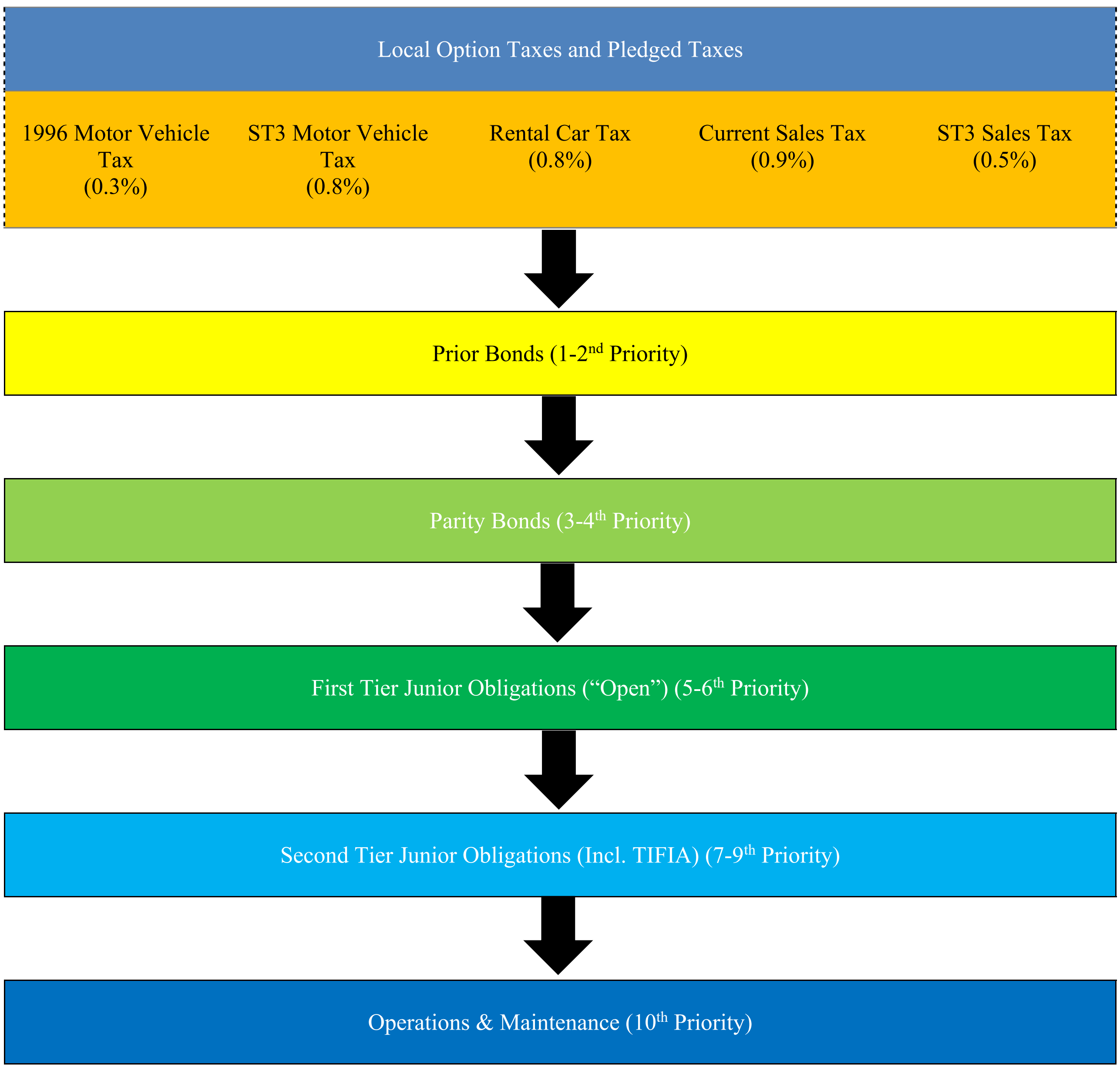
Tenth, to pay costs of operating and maintaining Sound Transit and its System, including all of its public transportation facilities and assets, in a state of good repair;

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

Twelfth, so long as the East Link 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 – East Link 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.

Sound Transit expects to enter into the TIFIA Master Credit Agreement and issue bonds thereunder on terms substantially similar to those of the East Link TIFIA Bond in an estimated aggregate principal amount of $1.99 billion, which bonds are also expected to constitute Second Tier Junior Lien Obligations. For a description of certain provisions relating to the East Link TIFIA Bond, 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 2016 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 2016 Parity Bonds, are also secured by a pledge of (i) amounts in the Parity Bond Account, and (ii) amounts in the Local Option Tax Accounts, the Additional Taxes Accounts, the Tax Stabilization Subaccount, subject to the prior pledge of money in the Local Option Tax Accounts and the Tax Stabilization Subaccount that has been made in favor of the Prior Bonds. Sound Transit has also pledged for the payment of the 2016 Parity Bonds proceeds of the 2016 Parity Bonds, if any, deposited in the 2016 Project Account in the Project Fund and in any other account or subaccount established by Sound Transit to hold proceeds of the 2016 Parity Bonds, and such pledge is a charge on the amounts in such accounts superior to all other charges of any kind or nature.

The pledge for the payment of the Parity Bonds, including the 2016 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 2016 Parity Bonds, of the Pledged Taxes and amounts in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount and earnings thereon, to the extent amounts and earnings in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount represent revenues from Pledged Taxes, is a prior charge superior to all other charges of any kind or nature (including the payment of costs of operating and maintaining Sound Transit and its facilities), except the charge of the Prior Bonds on Local Option Taxes, and equal to the charge of any other Parity Bonds.

Sound Transit has also pledged for the payment of the 2016 Parity Bonds proceeds of the 2016 Parity Bonds, if any, deposited in the 2016 Project Account in the Project Fund and in any other account or subaccount established by Sound Transit to hold proceeds of the 2016 Parity Bonds, and such pledge is a charge on the amounts in such accounts superior to all other charges of any kind or nature.

Covenant to Impose Pledged Taxes. Sound Transit has covenanted in the Parity Bond Resolutions that so long as any Parity Bonds remain Outstanding, Sound Transit will 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*. 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 2016 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 ST3 Property Tax or Other Revenues. Neither the ST3 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 and withdraw Pledged Taxes from the Tax Stabilization Subaccount for any lawful purposes as described above under "– Flow of Funds," including for the purpose of satisfying the conditions for reducing the Sales Tax rate as described above in "– Permitted Reduction of Sales Tax Rate." Deposits into and withdrawals from the Tax Stabilization Subaccount may not be taken into account in calculating Annual Parity Bond Debt Service for purposes of satisfying conditions to issuing Future Parity Bonds. See "– Future Parity Bonds" under this heading.

Local Option Taxes in the Tax Stabilization Subaccount are pledged in the Master Prior Bond 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 2016 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 2016 Parity Bonds and the Outstanding Parity Bonds is zero. The 2016 Parity Bonds and the Outstanding Parity Bonds are not secured by the Parity Reserve Account. The Parity Reserve Account is not currently funded.

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

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

Future Parity Bonds. Following the issuance of the 2016 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 East Link TIFIA Loan Agreement imposes 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, providing for the Parity Reserve Account Requirement, making payment to a provider of a Credit Facility and/or Liquidity Facility, making any settlement payment in connection with the termination of a hedging instrument relating to the Refunding Parity Bonds or other Sound Transit obligations to be refunded and paying the expenses of issuing such Refunding Parity Bonds and of effecting such refunding.

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

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

Sound Transit expects to deliver an Authority Parity Bond Certificate in connection with the issuance of the 2016 Parity Bonds.

Parity Payment Agreements. Sound Transit has reserved the right to make Payments under Payment Agreements secured by a pledge of Pledged Taxes equal to the pledge to the payment of the Parity Bonds ("Parity Payment Agreements") if the Payment Agreement satisfies the requirements for issuing Future Parity Bonds described above. "Payment Agreement" means a written agreement, such as an interest rate swap, for the purpose of managing or reducing Sound Transit's exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes, entered into on either a current or forward basis by Sound Transit and a Qualified Counterparty, all as authorized by any applicable laws of the State. Such agreement may or may not be characterized by a structure of reciprocity of payment. See APPENDIX B – "FORM OF THE PARITY BOND MASTER RESOLUTION – Parity Payment Agreements." The federal credit payments received by Sound Transit in respect of the 2009S-2T Parity Bonds are required to be taken into account as "Receipts" under a Parity Payment Agreement in calculating Annual Parity Bond Debt Service.

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

Special Amendments. The Owners of the 2009S-2T Parity Bonds, the 2012S-1 Parity Bonds and the 2015 Parity Bonds have been, and the Owners of the 2016 Parity Bonds and any Future Parity Bonds will be, deemed to have consented to the adoption by Sound Transit of a resolution supplementing or amending the Parity Bond Resolutions for any one or more of the following purposes:

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

(2) To permit federal credit payments scheduled to be received in any Fiscal Year in respect of Outstanding Build America Parity Bonds (other than federal credit payments received under a Payment Agreement) to be credited against Parity Bond Debt Service in calculating Annual Parity Bond Debt Service for that Fiscal Year.

Defeasance

Sound Transit has reserved the right, within the requirements of the best long-term financial interests of Sound Transit, to defease the 2016 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 2016 Parity Bonds or portions thereof (the "Defeased Bonds") as the same become due, together with all interest accruing thereon to the maturity date or date fixed for redemption, and in the case of Defeased Bonds to be redeemed prior to maturity, irrevocably calling the Defeased Bonds for redemption or delivering to the escrow agent irrevocable instructions to call such Defeased Bonds for redemption on the date fixed for redemption, and paying or making provision for payment of all fees, costs and expenses of that escrow agent due or to become due with respect to the Defeased Bonds, at which time all liability of Sound Transit with respect to the Defeased Bonds will cease, the Defeased Bonds will be deemed not to be Outstanding and the

Owners of the Defeased Bonds will be restricted exclusively to the money or Defeasance Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds.

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

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

Other Covenants

Sound Transit has made various covenants in the Parity Bond Resolutions. These include, among others, covenants to keep and maintain or cause to be maintained its transit facilities and equipment and to operate the same and the business or businesses in connection therewith in the manner determined by the Board; to maintain insurance or institute a self-insurance program, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks as the Board 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 – "FORM OF THE PARITY BOND MASTER RESOLUTION – Covenants."

No Lien

The Owners of the 2016 Parity Bonds are not secured by a lien on the Pledged Taxes or on any money in any account held by Sound Transit. Sound Transit may be able to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"). See "LIMITATIONS ON REMEDIES."

No Acceleration Upon Default

Upon the occurrence and continuance of a Default under the Parity Bond Master Resolution, payment of the principal amount of the Parity Bonds is not subject to acceleration. Sound Transit is liable for principal and interest payments only as they became due, and the Owners (or their trustee) would be required to seek a separate judgment for each payment, if any, not made. Any such action for money damages would be subject to any limitations on legal claims and remedies against public bodies under State law. See "LIMITATIONS ON REMEDIES." Amounts recovered would be applied to unpaid installments of interest prior to being applied to unpaid principal and premium, if any, which had become due.

SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS

Prior Bonds

The 2016 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 ST3 Property Tax or Other Revenues. Neither the ST3 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) above is to be adjusted to read "100% of Maximum Annual Prior Bond Debt Service with respect to all outstanding Prior Bonds," and any additional amount required to be on deposit in the Prior Reserve Account is to be provided within one year by 12 approximately equal monthly installments; and provided further, that the foregoing clause (ii) is to be so adjusted until after two consecutive Fiscal Years in which Local Option Taxes received are not less than 2.5 times Maximum Annual Prior Bond Debt Service (the "Prior Reserve Account Requirement").

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

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

As of November 1, 2016, there was $51,081,382 credited to the Prior Reserve Account, including the two municipal bond debt service reserve fund policies.

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

(1) There is no deficiency in the Prior Bond Account, and an amount equal to the Prior Reserve Account Requirement (including for the Future Prior Bonds to be issued) will be on deposit in the Prior Reserve Account.

(2) No Default (as defined in the Master Prior Bond Resolution) has occurred and is continuing.

(3) Sound Transit certifies (by an "Authority Prior Bond Certificate") that Local Option Taxes received during any consecutive 12-month period out of the 18-month period next preceding the date of issuance of the Future Prior Bonds were not less than 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 East Link TIFIA Loan Agreement imposes 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 the East Link TIFIA Bond is outstanding, a Bankruptcy Related Event (as defined in the East Link TIFIA Loan Agreement, 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" under the East Link TIFIA Loan Agreement.

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

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

(1) After the 1999 Prior Bonds are no longer outstanding, to 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 and Other Obligations

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

The East Link TIFIA Bond is a Second Tier Junior Obligation, and the bonds to be issued pursuant to the TIFIA Master Credit Agreement are expected to be 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, the First Tier Junior Obligations and the Second Tier Junior Obligations. See "—Capital Lease" under this heading.

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

TIFIA Bonds

East Link TIFIA Bond

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

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

Second Tier Junior Obligation. The East Link TIFIA Bond is a Second Tier Junior Obligation payable from Pledged Taxes after payment of debt service on the Prior Bonds, the Parity Bonds and any First Tier Junior

Obligations, and on a parity with any other Second Tier Junior Obligations. See "SECURITY FOR THE PARITY BONDS – Flow of Funds."

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

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

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

Revenue Coverage Ratio. Under the East Link TIFIA Loan Agreement, Sound Transit is required at all times to maintain a Revenue Coverage Ratio of at least 1.00 to 1.00. "Revenue Coverage Ratio" means, for each semiannual calculation period, the ratio of "Net Revenues" to "Total Debt Service." "Net Revenues" is defined in the East Link TIFIA Loan Agreement to mean, for any period, (a) all cash revenues and all money secured or collected for the benefit of and received by or on behalf of Sound Transit, including taxes, charges, rentals, fees for services, franchises or licenses *less* (b) all expenses that do not constitute expenses for a capital project *less* (c) costs incurred in connection with the administration of Sound Transit. "Total Debt Service" is defined in the East Link TIFIA Loan Agreement to mean the aggregate amount of total debt service shown in Sound Transit's financial statements or in the current financial plan, as applicable, paid or payable in respect of any debt obligations of Sound Transit.

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

(1) The following ratio is not less than 1.10 to 1:00: (a) Pledged Taxes received during any consecutive 12-month period out of the immediately preceding 18 calendar months (minus any Pledged Taxes received during such Base Period that were applied, or deemed to be applied, to meet the coverage requirement for Prior Bonds specified in the Parity Bond Resolutions in the event that the amount of the Motor Vehicle Tax received during such Base Period was less than 150% of Prior Bond debt service during such period) to (b) maximum annual debt service on Parity Bonds and Junior Obligations that will be outstanding, after giving effect to the bonds proposed to be issued;

(2) The following ratio is projected to be not less than 1.10 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 (minus any projected Pledged Taxes that are projected to be applied, or deemed to be applied, during such calendar year to meet the coverage requirement for Prior Bonds specified in the Parity Bond Resolutions in the event that the amount of the Motor Vehicle Tax projected to be received during such calendar year is less than 150% of Prior Bond debt service during such calendar year) to (b) maximum annual debt service on Parity Bonds and Junior Obligations that will be outstanding, after giving effect to the bonds proposed to be issued;

(3) The Revenue Coverage Ratio described above, after giving effect to the bonds proposed to be issued, is projected to be not less than 1.00 to 1.00 in each calendar year while the East Link TIFIA Bond is scheduled to be outstanding; and

(4) Unless waived by the TIFIA Lender, the then-existing credit rating of the East Link TIFIA Bond will not be downgraded below “A-” or “A3.”

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

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

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

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

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

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

TIFIA Master Credit Agreement

Sound Transit is currently pursuing entering into the TIFIA Master Credit Agreement with the TIFIA Lender providing for four separate loans for the following projects: Northgate Link Extension, Lynnwood Link Extension, Federal Way Link Extension and the Operations and Maintenance Facility East. Sound Transit expects that its payment obligations under the TIFIA Master Credit Agreement will be Second Tier Junior Obligations payable from the Pledged Taxes on a parity with the East Link TIFIA Bond after payment of debt service on the Prior Bonds, the Parity Bonds and any First Tier Junior Obligations. The estimated aggregate principal amount that may be drawn pursuant to the TIFIA Master Credit Agreement is $1.99 billion. Concurrently with the execution of the TIFIA Master Credit Agreement, Sound Transit expects to close the initial loan under the TIFIA Master Credit Agreement for an estimated principal amount of $615 million for the Northgate Link Extension. There can be no assurance that Sound Transit will enter into the TIFIA Master Credit Agreement. If Sound Transit does not enter into the TIFIA Master Credit Agreement, Sound Transit may instead incur indebtedness in other forms, including the issuance of additional Parity Bonds.

Sound Transit expects that the TIFIA Master Credit Agreement and the related loan agreements and bonds will contain terms substantially similar to the terms of the East Link TIFIA Loan Agreement and the East Link TIFIA Bond, although the specific provisions relating to minimum ratios for the issuance of additional bonds may differ from those in the East Link TIFIA Loan Agreement and the East Link TIFIA Bond, and the parties may amend the provisions of the East Link TIFIA Loan Agreement to conform to the provisions of the TIFIA Master Credit Agreement.

Capital Lease

In 2001, Sound Transit entered into a transaction to lease 22 rail passenger cab and coach cars and five locomotives to an investor and simultaneously subleased the vehicles from the investor pursuant to the Capital

Lease. Under these transactions, Sound Transit maintains the right to continued use and control of the vehicles through the end of the leases and is required to insure and maintain the assets. As of December 31, 2015, the present value of Sound Transit's future payments under the Capital Lease was $61.1 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, 2014, AIG Matched Funding was rated below the minimum levels. As a result, Sound Transit was required to replace AIG Matched Funding or to amend the documents. Sound Transit entered into a waiver agreement with the transaction parties in 2009 that has been extended through March 31, 2017. This extension date may be amended upon Sound Transit's request for a new six month period through September 30, 2018. If a further extension is not granted, the investor could demand a termination payment valued as of December 31, 2015, at $15.2 million. See Note 6 in APPENDIX A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014."

DEBT SERVICE REQUIREMENTS

Table 3 sets forth the current annual principal and interest requirements of the Outstanding Prior Bonds and Outstanding Parity Bonds and of the 2016 Parity Bonds, rounded to the nearest dollar, as summarized in "DEBT CAPACITY – Outstanding Prior Bonds and Parity Bonds." Table 3 does not include payments on the TIFIA Bond Obligations or the Capital Lease. See "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS—TIFIA Bonds" and "—Capital Lease." Sound Transit expects to incur additional indebtedness in the future to finance a portion of the System Plan. See "SOUND TRANSIT – System Plan—Financial Plan."

The 2015S-2A Parity Bonds and 2015S-2B Parity Bonds (collectively, the "2015S-2 Parity Bonds"), outstanding in the aggregate principal amount of $150,000,000, are subject to mandatory tender for purchase on November 1, 2018. At that time, Sound Transit may elect to redeem the 2015S-2 Parity Bonds or to effect a conversion to a new index floating rate period or to another interest rate mode. No liquidity facility secures payment of the purchase price of 2015S-2 Parity Bonds that are not remarketed on November 1, 2018. If Sound Transit is unable to redeem or remarket the 2015S-2 Parity Bonds on November 1, 2018, Sound Transit is obligated to pay interest on the 2015S-2 Parity Bonds at the rate of 9% per annum until the 2015S-2 Parity Bonds are redeemed or remarketed. Sound Transit currently expects to remarket the 2015S-2 Parity Bonds on November 1, 2018, and that the 2015S-2 Parity Bonds will remain outstanding until their stated maturity date of November 1, 2045.

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

Year	Outstanding Prior Bonds Debt Service(1)	Outstanding Parity Bonds Debt Service(1), (2)	2016 Parity Bonds		Total Parity Bonds Debt Service	Aggregate Debt Service(3)
			Principal	Interest		
2017	$52,278,020	$62,897,675	–	$17,333,333	$80,231,008	$132,509,028
2018	53,586,528	62,195,671	–	20,000,000	82,195,671	135,782,199
2019	54,926,017	62,891,685	–	20,000,000	82,891,685	137,817,702
2020	56,297,202	62,891,591	–	20,000,000	82,891,591	139,188,793
2021	57,708,618	62,902,175	$7,825,000	20,000,000	90,727,175	148,435,793
2022	59,151,147	62,899,763	8,215,000	19,608,750	90,723,513	149,874,660
2023	60,630,527	62,902,763	8,630,000	19,198,000	90,730,763	151,361,290
2024	62,143,762	74,351,397	9,060,000	18,766,500	102,177,897	164,321,659
2025	63,697,513	73,065,563	9,510,000	18,313,500	100,889,063	164,586,576
2026	65,289,623	71,471,763	9,990,000	17,838,000	99,299,763	164,589,386
2027	66,921,682	69,840,513	10,490,000	17,338,500	97,669,013	164,590,695
2028	67,619,984	60,886,101	11,010,000	16,814,000	88,710,101	156,330,085
2029	–	99,137,833	11,565,000	16,263,500	126,966,333	126,966,333
2030	–	89,201,183	12,140,000	15,685,250	117,026,433	117,026,433
2031	–	107,126,874	12,745,000	15,078,250	134,950,124	134,950,124
2032	–	107,148,549	13,385,000	14,441,000	134,974,549	134,974,549
2033	–	107,145,032	14,055,000	13,771,750	134,971,782	134,971,782
2034	–	107,155,254	14,755,000	13,069,000	134,979,254	134,979,254
2035	–	112,187,129	15,495,000	12,331,250	140,013,379	140,013,379
2036	–	111,890,823	16,270,000	11,556,500	139,717,323	139,717,323
2037	–	109,163,019	17,085,000	10,743,000	136,991,019	136,991,019
2038	–	109,235,767	17,935,000	9,888,750	137,059,517	137,059,517
2039	–	109,308,962	18,835,000	8,992,000	137,135,962	137,135,962
2040	–	57,692,478	19,775,000	8,050,250	85,517,728	85,517,728
2041	–	58,890,388	20,765,000	7,061,500	86,716,888	86,716,888
2042	–	59,071,554	21,800,000	6,023,250	86,894,804	86,894,804
2043	–	59,261,212	22,890,000	4,933,250	87,084,462	87,084,462
2044	–	59,470,604	24,035,000	3,788,750	87,294,354	87,294,354
2045	–	59,674,954	25,240,000	2,587,000	87,501,954	87,501,954
2046	–	37,060,800	26,500,000	1,325,000	64,885,800	64,885,800
2047	–	37,058,500	–	–	37,058,500	37,058,500
2048	–	37,063,900	–	–	37,063,900	37,063,900
2049	–	37,063,750	–	–	37,063,750	37,063,750
2050	–	37,065,200	–	–	37,065,200	37,065,200
Total(3)	**$720,250,623**	**$2,497,270,425**	**$400,000,000**	**$400,799,833**	**$3,298,070,258**	**$4,018,320,881**

(1) Net of federal credit payments expected to be received by Sound Transit. See "SECURITY FOR THE PARITY BONDS" and "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS." Excludes the effect of federal sequestration. See "SOUND TRANSIT – Federal Sequestration."
(2) Assumes the 2015S-2 Parity Bonds bear interest at 3.00% per annum.
(3) Totals may not foot due to rounding.
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. Tables 4 and 5 provide historical debt service coverage for Prior Bonds and Parity Bonds, but do not reflect the inclusion of the ST3 Sales Tax and ST3 Motor Vehicle Tax in Local Option Taxes and Pledged Taxes. See "SOUND TRANSIT TAXES." Sound Transit estimates that the Local Option Taxes (and Pledged Taxes, if the 1996 Motor Vehicle Tax had been included in Pledged Taxes in 2015) collected in 2015 would have been approximately $1.38 billion, as compared to $782.0 million, if the ST3 Sales Tax and the ST3 Motor Vehicle Tax had been effective in 2015 (based solely on the higher tax rates and assuming no other changes). Sound Transit expects to incur additional indebtedness in the future to finance a portion of the System Plan. See "SOUND TRANSIT—System Plan—Financial Plan."

Historical Debt Service Coverage on Prior Bonds

Table 4 sets forth historical debt service coverage for the Outstanding Prior Bonds. Sound Transit has reserved the right to issue Future Prior Bonds as described in "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – Prior Bonds – Future Prior Bonds."

TABLE 4
HISTORICAL DEBT SERVICE COVERAGE ON PRIOR BONDS
($000s)

		2011	2012	2013	2014	2015
Sales Tax [1], [2]	*A*	$528,022	$551,898	$594,022	$639,890	$699,114
Rental Car Tax [1]	*B*	1,958	2,527	2,761	3,092	3,297
Motor Vehicle Tax [1], [3]	*C*	65,893	65,844	69,096	74,166	79,564
Total Local Option Taxes	*D=A+B+C*	$595,873	$620,269	$665,879	$717,148	$781,975
Prior Bonds debt service [4]	*E*	$24,788	$24,778	$47,419	$48,642	$49,857
Prior Bonds debt service coverage	*D÷E*	**24.0x**	**25.0x**	**14.0x**	**14.7x**	**15.7x**

(1) On an accrual basis.

(2) Includes only the Sales Tax imposed at the rate of 0.9%. In 2017, the Sales Tax will be imposed at the rate of 1.4%. See "SOUND TRANSIT TAXES—Sales Tax—Method of Collection."

(3) Includes only the 1996 Motor Vehicle Tax imposed at the rate of 0.3%. 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. In 2017, in addition to the 1996 Motor Vehicle Tax, the ST3 Motor Vehicle Tax will be imposed at the rate of 0.8%. See "SOUND TRANSIT TAXES—Motor Vehicle Tax—Tax Base and Method of Collection."

(4) Net of federal credit payments expected to be received by Sound Transit. Excludes the effect of federal sequestration.

Source: Sound Transit.

Historical Debt Service Coverage on Parity Bonds

Table 5 sets forth historical debt service coverage for the 2005A Parity Bonds and the 2007A Parity Bonds (both of which are no longer Outstanding) and the Outstanding Parity Bonds. Table 5 includes the 1996 Motor Vehicle Tax in the calculation of Parity Bond debt service coverage by Local Option Taxes, but not in the calculation of Parity Bond debt service coverage by Pledged Taxes, reflecting that the 1996 Motor Vehicle Tax was not part of Pledged Taxes during this period. Sound Transit expects to issue additional bonds to finance a portion of the System Plan, including additional 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."

TABLE 5
HISTORICAL DEBT SERVICE COVERAGE ON PARITY BONDS
($000s)

		2011	2012	2013	2014	2015
Sales Tax (1), (2)	*A*	$528,022	$551,898	$594,022	$639,890	$699,114
Rental Car Tax (1)	*B*	1,958	2,527	2,761	3,092	3,297
Total Pledged Taxes	*C=A+B*	529,980	554,425	596,783	642,982	702,411
Motor Vehicle Tax (1), (3)	*D*	65,893	65,844	69,096	74,166	79,564
Less: debt service on Prior Bonds	*E*	(24,788)	(24,778)	(47,419)	(48,642)	(49,857)
Remaining Motor Vehicle Tax (3), (4)	*F=D+E*	41,105	41,066	21,677	25,524	29,707
Local Option Taxes available for debt service on Parity Bonds	*G=C+F*	$571,085	$595,491	$618,460	$668,506	$732,118
Parity Bonds debt service	*H*	$64,361	$56,422	$51,761	$50,272	$51,382
Parity Bonds debt service coverage:						
by Pledged Taxes(4)	*C÷H*	**8.2x**	**9.8x**	**11.5x**	**12.8x**	**13.7x**
by Local Option Taxes	*G÷H*	**8.9x**	**10.6x**	**11.9x**	**13.3x**	**14.2x**

(1) On an accrual basis.
(2) Includes only the Sales Tax imposed at the rate of 0.9%. In 2017, the Sales Tax will be imposed at the rate of 1.4%. See "SOUND TRANSIT TAXES—Sales Tax—Method of Collection."
(3) Includes only the 1996 Motor Vehicle Tax imposed at the rate of 0.3%. 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. In 2017, in addition to the 1996 Motor Vehicle Tax, the ST3 Motor Vehicle Tax will be imposed at the rate of 0.8%. See "SOUND TRANSIT TAXES—Motor Vehicle Tax—Tax Base and Method of Collection."
(4) Prior to issuance of the 2016 Parity Bonds, the 1996 Motor Vehicle Tax was a component of the Local Option Taxes pledged to the payment of the Prior Bonds, but was not a component of the Pledged Taxes pledged to the payment of the Parity Bonds.

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, such as the Local Option Taxes, Pledged Taxes and ST3 Property Tax; (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 2016 Parity Bonds, are considered "debt" in calculating limits on the amount of debt that may be issued.

Outstanding Prior Bonds and Parity Bonds

Table 6 sets forth the final maturity date, original principal amount and outstanding principal amount of each series of Outstanding Prior Bonds and Outstanding Parity Bonds as of November 1, 2016.

TABLE 6
OUTSTANDING PRIOR BONDS AND PARITY BONDS
($000s)

Series	Final Maturity	Original Principal Amount	Outstanding Principal Amount (1)
Prior Bonds			
1999	2/01/2028	$ 350,000	$ 290,410
2009P-2T	2/01/2028	76,845	76,845
2012P-1	2/01/2028	216,165	178,095
Total Prior Bonds		**$ 643,010**	**$ 545,350**
Parity Bonds			
2009S-2T	11/01/2039	$ 300,000	$ 300,000
2012S-1	11/01/2030	97,545	91,940
2015S-1	11/01/2050	792,840	792,840
2015S-2A(2)	11/01/2045	75,000	75,000
2015S-2B(2)	11/01/2045	75,000	75,000
Total Parity Bonds		**$1,340,385**	**$ 1,334,780**
Total Prior Bonds and Parity Bonds		**$1,983,395**	**$ 1,880,130**

(1) As of November 1, 2016.
(2) The 2015S-2A Parity Bonds and 2015S-2B Parity Bonds are subject to mandatory tender for purchase on November 1, 2018. See "DEBT SERVICE REQUIREMENTS."
Source: Sound Transit.

Additional Borrowing

Sound Transit expects to issue additional Parity Bonds and to incur additional TIFIA obligations to finance additional costs of Sound Transit 2 and Sound Transit 3. See "SOUND TRANSIT – System Plan – Financial Plan." Sound Transit periodically reviews its outstanding indebtedness for refunding opportunities and may issue bonds for refunding purposes if market conditions warrant.

Debt Capacity

Sound Transit is authorized to incur debt in an 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. 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 2016 Parity Bonds, the East Link TIFIA Bond and the Capital Lease are included in Sound Transit's nonvoted debt computation. See "INTRODUCTION – Other Obligations." Sound Transit has not obtained voter approval for any of its outstanding debt. 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."

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 7 sets forth the estimated legal debt capacity for Sound Transit after giving effect to the issuance of the 2016 Parity Bonds.

TABLE 7
ESTIMATED LEGAL DEBT CAPACITY
($000s)

Assessed valuation in 2016 for collection of taxes in 2017	$503,648,988
Maximum nonvoted debt (1½% of assessed valuation)	$ 7,554,735
Less: Outstanding Prior Bonds	(545,350)
Less: Outstanding Parity Bonds	(1,334,780)
Less: East Link TIFIA Bond (1)	(1,330,000)
Less: Capital Lease (2)	(61,063)
Less: 2016 Parity Bonds	(400,000)
Nonvoted debt capacity remaining	$ 3,883,542
Maximum voted debt (5% of assessed valuation)	$ 25,182,449
Less: Outstanding Prior Bonds and Parity Bonds	(1,880,130)
Less: East Link TIFIA Bond (1)	(1,330,000)
Less: Capital Lease (2)	(61,063)
Less: 2016 Parity Bonds (3)	(400,000)
Less: Outstanding voted debt	–
Voted debt capacity remaining	$ 21,511,256

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

(2) As of December 31, 2015. See "SOUND TRANSIT – Capital Lease."

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

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 ii of this Official Statement.

Corporate Powers

Sound Transit's corporate powers include the ability to hire and remove employees, retain consultants and contractors, receive gifts and grants, contract with governmental and private entities, acquire and dispose of property, equipment and facilities, exercise the power of eminent domain, issue debt, impose specified taxes and fix rates and charges. Sound Transit's corporate powers are, for the most part, set forth in the Act.

District Boundaries and Service Area

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. Additionally, 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 Official Statement. The District includes, among other cities, Seattle, Tacoma, Bellevue and Everett. The estimated 2015 population within the District is 2.9 million. (The city of Covington, with an estimated 2015 population of 19,200, 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 ii of this Official Statement.

None of the Board members or other officers of Sound Transit has any interest in the issuance of the 2016 Parity Bonds as such interest is prohibited by law.

Key Staff Biographies

Peter Rogoff, Chief Executive Officer. Mr. Rogoff was appointed unanimously by the Board as Chief Executive Officer in 2016, after having served as Under Secretary of Transportation for Policy in the U.S. Department of Transportation since July 2014. Prior to that, he served for five years as President Obama's Federal Transit Administrator. Prior to this appointment, Mr. Rogoff served for 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 U.S. Coast Guard Distinguished Public Service Award; the Lester P. Lamm Memorial Award for outstanding leadership and dedication to U.S. 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. Mr. Rogoff 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.

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

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

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

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

Ric Ilgenfritz, Executive Director, Planning, Environment and Project Development. Mr. Ilgenfritz joined Sound Transit in 2001 from the National Marine Fisheries Service (now NOAA Fisheries), where he served as point-person for implementing the Endangered Species Act within the Columbia/Snake River basin. He chaired a nine-member interagency team charged with developing federal salmon recovery strategy. He has served as External Relations Director of the National Marine Fisheries Service, where he was responsible for external relations in the Northwest Regional Office. Mr. Ilgenfritz was Legislative Director for U.S. Senator Patty Murray from 1995 to 1998 and has served as staff member on the subcommittee on Transportation in the U.S. House of Representatives. He holds a Bachelor of Arts in Journalism from the University of Oregon.

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

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

Tracy Butler, Treasurer/Director of Financial Planning and Risk Management. Ms. Butler joined Sound Transit in 2007. She oversees cash, investment, debt management, risk management and financial planning. Prior to joining Sound Transit, Ms. Butler served as the Treasurer at Salem Hospital in Salem, Oregon, where she managed the investment of the general operating fund, construction fund, endowment fund and retirement fund and worked on the issuance of variable rate, fixed-rate and synthetic fixed-rate bonds. She also served as Management Consultant at Optima Management and Consultant of the Guaranteed Fund project at the International Labor Organization in Geneva, Switzerland prior to coming to the United States in 2000. Ms. Butler is a Certified Treasury Professional. She holds a 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.

System Plan

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

The regional high-capacity transportation implementation program was required to include a system plan, project plans and a financing plan. The Act required that the system plan address various criteria, including the degree to which revenues generated within each County will benefit that County's residents, and when such benefits will accrue. An independent review panel was appointed to advise the joint regional policy committee, and later Sound Transit, and to review the draft components of the System Plan.

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

Sound Transit has adopted its "System Plan," which incorporates commuter rail, light rail, express bus, community connections (such as transit centers, park-and-ride lots and transit access improvements) and HOV facilities and other improvements. The System Plan consists of three primary programs: HOV access improvements, transit centers and park-and-ride lots to support a system of regional express buses ("ST Express"); commuter rail ("Sounder"); and electric light rail ("Link"). The initial phase of the System Plan ("Sound Move") was approved by voters in 1996. The second phase of the System Plan ("Sound Transit 2") was approved by voters in 2008. In the 2008 election, as in the 1996 election, approximately 57% of voters approved the proposition. In December 2014, the Board adopted an updated Long-Range Plan to plan for the expansion of regional mass transit after Sound Transit 2 is complete. The third phase of the System Plan ("Sound Transit 3") was approved by voters in November 2016. In the November 2016 election, approximately 54.1% 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 East Link TIFIA Bond (unless waived by the TIFIA Lender) under the TIFIA Loan Agreement, as described under "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Obligations." The 2016 Parity Bonds are secured by a gross pledge of the Pledged Taxes and, therefore, the security for the 2016 Parity Bonds does not depend on implementation of the System Plan.

Sound Move. In 1996, central Puget Sound voters approved implementation of the Sound Move plan to build a high-capacity public transit system. Sound Move was expected to cost approximately $3.9 billion (in 1995 dollars). Since then, Sound Transit has built and now operates 26 ST Express bus routes, 83 miles of Sounder Commuter Rail from Everett to Lakewood, 14 miles of Link Light Rail from downtown Seattle to Seattle-Tacoma International Airport (the "Airport") and 1.6 miles of Link Light Rail connecting downtown Tacoma with a regional transit center at the Tacoma Dome Station ("Tacoma Link Light Rail"). 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 and 2023, including an additional 2.4 mile Light Rail extension in Tacoma. 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 on time (by 2023) and on budget.

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

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, the System 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 are scheduled to open in 2030; from Lynnwood to Everett is scheduled to open in 2036; from downtown to Ballard is scheduled to open in 2035;

and from Kirkland to Issaquah is scheduled to open in 2041. An extension of the Tacoma Link Light Rail system to Tacoma Community College is scheduled to open in 2039. The extension of the Sounder commuter rail to DuPont is scheduled for 2036.

At the time of approval in November 2016, Sound Transit 3 is expected to cost approximately $53.8 billion (in year of expenditure dollars), with expenditures for Sound Transit 3 expected to occur in Fiscal Years 2017 through 2041.

Sound Transit 3 includes 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, which requirement will continue until Sound Transit has paid $518 million into such account. 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 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. 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.

Financial Plan. Sound Transit maintains a long-term (1997-2060) Financial Plan in accordance with the "Guidance for Transit Financial Plans" of the Federal Transit Administration ("FTA"). The Financial Plan is updated annually to reflect current forecasts of all Sound Transit sources and uses of funds and was most recently updated in June 2016.

The June 2016 Financial Plan projects $11.6 billion in Local Option Tax revenues (excluding ST3 Sales Tax and the ST3 Motor Vehicle Tax revenues) in the years 2009-2023, which is approximately $4.1 billion, or 26.0%, below the revenue forecast included as part of Sound Transit 2 when Sound Transit 2 was adopted by voters in 2008. As a result of the lower revenue forecast, Sound Transit's 2016 June Financial Plan reflected Sound Transit's conclusion that it would not be able to complete all of Sound Transit 2 within the original 15-year time period and the related suspension of certain projects until additional revenues become available. The June 2016 Financial Plan projects receipt of $2.8 billion in grant funds in the years 2009-2023: $2.5 billion primarily from two discretionary FTA grants and the remainder from FTA formula grants and other competitive grant programs. Sound Transit currently expects that it will complete the remaining Sound Transit 2 projects by 2023.

In November 2016, the voters approved Sound Transit 3. Sound Transit has not yet adopted an updated financial plan that fully integrates Sound Transit 3 into the June 2016 Financial Plan. Those efforts are underway, and Sound Transit expects an updated Financial Plan will be completed early in 2017. With the passage of Sound Transit 3, Sound Transit expects significant changes to the June 2016 Financial Plan, including the incorporation of the Sound Transit 3 capital program and the timing of future debt issues to fund, together with other funding sources, both the completion of Sound Transit 2 by 2023 and all of Sound Transit 3 by 2041.

The 2016 Parity Bonds are being issued to reimburse Sound Transit for previously incurred Sound Transit 2 capital expenditures. Sound Transit currently expects that no additional Prior Bonds will be issued for new money purposes, but does anticipate that a significant amount of Parity Bonds will be issued and that additional TIFIA obligations will be incurred to complete Sound Transit 2 and Sound Transit 3 capital programs. Sound Transit does not anticipate issuing additional new money Parity Bonds for the next several years however.

Table 8 provides a summary of the expected sources and uses for the Sound Transit 3 capital program from 2017 through 2041.

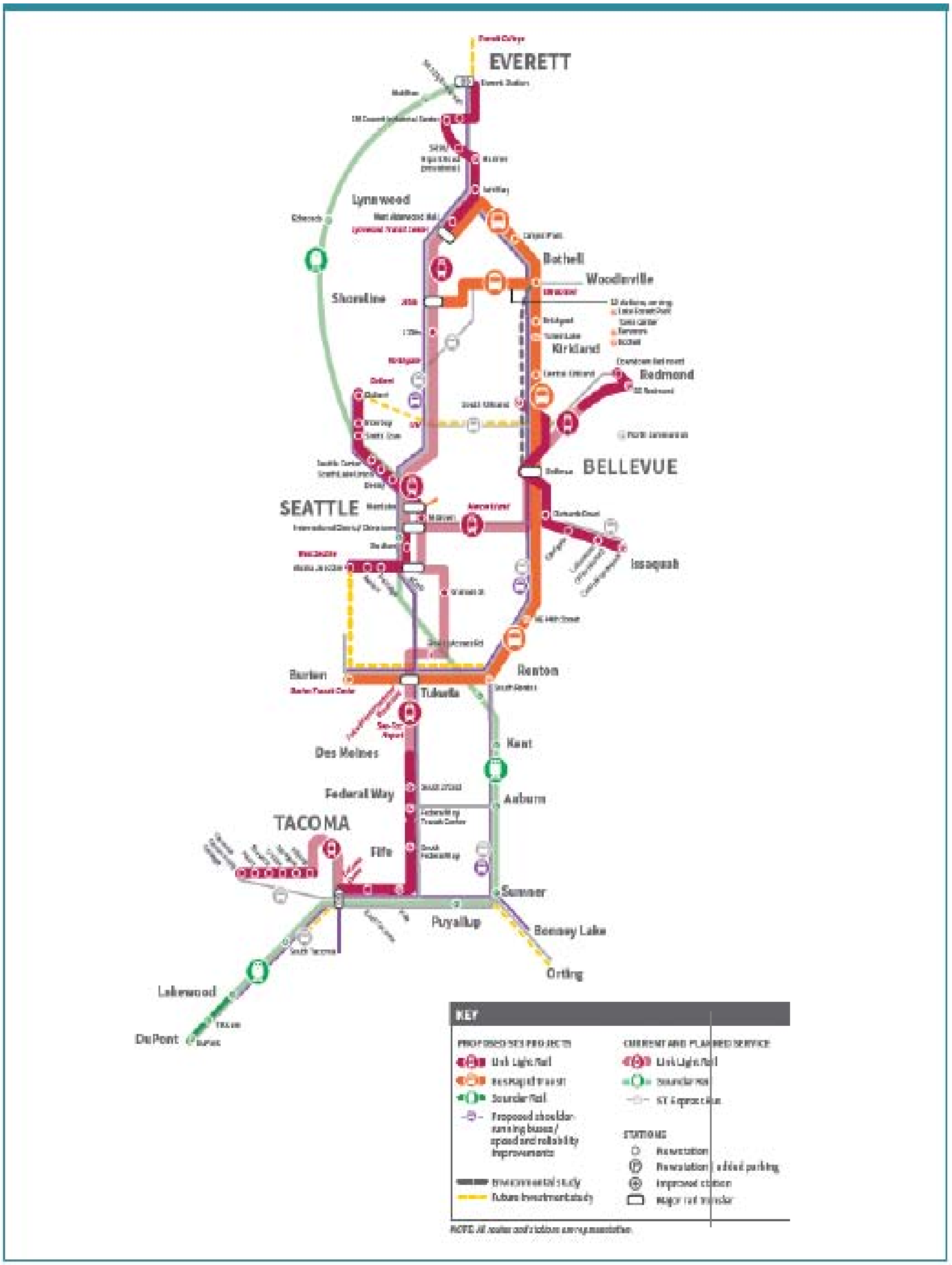
Sound Transit uses a financial forecasting model that incorporates financial policies, assumptions, revenue forecasts and program cost estimates needed to calculate cash flow, bond issues and key performance indicators such as cash balances and debt service coverage ratios. Assumptions used in the financial forecasting model prepared prior to the adoption of Sound Transit 3 include the following average annual growth rates in the years 2009-2023: Sales Tax revenues, 4.1%; Rental Car Tax revenues, 2.3%; Motor Vehicle Tax revenues, 2.7%; and consumer price index, 2.0%. Sound Transit reviews its financial forecasting model and assumptions regularly and may revise its assumptions when preparing financial plans in the future.

TABLE 8
FORECASTED SOURCES AND USES OF FUNDS, 2017-2041
(SOUND TRANSIT 3)
(millions of year of expenditure dollars)

Sources of Funds	
Sound Transit Tax Revenues	$27,710
Grant Revenue – Federal / Local	4,669
Sound Move + ST2 Surplus	8,621
Bond Proceeds	10,999
Fares & Other Revenues	1,514
Interest Earnings	333
Total Sources	**$53,845**
Uses of Funds	
Capital Expenditures	
Sounder	$ 2,230
ST Express	586
Bus Rapid Transit	1,812
Link	31,683
System-wide Activities	374
Total Capital Expenditures	36,683
O&M Expenditures	
Sounder	306
ST Express	708
Link	2,993
Bus Rapid Transit	1,203
System-wide Activities	2,246
Total O&M Expenditures	7,455
Debt Service	6,986
State of Good Repair	781
Contributions to Reserves	908
Contribution to System-wide Activities	1,031
Total Uses	**$53,845**

Source: Sound Transit.

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



Transit Operations

Introduction. Sound Transit makes service available to 80% of the population of the Counties and had approximately 34.7 million passenger boardings in 2015. ST Express bus service began in 1999 and currently has 28 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 Seattle-Tacoma International Airport with the opening of the Angle Lake light rail station in September 2016.

Partner Agencies. Sound Transit purchases buses and trains that are operated and maintained by its partner agencies—King County Metro, Community Transit, Pierce Transit, BNSF Railway Company ("BNSF") and the National Railroad Passenger Corporation ("Amtrak")—with the exception of Tacoma Link Light Rail, which is operated directly by Sound Transit. In 2000, Sound Transit entered into a 40-year agreement with BNSF for the operation of the Sounder commuter trains by BNSF between Seattle and Tacoma. In 2003, Sound Transit entered into another agreement with BNSF for the operation of the Sounder commuter trains by BNSF between Seattle and Everett. In 2012, an additional agreement with BNSF allowed for an extension of service from Tacoma south to Lakewood, on railway owned by Sound Transit. The term of this agreement is for 12 years, with an option of five additional years that must be agreed to by both parties. Effective in 2010, Sound Transit entered into a five-year agreement with Amtrak for the maintenance of its Sounder Commuter Rail rolling stock. This agreement has one two-year renewal option at Sound Transit's request and three additional one-year renewal options at the mutual consent of both parties. Sound Transit's current operations contracts for ST Express buses with Community Transit, King County Metro and Pierce Transit expire on December 31, 2017, with two one-year options. Effective in 2009, Sound Transit entered into an operations contract for King County Metro to operate Link Light Rail in King County for five years. The agreement was extended to July 2017 and included extended service to the new stations opened in 2016. 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, 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 28 ST Express bus routes in the Counties. ST Express bus ridership in 2015 was approximately 18.3 million, compared to approximately 17.7 million in 2014. ST Express buses currently carry almost 65,000 passengers each weekday. The ST Express capital program is focused on providing two types of transportation improvements: community connection facilities and HOV improvements. Community connection facilities include transit centers, park-and-ride lots and transit access improvements. These community connection facilities improve access to the regional transit system and connections to local transit services. The HOV improvements are designed to allow quick and reliable express bus service throughout Sound Transit's service area. The HOV access projects were implemented through a partnership between Sound Transit and WSDOT. Sound Transit has constructed special access ramps to make it easier for transit and vanpools to use HOV lanes at some of the region's most congested freeway intersections. These improvements are intended to expand and improve the existing HOV network within the District. Sound Transit expects to increase ST Express bus service in the highest-need corridors by improving service frequency, expanding hours of operation and adding trips to relieve overloads.

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

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 develop and construct infrastructure for a "bus-on-shoulder" program, which would permit buses to use shoulders on freeways and state highways during periods of congestion in general traffic and/or HOV lanes.

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 13 stations on two lines that span the three Counties. The North Line runs from Seattle to Everett; the South Line runs from Seattle to Lakewood. Sounder Commuter Rail service between Tacoma and Seattle began in 2000 with two round trips on weekdays and weekend event service. Service has gradually been expanded, and there are now eleven 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 2015 was 3.9 million, compared to 3.4 million in 2014. Sounder trains currently carry approximately 16,000 passengers each weekday.

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 also 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, 2015 AND 2014."

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

Link Light Rail ridership in 2015 was approximately 12.5 million, compared to approximately 11.9 million in 2014. Link Light Rail currently carries approximately 68,000 passengers each weekday.

The last phase of the original System Plan is University Link, a three-mile light rail extension that includes a tunnel east from the Downtown Seattle Transit Tunnel, crossing under Interstate 5 and proceeding east and then north to the Capitol Hill Station serving the First Hill/Capitol Hill urban center. The tunnel route then crosses under the ship canal to an interim terminus at the University of Washington station at Husky Stadium, serving the University of Washington campus and the surrounding neighborhoods. The University Link project received \$813 million in grants from the FTA, which is expected to fund approximately 40% of the \$1.9 billion cost of building the line. Construction began in 2009, and operations began in March 2016. University Link opened 6 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 4 years earlier than planned.

Compared to the period from April 2015 through September 2015, Link Light Rail average daily ridership from April through August 2016 grew by 75%, averaging over 65,600 passengers each weekday.

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

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

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

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 provision stations. Sound Transit 3 includes extensions to downtown Everett, West Seattle, Ballard, throughout the east side (connecting Redmond, Bellevue, Kirkland and Issaquah) and Federal Way.

Tacoma Link Light Rail is free and connects downtown Tacoma with a regional transit center at the Tacoma Dome Station, where riders can transfer to Sounder Commuter Rail, ST Express regional buses and local Pierce Transit buses. Tacoma Link began service in August 2003. Ridership in 2015 was approximately 980,000, compared to 960,000 in 2014. Tacoma Link Light Rail trains currently carry more than 3,200 passengers each weekday. Sound Transit 2 also included funding to extend the Tacoma Link Light Rail another 2.4 miles, which is currently in the environmental review and preliminary engineering stage. 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 updated in 2015, to provide a policy framework for Sound Transit's day-to-day work. That policy is implemented via an ISO 14001 certified Environmental and Sustainability Management System, as well as multiple sustainability policies, procedures, and initiatives.

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

- Achieving recertification for the third time to the ISO 14001 Standard for Environmental Management.

- Receiving Platinum Recognition (the highest ranking) from the APTA Sustainability Commitment. This recognizes the degree to which the program is institutionalized at Sound Transit, the number of short-term and long-term goals achieved and continual improvements in resource efficiency.

- Maintaining a clean environmental record (no permit violations across construction projects) for a third straight year.

- Incorporating sustainability principles into the Long-Range Plan.

- Adopting two new policies to promote green purchasing and lifecycle costing.

- Integrating sustainable infrastructure and design principles into the remaining Sound Transit 2 program and for Sound Transit 3.

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

- A commitment to implementing green building and infrastructure at the project level.

- System-wide, the plan contemplates that Sound Transit's sustainability efforts will 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 35 million rides each year, using fewer natural resources to move each passenger. Sound Transit saved greenhouse gas emissions throughout the region estimated from 137,637 to 397,248 tons of greenhouse gas emissions annually. (The numbers range due to crediting Sound Transit with, on the low end, changes in modes of travel and congestion benefits and, on the high end, including savings from changes in land use).

Labor Relations

As of September 30, 2016, Sound Transit employed 680 permanent employees. Sound Transit currently has eight employees represented by the Amalgamated Transit Union, Local 758 AFL-CIO. This contract was renegotiated in 2014 and is effective through September 30, 2017. In addition, Sound Transit currently has 13 employees represented by the International Brotherhood of Electrical Workers, Local 46. This contract is effective through June 30, 2017. Sound Transit management believes that employee relations are satisfactory.

Employee Benefits

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

Sound Transit's actual contribution rates, which were the required contribution rates, are expressed as a percentage of covered payrolls. In 2015, the employer contribution rate was 12% ($7.7 million) and the employee contribution rate was 10% ($6.4 million) on covered payroll of $64.1 million. In 2014, the employer contribution rate was 12% ($6.7 million) and the employee contribution rate was 10% ($5.6 million) on covered payroll of $56.2 million.

See Note 11 in APPENDIX A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014."

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

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

Risk Management

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

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

Sound Transit also utilizes three owner-controlled insurance programs for all general liability claims by third-party injuries and/or property damage related to project construction activities carried out by third-party contractors for selected light rail projects. On each of its policies, Sound Transit is responsible for deductibles or self-insurance retentions, with the trigger of coverage on a per occurrence or on a claims-made basis. Sound Transit engages an actuary annually to prepare an actuarial report to estimate its total claim exposure under all of its insurance and risk management programs. The reserve claim amount estimated to be paid within the next year is included in other current liabilities. See Note 9 in APPENDIX A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014."

Financial Policies

The Board has adopted an Asset Liability Management Policy that contains investment, debt management and swap policies. The objectives of the current investment policy are, in order of priority, safety, liquidity and return on investment. The policies provide that Sound Transit will maintain a minimum cash balance of two months' operating expenses and up to three months of forecasted capital expenditures and the amount budgeted annually for the system-wide emergency and contingency fund. As of September 30, 2016, Sound Transit has an operating and contingency reserve of approximately $60.7 million and a capital replacement reserve of approximately $350 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 the swap policy, Sound Transit may consider the use of swaps in connection with the issuance of debt obligations consistent with its overall Asset Liability Management Policy as a means of reducing exposure to interest rate fluctuations and/or lower net borrowing costs. Sound Transit has not entered into any swaps and has no current plans to do so. See "Payment Agreements" under this heading. The Board may revise the Asset Liability Management Policy at any time.

Budgeting and Capital Planning Process

Sound Transit prepares an annual proposed budget for presentation to the Board no later than 60 days prior to the end of each Fiscal Year. The budget includes operating expenses, capital expenditures, reserves and revenues for the upcoming Fiscal Year. Sound Transit also prepares a multi-year capital plan. The capital plan contains project-by-project summaries of total cost estimates, known project risks and authorized capital budgets by phase, such as preliminary engineering, final design, construction and property acquisition. The Board-adopted budget policies require Board adoption before the start of each Fiscal Year and require a two-thirds affirmative vote of all Board members. The budget for 2016 was adopted by the Board on December 17, 2015, and the budget for 2017 is expected to be adopted by the Board on December 15, 2016.

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

Accounting and Auditing

Method of Accounting. Sound Transit's accounts are maintained and financial statements prepared using the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and methods prescribed by the State Auditor under the authority of chapter 43.09 RCW for proprietary funds. See Note 2 in APPENDIX A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014" 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, 2015 and 2014, including the accompanying notes, are set forth in APPENDIX A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014." Sound Transit has not requested that its independent auditor provide consent for inclusion in this Official Statement of its report set forth in Appendix A. Sound Transit's independent auditor has not been engaged to perform and has not performed, since the date of its report set forth in Appendix A, any procedures on the financial statements addressed in that report, nor has Sound Transit's independent auditor performed any procedures relating to this Official Statement. Sound Transit's independent auditor also prepares an annual single audit of Sound Transit's financial statements for submission to the federal government. See "ADVISORS AND CONSULTANTS – Independent Auditor."

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

State Accountability Audits. The State Auditor's Office performs an annual audit of Sound Transit's accountability for public resources and compliance with State laws and regulations and Sound Transit policies and procedures. The 2014 audit reported no findings. The State Auditor's Office is expected to release its accountability audit for 2015 in December 2016.

Investments

Permitted Investments. Effective in June 2016, Chapter 39.59 RCW 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 U.S. 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, 2015 AND 2014."

Local Government Investment Pool. The State Treasurer's Office administers the Local Government Investment Pool (the "LGIP"), an approximately $13.9 billion fund (as of October 31, 2016) that invests money on behalf of more than 530 participants, including cities, counties and special purpose districts. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands. The State Treasurer's Office reports that the LGIP is a highly liquid money market fund comparable to a Rule 2a-7 money market fund. The LGIP is restricted to investments with maturities of 397 days or less, and the average investment life typically is less than 60 days. Permissible investments include U.S. government and agency securities, bankers' acceptances, repurchase and reverse repurchase agreements, bank deposits, NOW accounts and certificates of deposit issued by qualified Washington State depositories.

King County Investment Pool. The King County Investment Pool invests cash reserves for all King County agencies and approximately 100 special purpose districts and other public entities such as fire, school, sewer and water districts, and other public authorities. It is one of the largest investment pools in the State, with a market value as of September 30, 2016 of approximately $5.9 billion.

As of November 1, 2016 Sound Transit funds were invested as follows:

TABLE 9
RESTRICTED AND UNRESTRICTED INVESTMENTS
(As November 1, 2016)

Type	Amount ($000s)
Cash and Cash Equivalents	
Local Government Investment Pool	$ 218,224
Insured Bank Deposits	1,068
Cash on Hand	4,523
Restricted Assets – Current	
Local Government Investment Pool	69,470
King County Investment Pool	1,040
Health Reimbursement Account	2,805
Other	5
Investments	
Undesignated	663,639
Investments - Non-current	
Capital Replacement	323,219
Restricted Assets – Non-current	
Local Government Investment Pool	1,129
Escrow Funds	8,003
Investments – Debt Service Reserve	20,370
Investments – Other	2,340
Interest Receivable on Restricted Investments	235
Total [(1)]	**$ 1,316,068**

(1) Totals may not foot due to rounding.
Source: Sound Transit.

Payment Agreements

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

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

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

Federal Sequestration

Under the 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 2024. As a result of sequestration, the credits payable in federal fiscal year 2014 were reduced by 7.2% ($511,759), the credits payable in federal fiscal year 2015 were reduced by 7.3% ($518,867), payments in federal fiscal year 2016 were reduced by 6.8% ($483,328), and payments in federal fiscal year 2017 are scheduled to be reduced by 6.9% ($490,436). See “SECURITY FOR THE PARITY BONDS” and “SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS.”

Operating Leases

Sound Transit has entered into non-cancelable operating leases in excess of one year for the use of the downtown Seattle transit tunnel, ground, office space, parking, land, storage at various locations and equipment with lease terms expiring between 2016 to 2035, with some containing options to renew. Minimum lease payments range between $11.5 million in 2016 to $16,000 in 2035. Total rental expenses for 2015, which include non-cancelable leases as well as month-to-month rentals, were $10.1 million, of which $866,900 was capitalized for capital projects in progress. See Note 6 in APPENDIX A – “AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014.”

HISTORICAL FINANCIAL INFORMATION

Table 10 sets forth a summary of revenues, expenses and changes in net position, as reported in Sound Transit's audited financial statements for the years 2011 through 2015, which are on an accrual basis.

TABLE 10
HISTORICAL REVENUES, EXPENSES AND CHANGES IN NET POSITION
($000s)

	2011	2012	2013	2014	2015
Operating revenues					
Passenger fares	$ 46,116	$ 54,068	$ 56,944	$ 60,180	$65,426
Other operating revenue	5,814	3,887	7,051	5,951	6,574
Total operating revenues	**51,930**	**57,955**	**63,995**	**66,131**	**72,000**
Operating expenses					
Vehicle operations	112,511	117,384	123,336	123,740	126,721
Vehicle maintenance	45,598	44,869	46,540	48,006	49,066
Non-vehicle maintenance	23,997	29,015	27,524	35,676	37,255
General and administrative	29,542	23,080	22,147	23,636	5,120
Fare and regional planning	1,337	2,010	6,006	9,771	10,048
Depreciation, amortization and accretion	110,413	117,495	118,833	100,776	105,100
Total operating expenses	**323,398**	**333,853**	**344,386**	**341,605**	**333,310**
Loss from operations	**(271,468)**	**(275,898)**	**(280,391)**	**(275,474)**	**(261,310)**
Non-operating revenues (expenses)					
Sales Tax[(1)]	528,022	551,898	594,022	639,890	699,114
Motor Vehicle Tax[(2)]	65,893	65,844	69,096	74,166	79,564
Rental Car Tax	1,958	2,527	2,761	3,092	3,297
Investment income (loss)	20,875	12,176	(4,900)	14,758	5,125
Other revenues	8,676	7,365	6,848	6,593	51,360
Capital contributions to other governments [(3)]	(81,742)	(70,426)	(71,079)	(30,942)	(18,001)
Interest expense	(43,728)	(31,992)	(24,993)	(2,582)	(1,805)
Other expenses	–	(2,351)	(2,576)	(5,946)	(2,647)
Gain (loss) on disposal of assets	–	(134)	180	2	4
Impaired projects [(4)]	(2,118)	(19)	–	(27)	–
Total non-operating revenues, net	**497,836**	**534,888**	**569,358**	**699,004**	**816,011**
Income before capital contributions	**226,368**	**258,990**	**288,967**	**423,530**	**554,701**
Federal capital contributions	168,671	127,682	146,718	184,595	132,237
State and local capital contributions	5,583	3,620	13,088	9,482	3,879
Total capital contributions	**174,254**	**131,302**	**159,806**	**194,077**	**136,116**
Change in net position	**400,622**	**390,292**	**448,773**	**617,607**	**690,817**
Total net position, beginning of year [(5)]	**4,034,290**	**4,425,610**	**4,815,902**	**5,264,675**	**5,882,282**
Total net position, end of year	**$4,434,912**	**$4,815,902**	**$5,264,675**	**$5,882,282**	**$6,573,099**

(1) Includes only the Sales Tax imposed at the rate of 0.9 In 2017, the Sales Tax will be imposed at the rate of 1.4%. See "SOUND TRANSIT TAXES—Sales Tax—Method of Collection."

(2) Includes only the 1996 Motor Vehicle Tax imposed at the rate of 0.3%. In 2017, in addition to the 1996 Motor Vehicle Tax, the ST3 Motor Vehicle Tax will be imposed at the rate of 0.8%. See "SOUND TRANSIT TAXES—Motor Vehicle Tax—Tax Base and Method of Collection." 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.

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

(4) 2011 includes expenses related to Beacon Hill Tunnel noise mitigation.

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

Source: Sound Transit.

In November 2016, the voters approved Sound Transit 3. Sound Transit is in the process of preparing an updated proposed budget for 2017 that incorporates Sound Transit 3, including the revenues expected to be generated by the ST3 Motor Vehicle Tax, the ST3 Sales Tax and the ST3 Property Tax, and expects that the budget for Fiscal Year 2017 will be adopted on December 15, 2016.

As of November 29, 2016, Sound Transit had received approximately $486.8 million in Sales Tax revenues for transactions through August 2016 (compared to $455.0 million included in the 2016 Budget for the same period), approximately $2.47 million in Rental Car Tax revenues for transactions through August 2016 (as compared to $2.27 million included in the 2016 Budget for the same period), and approximately $64.2 million in Motor Vehicle Tax revenues for transactions through September 2016 (compared to $60.9 million included in the 2016 Budget for the same period).

INITIATIVES AND REFERENDA

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 2016.

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

In recent years, 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. See "SOUND TRANSIT TAXES – Motor Vehicle Tax." Some of these initiatives and referenda have been ruled to be unconstitutional by the State Supreme Court. Others have been upheld.

Initiative petitions affecting taxation, revenue collection and other matters have been and in the future may be filed. Sound Transit cannot predict whether any such initiatives will qualify to be submitted to the voters or, if submitted, will be approved. Likewise, Sound Transit cannot predict what actions the State Legislature or State courts may take, if any, regarding future initiatives approved by voters or the State Legislature. A sponsor of an earlier initiative has stated that he may file another initiative in connection with Sound Transit 3.

LITIGATION

In the ordinary course of business, Sound Transit has been named as a defendant in a number of lawsuits relating to personnel, commercial, environmental and condemnation matters. Although the ultimate effect, if any, of these matters is not presently determinable, Sound Transit's management believes that, collectively, they will not have a material effect on Sound Transit's ability to pay debt service on the 2016 Parity Bonds when due.

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance, sale, execution, or delivery of the 2016 Parity Bonds or in any way contesting the validity of the 2016 Parity Bonds or any proceedings of Sound Transit taken with respect to the issuance or sale thereof, or the power of Sound Transit to collect any of the Pledged Taxes as described in this Official Statement.

Sound Transit's programs and taxes have been legally challenged from time to time. Although Sound Transit is aware that some parties are planning to challenge Sound Transit 3 and the additional taxes authorized in connection with Sound Transit 3, to date no credible claim or challenge has been made. If any action, suit or proceeding is filed challenging in anyway Sound Transit 3 and the taxes authorized in connection with Sound Transit 3, Sound Transit intends to defend vigorously against any such action, suit or proceeding.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2016 Parity Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Special Tax Counsel is of the further opinion that interest on the 2016 Parity Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Tax Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering its opinion, Special Tax Counsel will rely on the opinions of Bond Counsel as to the validity and due authorization and issuance of the 2016 Parity Bonds. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in Appendix G and will be delivered with the 2016 Parity Bonds.

2016 Parity Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2016 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 2016 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 2016 Parity Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2016 Parity Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax 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 Special Tax Counsel's attention after the date of issuance of the 2016 Parity Bonds may adversely affect the value of, or the tax status of interest on, the 2016 Parity Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the 2016 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 2016 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. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2016 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 2016 Parity Bonds. Prospective purchasers of the 2016 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 Special Tax Counsel is expected to express no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel's judgment as to the proper treatment of the 2016

Parity Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of Sound Transit, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. Sound Transit has covenanted, however, to comply with the requirements of the Code.

Special Tax Counsel's engagement with respect to the 2016 Parity Bonds ends with the issuance of the 2016 Parity Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend Sound Transit or the Beneficial Owners regarding the tax-exempt status of the 2016 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 2016 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 2016 Parity Bonds, and may cause Sound Transit or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission, Sound Transit will undertake for the benefit of holders of the 2016 Parity Bonds to provide certain financial information and operating data relating to Sound Transit by no later than nine months after the end of each Fiscal Year, commencing with the Fiscal Year ending on December 31, 2016 (the "Annual Financial Information"), and to provide notices of the occurrence of certain events. The Annual Financial Information is required to be filed by or on behalf of Sound Transit with the Municipal Securities Rulemaking Board (the "MSRB"). Notices of certain events are required to be filed by or on behalf of Sound Transit with the MSRB. A form of Sound Transit's proposed undertaking to provide continuing disclosure is set forth in APPENDIX C – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Sound Transit entered into written undertakings to provide continuing disclosure for the outstanding Prior Bonds and Parity Bonds. Sound Transit did not include in its Annual Financial Information for 2015 the calculation of debt service coverage on its outstanding Parity Bonds and Prior Bonds, as required in its continuing disclosure undertaking for the 2015 Parity Bonds, although the information necessary to make the calculations was included in the 2015 Annual Financial Information. Sound Transit subsequently filed with the MSRB a supplement to the 2015 Annual Financial Information including the debt service coverage calculations. In addition, Sound Transit discovered in 2014 that the Annual Financial Information for 2012 was not linked to the CUSIP numbers for the 2012 Parity Bonds. Sound Transit linked the 2012 Annual Financial Information to the CUSIP numbers for the 2012 Parity Bonds in April 2014 and filed a related notice with the MSRB in May 2014. Sound Transit has revised its procedures to help ensure that the Annual Financial Information for future years will include the coverage calculation and will be linked to the appropriate CUSIP numbers.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2016 Parity Bonds by Sound Transit are subject to the approving legal opinion of Foster Pepper PLLC, Bond Counsel to Sound Transit. See "ADVISORS AND CONSULTANTS – Bond Counsel." The form of approving opinion of Bond Counsel is set forth in Appendix F. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the 2016 Parity Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinions to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinions and does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the 2016 Parity Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for Sound Transit by its General Counsel and by Orrick, Herrington & Sutcliffe LLP, which is serving as Special Tax Counsel and Disclosure Counsel. See "ADVISORS AND CONSULTANTS – Special Tax Counsel and Disclosure Counsel." Certain legal matters will be passed upon for the Underwriters by their counsel, Pacifica Law Group LLP ("Underwriters' Counsel"). Any opinion of Underwriters' Counsel will be rendered solely to the Underwriters, will be limited in scope and cannot be relied upon by investors. From time to time and currently Underwriters' Counsel represents Sound Transit on matters other than the issuance and sale of the 2016 Parity Bonds.

LIMITATIONS ON REMEDIES

Any remedies available to the Owners of the 2016 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 2016 Parity Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the Owners of the 2016 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 2016 Parity Bonds and the 2016 Parity Bond Resolutions may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinions to be delivered by Foster Pepper PLLC, as Bond Counsel, concurrently with the issuance of the 2016 Parity Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. The various other legal opinions to be delivered concurrently with the issuance of the 2016 Parity Bonds will be similarly qualified. The form of opinion of Bond Counsel is set forth in APPENDIX F.

A municipality such as Sound Transit must be specifically authorized under state law to seek relief under Chapter 9 of the Bankruptcy Code. Washington State law permits any municipality to voluntarily petition for relief under 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, including the right to continue to receive payments under legal documents. The definition of "special revenues" includes "taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor." Under Chapter 9, the pledge and the right to continued receipt of payment of the Pledged Taxes is fully enforceable if a bankruptcy court determines that the Pledged Taxes are "special revenues" under Chapter 9 and that the pledge of the Pledged Taxes is valid and binding under Chapter 9.

If Sound Transit sought protection under Chapter 9, a bankruptcy court could find that the Pledged Taxes are not "special revenues" or could find that the flow of funds or the pledge of the Pledged Taxes under the Parity Bond Master Resolution is not enforceable under Chapter 9, in which case the Owners of the 2016 Parity Bonds would not be entitled to any special priority to such proceeds and could be treated as general unsecured creditors of Sound Transit.

Sound Transit holds all accounts created under the Master Prior Bond Resolution and the Parity Bond Resolutions, including the Local Option Tax Accounts, the Prior Bond Account, the Prior Reserve Account, the Parity Bond Account, the Parity Reserve Account and the Project Fund. The Owners of the 2016 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 2016 Parity Bonds could be time consuming. Substantial delays or reductions in payments to the Owners of the 2016 Parity Bonds could result. Even if a court determines that post-bankruptcy money in such accounts is payable to the Owners of the Parity Bonds, the court may permit Sound Transit to spend such money in such accounts to pay operation and maintenance costs of Sound Transit or to pay general creditors, notwithstanding any provision of the Parity Bond Master Resolution to the contrary.

RATINGS

Moody's Investors Service, Inc., and S&P Global Ratings have assigned their municipal bond ratings of "Aa1" and "AAA," respectively, to the 2016 Parity Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the 2016 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 is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such revision or withdrawal of any such rating may have an adverse effect on the market price of the 2016 Parity Bonds.

UNDERWRITING

The 2016 Parity Bonds are to be purchased by Citigroup Global Markets Inc., on behalf of itself and as representative of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., J.P. Morgan Securities LLC, RBC Capital Markets, LLC and Wells Fargo Bank, National Association (collectively, the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the 2016 Parity Bonds at a price of $477,549,174.36, which amount is equal to the principal amount thereof, plus original issue premium of $78,790,806.70, less Underwriters' discount of $1,241,632.34. The bond purchase contract for the purchase of the 2016 Parity Bonds provides that the Underwriters will purchase all the 2016 Parity Bonds if any 2016 Parity Bonds are purchased.

The Underwriters may offer and sell the 2016 Parity Bonds to certain dealers (including dealers depositing 2016 Parity Bonds into investment trusts) and others at prices lower than the initial offering prices or prices corresponding to the yields set forth on the inside cover, and such initial offering prices may be changed, from time to time, by the Underwriters, without prior notice.

Citigroup Global Markets Inc., one of the Underwriters of the 2016 Parity Bonds, has informed Sound Transit that it has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for its selling efforts with respect to the 2016 Parity Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2016 Parity Bonds, has informed Sound Transit that it has entered into negotiated dealer agreements (each, a "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2016 Parity Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2016 Parity Bonds that such firm sells.

Wells Fargo Bank, National Association ("WFBNA"), one of the Underwriters of the 2016 Parity Bonds, has informed Sound Transit that it has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the 2016 Parity Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2016 Parity Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2016 Parity Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

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

ADVISORS AND CONSULTANTS

Bond Registrar. Sound Transit has appointed the fiscal agent of the State as the Bond Registrar for the 2016 Parity Bonds. The State fiscal agency contract is bid out by the State Treasurer on a competitive basis for a four-year term. The current contract began on February 1, 2015. U.S. Bank National Association currently serves in this capacity. For so long as the 2016 Parity Bonds are held by DTC in the book-entry system, the beneficial owners of the 2016 Parity Bonds must transfer their ownership interests, and will receive payments on the 2016 Parity Bonds, in the manner described in APPENDIX H – "DTC AND ITS BOOK-ENTRY SYSTEM."

Bond Counsel. Foster Pepper PLLC, Seattle, Washington ("Bond Counsel"), was selected to serve as Sound Transit's bond counsel pursuant to a request for proposal process. Bond Counsel will be compensated from the proceeds of the 2016 Parity Bonds when and if the 2016 Parity Bonds are issued. Bond Counsel has been retained to provide additional legal services to Sound Transit. Sound Transit does not believe such additional representation of Sound Transit impedes the ability of Bond Counsel to render independent judgment regarding the validity of the 2016 Parity Bonds. From time to time Bond Counsel represents the Financial Advisor and certain of the Underwriters on matters unrelated to Sound Transit or to the 2016 Parity Bonds.

Special Tax Counsel and Disclosure Counsel. Orrick, Herrington & Sutcliffe LLP, Seattle, Washington ("Special Tax Counsel" and "Disclosure Counsel"), was selected to serve as Sound Transit's special tax counsel and disclosure counsel pursuant to a request for proposal process. Special Tax Counsel and Disclosure Counsel will be compensated from the proceeds of the 2016 Parity Bonds when and if the 2016 Parity Bonds are issued. Special Tax Counsel and Disclosure Counsel have 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 Special Tax Counsel and Disclosure Counsel to render independent judgment regarding the treatment of interest on the 2016 Parity Bonds or the adequacy of disclosure for the 2016 Parity Bonds. From time to time Special Tax Counsel and Disclosure

Counsel represents certain of the Underwriters on matters unrelated to Sound Transit or to the 2016 Parity Bonds, and in 2007, 2009 and 2012 represented underwriters in connection with the issuance of certain Outstanding Parity Bonds and certain Outstanding Prior Bonds.

Financial Advisor. Piper Jaffray & Co. serves as financial advisor to Sound Transit in conjunction with the issuance of the 2016 Parity Bonds. The financial advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or any other related information available to Sound Transit with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the financial advisor respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

Independent Auditor. Sound Transit's financial statements for the years ended December 31, 2015 and 2014, have been audited by KPMG LLP and are set forth in APPENDIX A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014." Sound Transit has not requested that its independent auditor provide consent for inclusion in this Official Statement of its report set forth in Appendix A. Sound Transit's independent auditor has not been engaged to perform and has not performed, since the date of its report set forth in Appendix A, any procedures on the financial statements addressed in that report, nor has Sound Transit's independent auditor performed any procedures relating to this Official Statement.

MISCELLANEOUS

The descriptions herein of the 2016 Parity Bond Resolutions and other documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents and contracts, copies of which are available, upon request and upon payment to Sound Transit of a charge for copying, mailing and handling, from Sound Transit's Department of Finance and Information Services.

This Official Statement is not to be construed as a contract or agreement between Sound Transit and the Owners of any of the 2016 Parity Bonds. Section headings, table headings and captions are included for convenience only and should not be construed as modifying the text of this Official Statement.

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

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

/s/ Peter Rogoff

Chief Executive Officer

APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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Central Puget Sound Regional Transit Authority

Financial Statements and Independent Auditors' Report for the Years Ended December 31, 2015 and 2014

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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 2015 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	Brian McCartan	Kelly A. Priestley
Chief Executive Officer	*Chief Financial Officer*	*Controller*

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2015 and 2014

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, 2015 and 2014. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements and notes to the financial statements as a whole.

Sound Transit is a regional transit authority implementing and operating a high-capacity transportation system throughout parts of King, Pierce and Snohomish counties including commuter rail (Sounder), light rail (Link) and a regional express bus system (ST Express). Established by the legislature in 1993, in 1996 voters approved the initial phase of its System Plan, *Sound Move* – a 10-year regional transit system plan, which authorized tax collections for funding of its operations and the first set of regional transit projects. The final elements of Sound Move will be completed with the opening of University Link and South 200th Extension. In 2008, the region's voters approved a second phase of the System Plan, *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. Sound Transit is currently planning for a third phase of the regional high-capacity transit system, which voters could consider as early as November 2016.

Sound Transit's financial statements reflect a growth in net position of $690.8 million in 2015 and $617.6 million in 2014 as the agency continues to build out its capital program approved in the Sound Move and ST2 voter-approved plans. System expansion continues in all corridors (North, South and East) and across all modes, most significantly light rail. Net loss from operations, also referred to as an operating subsidy, decreased 5.1% from 2014, while ridership increased 5.2%. The capital program and operating subsidy are funded through sales and use, rental car and motor vehicle excise taxes.

Financial Highlights

- Total operating revenues were $72.0 million for 2015, an increase of 8.9% from the prior year, as passenger fare revenues grew by $5.3 million on system-wide ridership growth of 1.7 million, or 5.2%.

- Loss from operations was $261.3 million for 2015, which was 5.1% lower than in 2014. The agency's cost allocation plan was updated to improve the alignment of costs between capital, operating and agency administration commensurate with updated activity measures, resulting in $14.8 million in additional costs allocated to the capital program in 2015.

- Non-operating revenues, net of expenses, were $816.0 million, a 16.7% increase from 2014, most significantly related to tax revenues which grew by 9.0% or $64.8 million. Also impacting non-operating revenues in 2015 were insurance recoveries on completed projects and operating grants for preventative maintenance that cumulatively contributed $44.5 million in additional revenue.

- Capital contributions from federal, state and local funding arrangements were $136.1 million, a decrease of 29.9% from 2014. Lower contributions were received for University Link and the South 200th Extension projects as those projects approach completion of construction. Additionally

2014 included funding related to the D to M street project completed in 2012 and East Link Extension project.

- Total net position at December 31, 2015 was $6.6 billion, an increase of $690.8 million or 11.7% from 2014 and reflecting the continued progress on the agency's capital program.

- The agency issued $942.8 million in parity green bonds, advanced refunding its 2007A parity bonds for net cash proceeds of $600 million.

Overview of the Financial Statements

Sound Transit's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP). The 2015 and 2014 financial statements are presented using the economic resource measurement focus and accrual basis of accounting. As Sound Transit comprises a single proprietary fund, no fund level financial statements are shown.

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

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

Financial Analysis

Net Position

Sound Transit's total net position at December 31, 2015 was $6.6 billion, an increase of $690.8 million or 11.7% from 2014. Total assets increased $1.3 billion or 16.7% and total liabilities increased 34.6%. The increase in total assets reflects capital program spending, as well as an increase in cash and investments following the issuance of additional parity bonds. See the following table for a summary of Sound Transit's net position.

Statement of Net Position

(in millions)		December 31		% Change	
	2015	**2014**	**2013**	**2015-2014**	**2014-2013**
Assets					
Current assets, excluding restricted assets	$ 1,085.6	$ 560.7	$ 726.3	93.6%	(22.8)%
Restricted assets	91.6	91.4	86.3	0.2	5.9
Capital assets	7,259.1	6,527.0	5,851.2	11.2	11.6
Other non-current assets	389.0	383.4	326.9	1.5	17.3
Total assets	**8,825.3**	**7,562.5**	**6,990.7**	**16.7**	**8.2**
Deferred Outflows of Resources	**45.8**	**26.8**	**30.3**	**70.7**	**(11.6)**
Liabilities					
Current liabilities, excluding interest payable from restricted assets	205.2	203.4	210.7	0.9	(3.4)
Interest payable from restricted assets	21.6	19.1	19.6	13.1	(2.5)
Long-term debt	2,005.7	1,419.5	1,461.8	41.3	(2.9)
Other long-term liabilities	65.4	65.0	64.3	0.6	1.1
Total liabilities	**2,297.9**	**1,707.0**	**1,756.4**	**34.6**	**(2.8)**
Net Position					
Net investment in capital assets	5,268.7	5,099.4	4,384.9	3.3	16.3
Restricted net position	68.2	70.6	68.2	(3.5)	3.6
Unrestricted net position	1,236.2	712.3	811.6	73.6	(12.2)
Total net position	**$ 6,573.1**	**$ 5,882.3**	**$ 5,264.7**	**11.7%**	**11.7%**

Current assets, excluding restricted assets, increased 93.6% from 2014, due to higher cash and investments following issuance of additional parity bonds. Between 2014 and 2013 currents assets, excluding restricted assets, decreased by 22.8% as the agency funded its design and construction activities. Restricted and other non-current assets remain comparable between 2015 and 2014 however increased between 2013 and 2014 due to additional funding of the capital replacement fund, contractual obligations increased and a benefit trust for employees was established.

Capital assets increased 11.2% from 2014 and by 11.6% between 2014 and 2013 as planning and construction spending continued on ST2 light rail expansion projects as well as on Sounder and ST Express capital programs, and rehabilitation and replacement fleet activities. Total capital project spending for 2015 was $854.6 million (2014 was $806.1 million) reflecting the increased activity of the agency which included stage three of the I-90 Two-Way Transit and HOV lane project necessary for East Link.

In all, total capital spending for light rail was $677.1 million or 79.3% of total capital spending ($702.4 million or 87.1% in 2014). Capital spending on Sounder and ST Express projects combined, as a percentage of total capital spending, was 7.5% and 9.4% respectively (7.7% and 4.4% in 2014).

Transfers out of capital projects in progress were $147.3 million ($81.6 million in 2014) as projects were completed and transferred to property, transit facilities, and vehicles or expensed as indicated in the following table. In 2015 and 2014, transfers from capital projects in progress primarily included the land acquired for East Link and North Link extensions and contributions paid to the City of Seattle for the First Hill Street Car project as well as the Tukwila Sounder Station project which completed in 2015. Given the nature of Sound Transit's capital program, transfers out of capital project in progress can vary significantly from year to year.

Transfers Out of Capital Projects in Progress

(in millions)	For the Year Ended December 31		
	2015	**2014**	**2013**
Transferred to property, vehicles and equipment	$ 134.3	$ 53.7	$ 144.2
Contributions to other governments	13.0	27.9	66.1
Total	**$ 147.3**	**$ 81.6**	**$ 210.3**

Other non-current assets are comparable to prior years. Deferred outflows of resources increased 70.7% from 2014 as the agency issued new parity bonds and refunded the 2007A parity bonds during the year. Amounts related to the advance refunding of the 2005A bonds decreased 11.6% between 2014 and 2013, reflecting annual amortization.

Total liabilities increased in 2015 by 34.6% with the issuance of the 2015 parity bonds, a green bond issuance. Between 2014 and 2013, total liabilities decreased by 2.8% and reflect principal repayments and lower current liabilities at year-end. Given the nature of the large capital program, fluctuations are expected depending upon the timing of work.

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

Net Position

(in millions)	December 31			% Total Net Position		
	2015	**2014**	**2013**	**2015**	**2014**	**2013**
Net investment in capital assets	$ 5,268.7	$ 5,099.4	$ 4,384.9	80.2%	86.7%	83.3%
Restricted net position	68.2	70.6	68.2	1.0	1.2	1.3
Unrestricted net position	1,236.2	712.3	811.6	18.8	12.1	15.4
Total	**$ 6,573.1**	**$ 5,882.3**	**$ 5,264.7**	**100.0%**	**100.0%**	**100.0%**

Net investment in capital assets increased 3.3% from 2014 and 16.3% between 2014 and 2013 as capital program spending continues. The increase was lower in 2015 as bonds were issued in 2015, funding the capital program and thereby reducing our investment. Restricted net position decreased slightly in 2015 as the remaining 2005A bonds were repaid and related reserve amounts are no longer required. Unrestricted net position increased in 2015 and reflects the increase in cash and investments from the bond issuance, while unrestricted net position decreased between 2014 and 2013 as Sound Transit continued to make investments in its capital program.

Changes in Net Position

Changes in net position reflect the excess of revenue over expenses for a year. In 2015, revenues exceeded expenses by $690.8 million, or 11.9% while in 2014 they exceeded expense by $617.6 million or 11.7%, most significantly impacted by higher tax revenues and reductions in capital contributions to other governments in both years. Sound Transit's Statement of Revenue, Expenses and Changes in Net Position is summarized in the table below.

(in millions)	For the Year Ended December 31			% Change	
	2015	**2014**	**2013**	**2015-2014**	**2014-2013**
Operating revenues					
Passenger fares	$ 65.4	$ 60.1	$ 56.9	8.8%	5.5%
Other	6.6	6.0	7.1	10.6	(15.6)
Total operating revenues	**72.0**	**66.1**	**64.0**	**8.9**	**3.3**
Operating expenses					
Total operating expenses, before depreciation and loss on disposal of assets	228.2	240.8	225.6	(5.2)	6.8
Depreciation and loss on disposal of assets	105.1	100.8	118.8	4.3	(15.2)
Total operating expenses	**333.3**	**341.6**	**344.4**	**(2.4)**	**(0.8)**
Loss from operations	**(261.3)**	**(275.5)**	**(280.4)**	**(5.1)**	**(1.8)**
Non-operating revenues, net of expenses	816.0	699.0	569.4	16.7	22.8
Income before capital contributions	**554.7**	**423.5**	**289.0**	**31.0**	**46.6**
Capital contributions	136.1	194.1	159.8	(29.9)	21.4
Change in net position	**690.8**	**617.6**	**448.8**	**11.9**	**37.6**
Total net position, beginning	5,882.3	5,264.7	4,815.9	11.7	9.3
Total net position, ending	**$ 6,573.1**	**$ 5,882.3**	**$ 5,264.7**	**11.7%**	**11.7%**

Operating Revenues

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

Passenger Fare Revenue

Passenger fares are derived from the sale of Sounder commuter rail and Central Link tickets at ticket vending machines (TVMs), fare box receipts on ST Express, and use of One Regional Card for All (ORCA) products on all modes. Fares are charged on each service, except Tacoma Link. Sound Transit experienced growth in passenger fare revenue of 8.9% and 5.5% in 2015 and 2014, respectively, due to ridership growth in both years and a strengthening of the average fare per boarding (AFB) on Link light rail. ST Express is the largest revenue-generating mode providing 54.0% of total passenger fare revenue compared to Link and Sounder commuter rail providing 27.8% and 18.2% of total passenger fare revenue, respectively.

Passenger fare revenue by mode are as follows:

Passenger Fare Revenue *(in millions)*				% Change	
	2015	**2014**	**2013**	**2015-2014**	**2014-2013**
ST Express	$ 35.3	$ 33.8	$ 32.6	4.4%	3.8%
Link	18.2	15.9	14.9	14.7	6.9
Sounder	11.9	10.4	9.4	14.8	10.4
Total	**$ 65.4**	**$ 60.1**	**$ 56.9**	**8.9%**	**5.5%**

Ridership

Sound Transit provided 34.7 million rides in 2015, an increase of 5.2% from 2014 as continued economic growth and increased congestion contributed to increased ridership on all modes. Changes in ridership by mode were as follows:

- ST Express ridership increased 3.6% from 2014 and 6.4% between 2014 and 2013. ST Express service is at or near capacity on several routes during peak period. As a result, the agency continues to focus bus service on those routes and times that have highest ridership and has continued to increase the number of high capacity buses deployed.

- Link ridership increased 5.1% from 2014 and 11.4% between 2014 and 2013 as Central Link continues to mature and attract riders, regional growth spurs demand and service promotion efforts led to changes in commute patterns converting riders from other service providers as changes occur in the light rail corridor. In the fourth quarter of 2015, light rail service increased to 6-minute headways, which provided additional train trips, and growth was observed in trips to and from SeaTac Airport and during special events.

- Sounder commuter rail ridership increased 14.6% from 2014 and by 11.9% from 2013, reflecting job growth in the local economy, increased congestion and increased capacity from an additional round trip added on the Seattle-Tacoma corridor in October 2013. There were also fewer mudslides in 2015 than in 2014, reducing closures on the North Line.

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

Ridership *(in millions)*	**2015**	**2014**	**2013**	**% Change 2015-2014**	**% Change 2014-2013**
ST Express	18.3	17.7	16.6	3.6%	6.4%
Link	12.5	11.9	10.7	5.1	11.4
Sounder	3.9	3.4	3.0	14.6	11.9
Total	**34.7**	**33.0**	**30.3**	**5.2%**	**8.7%**

Average Fare per Boarding

The combined average fare per boarding (AFB) increased $0.06 or 3.3% from 2014 and decreased by $0.06 or 3.3% from 2013. Increases in the AFB in 2015 are primarily a result of fare changes implemented March 1, 2015 when Central Link Light rail base fares were increased by $0.25 in conjunction with the implementation of a low income adult fare. Revenues received in 2015 on base fare Central Link ridership exceeded ridership utilizing the discounted low income adult fare. In 2014, decreases in the AFB from 2013 were a result of increased usage of monthly and annual fixed rate passes for all modes, although less significantly on Sounder where ridership pattern are less variable, as well as increased day pass usage on Central Link.

Average Fare per Boarding	**2015**	**2014**	**2013**	**% Change 2015-2014**	**% Change 2014-2013**
ST Express	$ 1.93	$ 1.92	$ 1.96	0.6%	(2.7)%
Link	1.58	1.45	1.53	8.6	(5.5)
Sounder	3.09	3.11	3.12	(0.7)	(1.4)
Combined average fare per boarding	**$ 1.94**	**$ 1.88**	**$ 1.94**	**3.3%**	**(3.3)%**

Other Operating Revenues

Other operating revenues consist of vehicle advertising, insurance recoveries, rental of facilities, revenues from local and state sources and other miscellaneous revenue.

Operating Expenses

Operating expenses are comprised of operations and maintenance costs, agency administration, fare and regional planning, and depreciation and amortization. Major operations and maintenance expense categories consist of services, materials, utilities, insurance, taxes, and purchased transportation, allocated overhead from general and agency administration divisions and operating leases and rentals. Purchased transportation includes amounts paid to Community Transit, King County Department of Transportation (DOT) and Pierce Transit who operate Sound Transit's express bus service and King County DOT Rail Division, which operates the Central Link light rail and associated paratransit services and to BNSF, which operates Sounder commuter rail. Purchased transportation services accounts for 59.2% of this category in 2015 (61.0% in 2014). Services are the next largest expenditure category and include the Sounder vehicle maintenance contracted to Amtrak and various contracts for facilities maintenance and security at Sound Transit's owned and shared facilities. Services were 19.0% in 2015 (19.4% in 2014) of total operating and maintenance expenses.

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

Operations and Maintenance Expenses by Function

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

Operations and maintenance expenses increased $5.6 million or 2.7% in 2015 due to the impact of the changes to the agency's overhead cost allocation plan. As part of this change, the agency updated its activity measures and drivers as well as the classification of certain costs, which are now directly charged to operations by mode, most significantly property insurance., As a result of this change for 2015, $2.7 million in salaries, benefits and specific divisional costs, previously allocated to agency Administration, were allocated to operations and maintenance, as well as $2.5 million of property insurance costs. Excluding the impact of this change, operations and maintenance costs were comparable to 2014, while in 2014 operations and maintenance costs increased by $10.0 million or 5.1% from 2013.

See the following table for operating and maintenance expenses by function.

Operations and Maintenance Expenses by Function

(in millions)				% Change	
	2015	**2014**	**2013**	**2015-2014**	**2014-2013**
Vehicle operations	$ 126.7	$ 123.7	$ 123.3	2.4%	0.3%
Vehicle maintenance	49.1	48.0	46.5	2.2	3.2
Non-vehicle maintenance	37.2	35.7	27.6	4.4	29.6
Total	**$ 213.0**	**$ 207.4**	**$ 197.4**	**2.7%**	**5.1%**

For 2015, the increases in expense by functional category for operations and maintenance reflect the change to the agency's cost allocation plan, with non-vehicle maintenance increasing most significantly as property insurance costs are no longer charged to agency administration. Other impacts by functional category are as follows:

- Vehicle operations expenses were consistent between 2014 and 2013. While purchased transportation rates did increase in each year from the prior year, lower costs in other areas such as fuel, offset those increased costs in 2015.

- In 2014, vehicle maintenance expenses increased by $1.5 million or 3.2% from 2013 reflecting higher maintenance costs for the bus fleet as the average age increases, the use of high capacity buses that have a higher cost to maintain, the full year impact of the additional round-trip of Sounder service in the South corridor and increased costs related to use of the Amtrak Holgate facility.

- Non-vehicle maintenance expenses increased $1.5 million or 4.4% from 2014, due in large part to a number of mid-life refurbishment projects at stations. In 2014, non-vehicle maintenance expenses increased $8.1 million or 29.6% from 2013 also due to a number of mid-life refurbishment projects at stations.

Operations and Maintenance Expenses by Mode

The following table presents operating and maintenance expenses by mode:

Operations and Maintenance Expenses by Mode					
(in millions)				% Change	
	2015	2014	2013	2015-2014	2014-2013
ST Express	$ 108.1	$ 107.9	$ 104.1	0.1%	3.7%
Link	64.3	60.6	56.3	6.2	7.7
Sounder	40.6	38.9	37.0	4.4	5.1
Total	**$ 213.0**	**$ 207.4**	**$ 197.4**	**2.7%**	**5.1%**

ST Express operations and maintenance expenses were comparable to 2014, however 2014 expenses increased $3.8 million or 3.7% from 2013 as purchased transportation contract costs for operations and vehicle maintenance increased across all operators and due to mid-life station refurbishments. The 2014 modal expenses for ST Express also reflect the full year impact of the extension of Route 592 from DuPont to Olympia in partnership with Intercity Transit and establishment of new routes in Pierce County.

Link operations and maintenance expenses include both Central Link and Tacoma Link light rail and increased $3.7 million or 6.2% in 2015. The increase in costs reflects the change to direct charge rail operation insurance. The 2014 Link operations and maintenance expenses increased $4.3 million or 7.7% reflecting increased purchased transportation rates and fare collection costs on Central Link related to ridership increases.

Sounder operations and maintenance expenses increased by $1.7 million or 4.4% in 2015, also related to the change in method of charging rail operation insurance costs. In 2014, Sounder commuter rail operations and maintenance costs increased $1.9 million or 5.1% due to the full year effect of providing additional service under the fourth and final additional BNSF easement in the South corridor, maintaining three additional locomotives added to provide service to Lakewood and additional facility costs at the Amtrak Holgate yard.

Agency Administration

Agency administration expenses are comprised of costs not allocated to capital projects or operations and in 2015 includes only costs attributable to the general cost of government, such as the costs of the Chief Executive Office and public relations. Agency administration expenses decreased in 2015 by $18.5 million or 78.4% reflecting the change to the agency's cost allocation plan, of which $2.7 million of those costs were allocated to operations and maintenance, $1.0 million were allocated to fare and regional planning and $14.8 million were allocated to construction in progress. In 2014, agency administration expenses increased by $1.5 million or 6.7%, due to an increase in leased office and managed property costs and higher information technology administrative costs.

Agency Administration Expenses					
(in millions)				**% Change**	
	2015	**2014**	**2013**	**2015-2014**	**2014-2013**
Salaries	$ 2.4	$ 11.0	$ 10.6	(77.6)%	3.5%
Benefits	1.6	6.6	6.0	(76.3)	9.5
Services and professional fees	0.7	3.8	3.2	(81.7)	18.8
Other	0.4	2.2	2.3	(81.8)	(5.9)
Total	**$ 5.1**	**$ 23.6**	**$ 22.1**	**(78.4)%**	**6.7%**

Fare and Regional Planning

Fare and regional planning expense includes regional fare planning, policy research and development, and planning with regional agencies to develop new markets and policies regarding regional and system-wide projects and issues. Fare and regional planning expense were comparable to 2014, although increased $3.8 million from 2013 reflecting increased ST3 planning efforts for future expansion of the regional transit system along high capacity transit corridors.

Depreciation and Amortization

Depreciation and amortization comprises non-cash expenses that reflect the reduction in the value of capital assets over time. In 2015, depreciation and amortization increased $4.3 million or 4.3% reflecting the increase in capital assets put into service in 2014. In 2014 certain asset rights were determined to benefit beyond the original anticipated agreement life and the cost related to those assets were depreciated over a longer period, resulting in a decrease in that year of $18.0 million, or 15.2% from 2013.

Non-Operating Revenues (Expenses)

Net non-operating revenues increased by $117.0 million or 16.7% in 2015 and by $129.6 million or 22.8% between 2014 and 2013, as follows:

(in millions)				% Change	
	2015	**2014**	**2013**	**2015-2014**	**2014-2013**
Non-operating revenues					
Sales and use tax	$ 699.1	$ 639.9	$ 594.1	9.3%	7.7%
Motor vehicle excise tax	79.5	74.2	69.1	7.1	7.3
Rental car tax	3.3	3.1	2.8	6.6	12.0
Investment income (loss)	5.1	14.7	(4.9)	(65.3)	(401.2)
Other revenues	51.4	6.6	6.8	678.7	(3.7)
Total	**838.4**	**738.5**	**667.9**	**13.5**	**10.6**
Non-operating expenses					
Interest expense	1.8	2.6	25.0	(30.1)	(89.7)
Contributions to other governments	18.0	30.9	71.1	(41.8)	(56.5)
Other expenses	2.6	6.0	2.6	(55.5)	130.8
Gain (loss) on disposal of assets	-	-	(0.2)	-	(98.6)
Total	**22.4**	**39.5**	**98.5**	**(43.2)**	**(59.9)**
Non-operating revenues, net	**$ 816.0**	**$ 699.0**	**$ 569.4**	**16.7%**	**22.8%**

Tax revenues are the largest component of non-operating revenues (expenses), increasing significantly in both years and impacted by strong regional economic growth. Sales and Use Tax revenues, increased by $59.2 million (9.3%) in 2015 and by $45.8 million (7.7%) in 2014, while Motor Vehicle Excise Tax (MVET) increased by $5.3 million in 2015 and $5.1 million in 2014, for an increase of 7.1% in 2015 and 7.3% in 2014. In positive economic conditions consumers will purchase new or license additional vehicles. As the Motor Vehicle Excise Tax is computed on the depreciated vehicle value, the purchasing of new cars results in a higher collected motor vehicle excise tax, which has been observed in a slightly higher average collected value per vehicle licensed.

Also impacting non-operating revenues, other revenues increased $28.7 million in 2015 related to an insurance recovery related to Central Link and Federal Way projects completed in prior years and the receipt of $16.0 million related to federal operating grants for preventative maintenance on Link light rail and ST Express in 2015. Investment income, net of unrealized changes in fair market value, decreased by $9.6 million as a result of the annual adjustment of the agency's investments to fair market value at year-end. In 2014, the agency recorded a positive adjustment of $19.6 million.

The decrease in non-operating expenses reflects lower contributions to other governments in 2015. Contributions to other governments are pursuant to capital improvement or funding agreements and are dependent upon the timing and scope of project activities. As such, they may experience significant fluctuations from year to year. Capital contributions in all three years primarily relate to funding the construction of the City of Seattle's First Hill Street Car project. Interest expense, while comparable between 2015 and 2014, decreased between 2014 and 2013, as the amount of interest capitalized increased in line with increased capital spending on light rail expansion projects. In 2015, interest incurred was $73.0 million, and $71.2 million capitalized, and in 2014 interest incurred was $67.7 million and $65.1 million capitalized.

Capital Contributions

Capital contributions include federal grant funding and state and local contributions to Sound Transit. Capital contributions decreased in 2015 by $58.0 million or 29.9% while in 2014 they increased in by $34.3 million or 21.4% from 2013. The following table summarizes capital contributions by major category.

Capital Contributions *(in millions)*				% Change	
	2015	**2014**	**2013**	**2015-2014**	**2014-2013**
Federal	$ 132.2	$ 184.6	$ 146.7	(28.4)%	25.8%
State and local governments	3.9	9.5	13.1	(59.1)	(27.6)
Total	**$ 136.1**	**$ 194.1**	**$ 159.8**	**(29.9)%**	**21.4%**

Federal capital contributions decreased $52.4 million in 2015 and increased by $37.9 million in 2014 reflective of lower project spending on University Link and the South 200th Extension projects as those projects approach construction completion, as well as amounts received in 2014 for East Link Extension, the D to M Street project and bus replacements. Credit assistance has been secured through the Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) program for the East Link Extension, providing access to lower interest rates in lieu of federal capital contributions (see note 8). Other projects receiving significant federal contributions in 2015 included Point Defiance Track and Trestle, I-90 Two-way Transit and HOV Phase 3, Sounder Commuter Rail Easements and Northgate Link Extension.

State and local government contributions decreased $5.6 million from 2014, which was $3.6 million lower than 2013. In 2014 state and local government contributions included $5.0 million in funding from the Regional Mobility Grant Program for clean green fleet bus replacements and in 2013 the agency received access rights from WSDOT for the Northgate Extension, acquired on a non-cash basis through the Land Bank Agreement (see also note 12).

Capital Assets

As of December 31, 2015, Sound Transit had invested $7.3 billion in capital assets, net of accumulated depreciation and amortization, of which $3.1 billion are depreciable assets in service. This represents a $732.1 million or 11.2% increase over 2014. The largest increase was in capital projects in progress (CIP), which increased $707.4 million or 29.4%, while other non-depreciable assets increased $59.8 million or 6.1% and depreciable assets decreased $35.1 million or 1.1%. As no major projects were completed during the year, the change in depreciable assets reflects annual depreciation.

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

Capital Assets, net					
(in millions)		**December 31**		**% Change**	
	2015	**2014**	**2013**	**2015-2014**	**2014-2013**
Land	$ 543.8	$ 485.2	$ 455.1	12.1%	6.6%
Permanent easements	489.4	488.2	485.1	0.3	0.6
Capital projects in progress	3,110.8	2,403.4	1,678.9	29.4	43.2
Total non-depreciable assets	**4,144.0**	**3,376.8**	**2,619.1**	**22.7**	**28.9**
Buildings, transit facilities & heavy equipment	2,274.0	2,295.1	2,334.8	(0.9)	(1.7)
Access rights	380.7	393.4	414.1	(3.2)	(5.0)
Revenue vehicles	453.3	456.6	480.2	(0.7)	(4.9)
Software, furniture, equipment & vehicles	7.1	5.1	3.0	36.9	68.9
Total depreciable assets	**3,115.1**	**3,150.2**	**3,232.1**	**(1.1)**	**(2.5)**
Total capital assets, net	**$ 7,259.1**	**$ 6,527.0**	**$ 5,851.2**	**11.2%**	**11.6%**

Non-depreciable assets increased by $767.2 from 2014, with capital projects in progress increasing by $707.4 million ($724.5 million in 2014) and land increasing by $58.6 million ($30.1 million in 2014). Major activity occurred on all light rail extension projects as University and South 200th Link extension projects approach completion, work gets underway on the Maintenance of Way building, tunneling continues for the Northgate Extension, preliminary design completes for East Link and pre-construction work commences, particularly in the Bellevue to Redmond corridor. Land acquisitions in both years were primarily for the East Link project, as well as $12.0 million for Northgate extension in 2015. On Sounder and ST Express projects, construction commenced on the Point Defiance Bypass and on the I-90 Two-Way Transit and HOV Lanes Stage 3 while the Tacoma Trestle Track and Signal project entered final design.

Capital projects that incurred major spending activity in 2015 and 2014 are summarized in the following table.

Year	Sounder	Link	ST Express
2015	Positive Train Control Tacoma Trestle Track Signal Point Defiance By-Pass Sounder South Expanded Service Sounder Vehicle Maintenance	East Link (Downtown to Bellevue) East Link (I-90 Ramps) Lynnwood Link Extension (Northgate to Lynnwood) Northgate Link Extension (UW Station to Northgate) Northgate Link Extension (Tunnel Operations) South 200th Link Extension Federal Way Link Extension First Hill Street Car University Link (Maintenance Of Way Building) University Link (Tunnel Operations) University Link (Stations)	I-90 Two-Way Transit and HOV Lanes Stage 3 ST Express Fleet Replacement
2014	Sounder South Expanded service Sounder ST2 Fleet Expansion Tukwila Station	East Link (Downtown to Bellevue) First Hill Streetcar Link Operations & Maintenance Satellite Facility Noise Abatement Lynnwood Link Extension (Northgate to Lynnwood) Northgate Extension (UW Station to Northgate) South 200th Extension (176th to 200th) University Link (PSTT to UW Station) University Link Stations (UW and Capitol Hill)	Rainier Avenue Arterial Improvements I-90 2-Way Transit & HOV Operations Stage 3

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

Long-Term Debt

In January 2015, Sound Transit entered into a TIFIA loan agreement for $1,330.0 million with a fixed rate of 2.38% to fund up to 33% of the project costs for the East Link Extension. This loan is subordinate to both the Prior and Parity bonds and has not yet been drawn on. In September 2015, Sound Transit issued additional Parity Bonds of $792.8 million of fixed rate Sales Tax Improvement and Refunding Bonds and $150.0 million in variable rate Sales Tax Improvement Bonds for a total debt issuance of $942.8 million. These bonds have been designated as Green Bonds, financing projects that adhere to Sound Transit's Sustainability Plan. A portion of the proceeds was used to refinance the Series 2007A bonds, reducing aggregate debt service payments by $43.9 million through 2036, for a net present value savings of $30.8 million. All remaining proceeds have been spent down.

Under state law, issuance of bonds payable from any type of taxes is subject to statutory debt limitations. Sound Transit is currently authorized to incur debt in an amount equal to 1.5% of the value of taxable property within the service area, without securing voter approval for bonds. With the approval of 60.0% of the region's voters, Sound Transit may incur aggregate indebtedness of up to 5.0% of the value of taxable property within the service area. Based on the 2014 assessed valuations for collection of 2015 taxes, Sound Transit's current non-voter approved remaining debt capacity is $3.8 billion and its additional remaining debt capacity subject to voter approval is $20.1 billion.

Sound Transit's 2015 bond credit ratings remained unchanged from those of 2014. All outstanding prior and parity bond issuances are rated Aa1 and Aa2, respectively, by Moody's and AAA by Standard & Poor's (S&P).

Economic Conditions

Sound Transit's 2015 tax revenues increased 9.0% over prior year, up from 7.7 % for the previous period. Regional employment for 2015 is estimated to have increased by 2.9%, while the unemployment rate fell to 4.7%, 0.6% points below the national rate. Inflation for the region has been moderate at around 1.4%.

Taxable retail sales, which generates 89% of total tax revenue, exhibited particularly strong growth in the construction and real estate, rental & leasing sectors, up 22% and 19%, respectively, over prior year. The core retail trade sector, which generates approximately 40% of Sound Transit's taxable retail sales, grew 7.0% over the prior year.

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KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

Audit and Reporting Committee
Central Puget Sound Regional Transit Authority

We have audited the accompanying financial statements of the Central Puget Sound Regional Transit Authority (a public corporation acting under the service name of Sound Transit) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Sound Transit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sound Transit as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Required Supplementary Information

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

KPMG LLP

Seattle, Washington
May 26, 2016

STATEMENTS OF NET POSITION

(in thousands)	December 31	
	2015	**2014**
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	$ 173,493	$ 120,806
Restricted assets (note 3)	60,641	57,613
Investments (note 3)	692,258	222,897
Taxes and other receivables (note 4)	196,801	197,913
Inventory, land for resale and prepaid expenses	22,942	19,057
Total current assets	**1,146,135**	**618,286**
Non-current assets		
Restricted assets (note 3)	30,956	33,797
Investments (note 3)	315,309	311,640
Prepaid expenses and deposits	12,669	11,482
Investment held to pay capital lease obligation (note 6)	61,063	60,270
Capital assets, net (note 5)	7,259,128	6,527,029
Total non-current assets	**7,679,125**	**6,944,218**
Total assets	**8,825,260**	**7,562,504**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refunding	45,765	26,808
Total deferred outflows of resources	**45,765**	**26,808**
LIABILITIES		
Current liabilities		
Cash overdraft	-	3,046
Accounts payable and accrued liabilities (note 7)	168,151	159,634
Unearned revenue	6,154	5,339
Interest payable from restricted assets	21,566	19,075
Current portion, long-term debt (note 8)	30,430	34,985
Other claims and short-term obligations	450	430
Total current liabilities	**226,751**	**222,509**
Non-current liabilities		
Long-term debt (note 8)	2,005,746	1,419,466
Capital lease obligations (note 6)	61,063	60,270
Other long-term obligations (note 9)	4,366	4,785
Total non-current liabilities	**2,071,175**	**1,484,521**
Total Liabilities	**2,297,926**	**1,707,030**
Commitments and contingencies (notes 6, 9, 11 and 12)		
NET POSITION		
Net investment in capital assets	5,268,716	5,099,386
Restricted (note 10)	68,194	70,638
Unrestricted	1,236,189	712,258
Total net position	**$ 6,573,099**	**$ 5,882,282**

See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(in thousands)	December 31 2015	December 31 2014
Operating revenues		
Passenger fares	$ 65,426	$ 60,180
Other operating revenue	6,574	5,951
Total operating revenues	**72,000**	**66,131**
Operating expenses		
Vehicle operations	126,721	123,740
Vehicle maintenance	49,066	48,006
Non-vehicle maintenance	37,255	35,676
Agency administration	5,120	23,636
Fare and regional planning	10,048	9,771
Depreciation, amortization and accretion	105,100	100,776
Total operating expenses	**333,310**	**341,605**
Loss from operations	**(261,310)**	**(275,474)**
Non-operating revenues (expenses)		
Sales tax	699,114	639,890
Motor vehicle excise tax	79,564	74,166
Rental car tax	3,297	3,092
Investment income	5,125	14,758
Other revenues	51,360	6,593
Contributions to other governments	(18,001)	(30,942)
Interest expense	(1,805)	(2,582)
Other expenses	(2,647)	(5,946)
Gain on disposal of assets	4	2
Impaired projects	-	(27)
Total non-operating revenues, net	**816,011**	**699,004**
Income before capital contributions	**554,701**	**423,530**
Federal capital contributions	132,237	184,595
State and local capital contributions	3,879	9,482
Total capital contributions	**136,116**	**194,077**
Change in net position	**690,817**	**617,607**
Total net position, beginning of year	**5,882,282**	**5,264,675**
Total net position, end of year	**$ 6,573,099**	**$ 5,882,282**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

(in thousands)	December 31	
	2015	2014
Cash flows from operating activities		
Cash receipts from fares	$ 65,534	$ 60,528
Cash receipts from other operating revenue	5,511	6,003
Payments to employees for wages and benefits	(18,659)	(28,655)
Payments to suppliers	(83,727)	(84,461)
Payments to transportation service providers	(127,177)	(124,103)
Net cash used by operating activities	**(158,518)**	**(170,688)**
Cash flows from non-capital financing activities		
Preventative maintenance grants received	12,010	-
Taxes received	769,194	708,806
Cash overdraft position funded	(3,045)	(2,653)
Tax collection fees paid	(3,136)	(2,713)
Net cash provided by non-capital financing activities	**775,023**	**703,440**
Cash flows from capital and related financing activities		
Capital contributions from grants	159,484	180,097
Proceeds from insurance recoveries and sale of assets	28,770	1,976
Proceeds from issuance of bonds	600,000	-
Payments for betterments and recoverable costs	(1,046)	(993)
Payments for bond principal	(34,985)	(33,545)
Payments for insurance premiums	(3,356)	(5,448)
Payment for interest and arbitrage	(65,597)	(68,761)
Payments to employees capitalized to projects	(66,017)	(44,177)
Payments to suppliers for capital activities	(648,379)	(672,193)
Purchase of property	(63,201)	(32,160)
Net cash used by capital and related financing activities	**(94,327)**	**(675,204)**
Cash flows from investing activities		
Investment income	9,123	9,299
Proceeds from sales or maturities of investments	292,870	237,313
Purchases of investments	(819,682)	(73,789)
Net cash (used) provided by investing activities	**(517,689)**	**172,823**
Net increase in cash and cash equivalents	**4,489**	**30,371**
Cash and cash equivalents		
Beginning of year	184,811	154,440
End of year	**$ 189,300**	**$ 184,811**
Cash and cash equivalents (note 3)		
Unrestricted	$ 173,493	$ 120,806
Current restricted	7,120	55,591
Non-current restricted	8,687	8,414
	$ 189,300	**$ 184,811**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS, continued

(in thousands)	December 31			
		2015		2014
Loss from operations	**$**	**(261,310)**	**$**	**(275,474)**
Adjustments to reconcile loss from operations to net cash used by operating activities				
Bad debt expense (recovery)		12		(11)
Depreciation, amortization and accretion		105,100		100,776
Changes in operating assets and liabilities				
Increase in other receivables		(4,639)		(1,661)
(Increase) decrease in inventory, prepaid and deposits		(499)		233
Increase in accounts payable and accrued liabilities		1,842		5,076
Increase in unearned revenue		818		780
Increase (decrease) in other current liabilities		158		(407)
Net cash used by operating activities	**$**	**(158,518)**	**$**	**(170,688)**

(in thousands)	December 31			
		2015		2014
Supplemental disclosures of non-cash operating, investing and financing activities				
Bond advanced refunding	$	(36,955)	$	-
Bond issuance proceeds at par		342,840		-
Bond premium received		92,070		-
Bond principal repaid		(397,955)		-
Capital contributions to other governments		(13,001)		(27,852)
Capital contribution from Land Bank		25		4
Capitalization of rotable parts		-		178
Construction in progress in current liabilities		117,423		109,740
(Decrease) increase in fair value of investments		(3,346)		7,014
Interest expense on capital leases		(4,511)		(4,456)
Interest income from investments held to pay capital leases, net		4,511		4,456

See accompanying notes to financial statements.

1. ORGANIZATION AND REPORTING ENTITY

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

Reporting Entity—Sound Transit is a special purpose government supported primarily through sales and use, motor vehicle excise and rental car sales 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

All costs directly and indirectly attributable to capital projects are capitalized. CIP balances include costs incurred for transportation projects not yet in service and are segregated between assets in which Sound Transit maintains a continuing ownership interest and capital assets that will be transferred to other governments upon completion.

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

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

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

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

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

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

Indirect Cost Allocation— Indirect costs relate to the overall costs of running the agency and include staff time, office space and information technology costs. These indirect costs are allocated to capital projects, operating activities and fare and regional planning using overhead rates that are based on the ratio of total indirect costs of a given activity and the direct cost base of the activity. Overhead rates are designed to allocate all agency overhead costs except for certain executive divisions and marketing costs. In 2015, the agency's cost allocation plan was updated to improve the alignment of costs between capital, operating and agency administration commensurate with updated activity measures, resulting in $14.8 million in additional costs allocated to the capital program.

Inventory— Inventory includes land held for sale and spare parts and is recorded at the lower of purchased cost or net realizable value. Allowances for excess and obsolete parts are provided for over the estimated useful lives of the related assets for parts expected to be on hand at the date the assets are retired and for spare parts currently identified as excess and obsolete. Allowances are reflected as a charge to operations and are based on management's estimate that is subject to change. As of December 31, 2015 and 2014, inventory reflects an allowance of $135 thousand.

Investment Valuation— Investments are stated at fair value.

Reclassifications—Prior year reserve amounts deposited to the King County Investment Pool were reclassified from cash and cash equivalents to investments to conform to the current year presentation.

Additionally, prior year amounts in the capital replacement fund were reclassified from current investments to non-current investments to conform to the current year presentation and more appropriately reflect the long-term nature of the capital replacement fund.

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

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

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

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

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

3. CASH, CASH EQUIVALENTS, INVESTMENTS AND RESTRICTED ASSETS

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

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

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

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

Interest Rate Risk— Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. For its undesignated and capital replacement funds, Sound Transit matches its investments to cash flow requirements and manages its exposure to fair value losses using the modified duration method, whereby the modified duration of fixed income securities held in its investment portfolios is compared to established benchmarks. Modified duration benchmarks for the undesignated fund was 0.58 and for the capital replacement fund was 2.63. Investments in the KCIP are reported using effective duration. Duration estimates the sensitivity of a bond's price to interest rate changes. For the Prior Bond Debt Service funds and the University Link OCIP fund, interest rate risk is managed by using the specific identification method.

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

Investment Type	Maximum
Treasury securities and investments in the LGIP	100%
Total U.S. Agency securities	75%
Single U.S. Agency and investments in the KCIP	50%
Repurchase agreements, general obligations 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, 2015, all Treasury and U.S. Agency securities are rated in one of the two highest credit rating categories of a nationally recognized statistical rating organization and all general obligation bonds are rated in one of the two 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.

Notes to Financial Statements, continued

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

(in thousands)	December 31	
	2015	**2014**
Cash and cash equivalents - current		
Washington State Local Government Investment Pool	$ 156,861	$ 117,157
FDIC or PDPC insured bank deposits	12,870	191
Cash on hand	3,762	3,458
	173,493	**120,806**
Restricted assets - current		
Cash and cash equivalent		
Health reimbursement trust	2,345	1,530
Washington State Local Government Investment Pool	4,775	54,061
	7,120	55,591
Investment - King County Investment Pool	53,323	1,026
Other	198	996
	53,521	2,022
	60,641	**57,613**
Investments - current	**692,258**	**222,897**
Restricted assets - non-current		
Cash and cash equivalents		
Washington State Local Government Investment Pool	683	410
Escrow funds	8,004	8,004
	8,687	**8,414**
Investments - Debt service and OCIP reserve	22,162	25,085
Other	107	298
	30,956	**33,797**
Investments - non-current		
Capital replacement	315,309	311,640
	315,309	**311,640**
Total cash, cash equivalents, investments and restricted assets	**$ 1,272,657**	**$ 746,753**

Unrestricted investments consist of the following:

(in thousands)	2015			2014		
	Fair value	Duration	Percent of total	Fair value	Duration	Percent of total
Investments – Undesignated						
King County Investment Pool	$ 212,930	0.93	33.9%	$ 159,412	1.23	71.5%
U.S. Agency securities:						
Federal Home Loan Bank	-	-	-	33,459	0.07	15.0
Federal Home Loan Bank Mortgage Corporation	49,938	1.21	8.0	15,017	0.90	6.7
Federal National Mortgage Association	24,929	1.29	4.0	-	-	-
U.S. Treasury securities	339,554	1.03	54.1	15,009	0.54	6.7
	$ 627,351	**1.02**	**100.0%**	**$ 222,897**	**0.99**	**100.0%**
Investments – King County Investment Pool						
Operating and Contingency Reserve	$ 52,958	0.93	81.6%	$ -	-	-%
Emergency Loss Reserve	11,949	0.93	18.4	-	-	-
	$ 64,907	**0.93**	**100.0%**	**$ -**	**-**	**-%**
Total Investments – Current	**$ 692,258**			**$ 222,897**		

(in thousands)	2015			2014		
	Fair value	Duration	Percent of total	Fair value	Duration	Percent of total
Investments – Capital Replacement						
U.S. Agency securities:						
Federal National Mortgage Association	$ 105,580	2.09	33.5%	$ 84,410	2.31	27.1%
Federal Home Loan Bank Mortgage Corporation	89,635	2.72	28.4	97,747	3.44	31.4
Federal Home Loan Bank	26,719	2.07	8.5	38,109	2.86	12.2
Federal Farm Credit Bank	8,673	6.67	2.8	8,627	7.49	2.8
Municipal bonds	38,041	5.60	12.1	56,177	4.09	18.0
U.S. Treasury securities	46,661	2.00	14.8	26,570	2.69	8.5
Total Investments – non current	**$ 315,309**	**2.80**	**100.0%**	**$ 311,640**	**3.23**	**100.0%**

Restricted investments consist of the following:

(in thousands)	2015			2014		
	Fair value	Maturity	Call date	Fair value	Maturity	Call date
Restricted Assets - Current						
King County Investment Pool:						
Debt Service Deposits	$ 52,293			$ -		
Link Risk Fund	1,030			1,026		
	$ 53,323			**$ 1,026**		
Restricted Assets - Non-current						
Debt Service Reserve						
Municipal bonds:						
Georgia State GO Unlimited	$ 9,899	4/1/2026	4/1/2017*	$ 9,551	4/1/2026	4/1/2017*
Florida State Public Education BAB	5,411	6/1/2030	6/1/2019*	5,560	6/1/2030	6/1/2019*
Georgia State GO Unlimited BAB	4,667	11/1/2027	11/24/2009*	4,708	11/1/2027	11/24/2009*
Hawaii State GO Unlimited BAB	-	-	-	3,124	2/1/2024	2/18/2010*
	19,977			**22,943**		
OCIP Reserve						
U.S. Agency securities:						
Federal National Mortgage Association	1,332	7/15/2022	-	1,295	7/15/2022	-
Federal Home Loan Mortgage Corporation	853	3/15/2023	-	847	3/15/2023	-
	2,185			**2,142**		
	$ 22,162			**$ 25,085**		

* *Continuously callable from this date forward*

4. TAXES AND OTHER RECEIVABLES

Taxes and other receivables consist of the following:

(in thousands)	December 31	
	2015	2014
Taxes receivable	$ 137,574	$ 124,828
Grants receivable	36,854	55,227
Due from other governments	19,450	14,917
Interest receivable	2,370	1,962
Accounts receivable, net	553	979
	$ 196,801	**$ 197,913**

Amounts due from other governments include amounts due through the regional fare collection system “ORCA” for fare revenues and administration expenses (see also note 12), and amounts reimbursable under interlocal agreements for operating expenses or capital contributions for transit facilities and betterments. Payment terms are generally defined in the various agreements with other governments and range from 21 days to 60 days. Where payment terms are not defined by agreement, they are due in accordance with the terms specified in the invoice, which is generally 30 days.

5. CAPITAL ASSETS

Capital assets are summarized as follows:

(in thousands)	2015 Beginning balance	Additions	Disposals / reductions	Transfers	2015 Ending balance
Non-depreciable assets					
Land	$ 485,228	$ -	$ -	$ 58,613	$ 543,841
Permanent easements	488,168	-	-	1,275	489,443
Capital projects in progress:					
Sound Transit - tangible	2,367,303	765,986	-	(129,448)	3,003,841
Sound Transit - intangible	12,841	16,645	-	(4,853)	24,633
Other governments - tangible	23,282	72,006	(12,997)	-	82,291
Total non-depreciable assets	**3,376,822**	**854,637**	**(12,997)**	**(74,413)**	**4,144,049**
Depreciable assets					
Access rights	568,894	-	-	200	569,094
Buildings and leasehold improvements	28,695	-	-	245	28,940
Furniture, equipment and vehicles	13,198	-	(297)	1,227	14,128
Revenue vehicles	642,939	-	(6,870)	29,468	665,537
Software	15,300	-	(26)	3,187	18,461
Transit facilities, rail and heavy equipment	2,657,963	-	(3,740)	35,570	2,689,793
Total depreciable assets	**3,926,989**	**-**	**(10,933)**	**69,897**	**3,985,953**
Accumulated depreciation					
Access rights	(175,458)	(12,911)	-	-	(188,369)
Buildings and leasehold improvements	(14,518)	(1,218)	-	-	(15,736)
Furniture, equipment and vehicles	(8,857)	(1,423)	297	-	(9,983)
Revenue vehicles	(186,338)	(32,772)	6,870	-	(212,240)
Software	(14,513)	(1,097)	24	-	(15,586)
Transit facilities, rail and heavy equipment	(377,098)	(55,602)	3,740	-	(428,960)
Total accumulated depreciation	**(776,782)**	**(105,023)**	**10,931**	**-**	**(870,874)**
Total depreciable assets, net	**3,150,207**	**(105,023)**	**(2)**	**69,897**	**3,115,079**
Total capital assets, net	**$6,527,029**	**$749,614**	**$ (12,999)**	**$ (4,517)**	**$7,259,128**

(in thousands)	2014 Beginning balance	Additions	Disposals / reductions	Transfers	2014 Ending balance
Non-depreciable assets					
Land	$ 455,116	$ -	$ (1,930)	$ 32,042	$ 485,228
Permanent easements	485,106	-	-	3,062	488,168
Capital projects in progress:					
Sound Transit - tangible	1,654,084	759,075	-	(45,856)	2,367,303
Sound Transit - intangible	10,693	9,990	-	(7,842)	12,841
Other governments - tangible	14,105	37,029	(27,852)	-	23,282
Total non-depreciable assets	**2,619,104**	**806,094**	**(29,782)**	**(18,594)**	**3,376,822**
Depreciable assets					
Access rights	577,069	-	-	(8,175)	568,894
Buildings and leasehold improvements	28,848	-	(227)	74	28,695
Furniture, equipment and vehicles	9,771	-	(401)	3,828	13,198
Revenue vehicles	637,993	-	(1,499)	6,445	642,939
Software	15,294	-	(585)	591	15,300
Transit facilities, rail and heavy equipment	2,642,272	-	(318)	16,008	2,657,963
Total depreciable assets	**3,911,247**	**-**	**(3,030)**	**18,771**	**3,926,989**
Accumulated depreciation					
Access rights	(162,942)	(12,516)	-	-	(175,458)
Buildings and leasehold improvements	(13,546)	(1,199)	227	-	(14,518)
Furniture, equipment and vehicles	(7,504)	(1,754)	401	-	(8,857)
Revenue vehicles	(157,839)	(29,998)	1,499	-	(186,338)
Software	(14,524)	(574)	585	-	(14,513)
Transit facilities, rail and heavy equipment	(322,786)	(54,598)	286	-	(377,098)
Total accumulated depreciation	**(679,141)**	**(100,639)**	**2,998**	**-**	**(776,782)**
Total depreciable assets, net	**3,232,106**	**(100,639)**	**(32)**	**18,771**	**3,150,207**
Total capital assets, net	**$5,851,210**	**$705,455**	**$ (29,814)**	**$ 177**	**$6,527,029**

During 2015, Sound Transit capitalized $71.2 million of interest costs ($65.1 million in 2014), representing interest cost incurred in respect of Sound Transit's capital program for the year, net of premium, discounts and deferred amount on debt refunding, on its outstanding bonds (see note 8).

6. CAPITAL AND OPERATING LEASES

Capital lease obligations at December 31, 2015 and 2014 are $61.1 million and $60.3 million, respectively.

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

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

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

The lease documentation established minimum credit levels by AIG for the equity and debt defeasance accounts. At the time these transactions closed, AIG was rated "AAA" by Standard & Poor'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, 2015 was rated "A-" by Standard & Poor's and "Baa1" by Moody's Investment Service. As of December 31, 2015 and 2014, the defeasance accounts were unrated, as they were no longer invested in marketable securities.

Because of credit rating downgrades under the lease transaction, Sound Transit is required to replace AIG for its undertaking agreements and credit enhancements provision in the transaction and AIG is required to post collateral for the debt defeasance accounts. However, in January 2009, Sound Transit entered into a waiver agreement with the Owner Participant, Lessor, Lender, and Debt Payment Undertaker waiving any existing default or event of default based on a failure to comply with the ratings downgrade provisions of the Participation Agreement, Loan Agreement, Debt Payment Agreement, and Debt Payment Guarantee until March 1, 2009. Under its agreements with the transaction participants, Sound Transit may request successive six-month extensions of the waiver agreement until September 30, 2016, unless extended by agreement of the parties. If the default is not cured and the extension is not granted, the investor could demand a termination payment from Sound Transit of approximately $15.2 million. Extensions of the waiver agreement have been granted through September 30, 2016.

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

(in thousands)	2015	2014
Net sublease, January 1	$ 60,270	$ 59,532
Accrued interest	4,511	4,456
Less payment	(3,718)	(3,718)
Net sublease, December 31	**$ 61,063**	**$ 60,270**

Operating Rentals— Sound Transit has entered into non-cancelable operating leases in excess of one year for the use of the Downtown Seattle Transit Tunnel, ground, office space, parking, land, storage at various locations, and equipment with lease terms expiring between 2016 and 2035, with some leases containing options to renew. Minimum lease payments through 2035 are as follows (in thousands):

Year ending December 31	
2016	$ 11,482
2017	11,114
2018	11,060
2019	8,621
2020	463
2021-2025	429
2026-2030	495
2031-2035	412
	$ 44,076

Total rental expenses for 2015, which include non-cancelable leases as well as other month-to-month rentals, were $10.1 million, of which $866.9 thousand was capitalized for capital projects in progress. Total rental expenses for 2014, which include non-cancelable leases as well as other month-to-month rentals, were $9.5 million, of which $496.9 thousand was capitalized for capital projects in progress.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

(in thousands)	2015	2014
Accounts payable	$ 6,985	$ 2,184
Accrued liabilities	99,215	95,539
Accrued salaries, wages and benefits	8,969	9,458
Due to other governments	51,758	51,582
Retainage payable	1,224	871
	$ 168,151	**$ 159,634**

8. LONG-TERM DEBT

In the ordinary course of financing its activities, Sound Transit has issued debt as follows:

(in thousands)	2015 Beginning balance	Additions	Reductions	2015 Ending balance	Amounts due within one year
Bonds payable					
Series 1999	$ 303,790	$ -	$ (6,520)	$ 297,270	$ 6,860
Series 2005A	12,470	-	(12,470)	-	-
Series 2007A	397,955	-	(397,955)	-	-
Series 2009P-1	23,155	-	(5,535)	17,620	17,620
Series 2009P-2T	76,845	-	-	76,845	-
Series 2009S-2T	300,000	-	-	300,000	-
Series 2012P-1	188,900	-	(10,460)	178,440	345
Series 2012S-1	97,545	-	-	97,545	5,605
Series 2015S-1	-	792,840	-	792,840	-
Series 2015S-2A	-	75,000	-	75,000	-
Series 2015S-2B	-	75,000	-	75,000	-
	1,400,660	**942,840**	**(432,940)**	**1,910,560**	**30,430**
Plus unamortized premium	57,540	92,729	(20,617)	129,652	-
Less unamortized discount	(3,749)	(660)	373	(4,036)	-
Total bonds payable	**1,454,451**	**1,034,909**	**(453,184)**	**2,036,176**	**30,430**
Total long-term debt	**$ 1,454,451**	**$ 1,034,909**	**$ (453,184)**	**$ 2,036,176**	**$ 30,430**

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

Proceeds from bond issues are used for funding Sound Transit's capital program or refunding prior bond issues. Currently Sound Transit's long-term debt is comprised of two categories of debt: Prior Bonds and Parity Bonds. Prior Bonds have first claim upon the local option taxes of Sales and Use, Rental Car and Motor Vehicle Excise tax. Parity Bonds are subordinate to the Prior Bonds, but they have the same priority of claim upon the Sales and Use and Rental Car taxes.

In September 2015, Sound Transit issued additional Parity Bonds of $792.8 million of Series 2015S-1 Sales Tax Improvement and Refunding Bonds and $75.0 million each of Series 2015S-2A and Series 2015S-2B Sales Tax Improvement Bonds for a total issuance of debt in 2015 of $942.8 million. The remaining 2007A bonds of $398.0 million were refunded in advance. Net proceeds were $1,033.1 million. Issuance costs were $1.8 million with net proceeds of $433.1 million deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded Series 2007A bonds. As a result, the Series 2007A bonds are considered defeased and the liability for those bonds has been removed from the corresponding long-term-debt accounts. The advance refunding reduced aggregate debt service payments by $43.9 million through 2036 and produced net present value savings of $30.8 million. Net proceeds of $600.0 million was used to reimburse prior project expenditures deeming all non-refunding net proceeds spent as of closing. Prior to this year, the last bond issue was in 2012, advanced refunding substantially all of the 2005A Parity Bonds.

Sound Transit designated the 2015 Parity Bonds as Green Bonds based on the planned use of the proceeds to finance or refinance projects that adhere to Sound Transit's Sustainability Plan. The Series 2015S-1 parity bonds bear an average fixed interest rate between 4.0% and 5.0%, with interest payments on each May 1 and November 1, commencing November 2015. The Series 2015S-2 parity bonds have been issued initially as index floating rate bonds through May 1, 2018, at which time the issuance is subject to prior optional redemption or conversion to a new index floating rate period or to another interest rate mode. Interest is payable on the first business day of each month, commencing October 1, 2015 at the Securities Industry and Financial Markets Association ("SIMFA") index rate plus a spread of 70 basis points. The Series 2015S-1 and S-2 parity bonds mature between November 1, 2018 and 2050.

On January 16, 2015, Sound Transit entered into a TIFIA Loan Agreement for $1,330.0 million with a fixed rate of 2.38% to fund up to 33% of the projects costs for the East Link Extension. The loan is subordinate to both the Parity and Prior bonds. This loan has not been drawn on and therefore there is no debt outstanding related to this loan.

On May 1, 2015 the remaining non-refunded portion of the Series 2005A bonds, $12.5 million was called and fully paid off the Series 2005A bonds.

The following tables set forward average and effective coupon rates, rating agency information, principal payment commencement, fair value and amounts currently restricted for debt service.

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

Notes to Financial Statements, continued

(in millions)		Average rate		Ratings		Principal	Fair value*		Principal and interest restricted	
	Issue date	Coupon	Effective	Moody's	S&P	Payment begins	2015	2014	2015	2014
Series 1999	Dec 1, 1998	4.88	5.03	Aa1	AAA	Feb 1, 2006	$ 317.2	$ 318.2	$ 12.9	$ 12.7
Series 2009P-1	Sep 29, 2009	4.31	2.52	Aa1	AAA	Feb 1, 2015	17.7	24.0	17.9	6.0
Series 2009P-2T	Sep 29, 2009	5.01	3.31**	Aa1	AAA	Feb 1, 2020	86.1	88.6	1.6	1.6
Series 2012P-1	Aug 22, 2012	4.97	2.62	Aa1	AAA	Feb 1, 2013	205.8	219.2	4.1	14.3

* Estimated using quoted market prices
**Effective rate reduced due to interest subsidy provided by U.S. Government for Build America Bonds

Sound Transit is required 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 bonds were issued, and an $11.5 million cash reserve funded at the time the 2012P-1 bonds were issued (see also note 3).

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)		Average Rate		Ratings		Principal	Fair value*		Principal and interest restricted	
	Issue date	Coupon	Effective	Moody's	S&P	Payment begins	2015	2014	2015	2014
Series 2005A	Mar 31, 2005	4.95	4.60	Aa2	AAA	Nov 1, 2011	$ -	$ 12.7	$ -	$ 12.6
Series 2007A	Dec 18, 2007	4.99	4.76	Aa2	AAA	Nov 1, 2008	-	435.9	-	3.3
Series 2009S-2T	Sep 29, 2009	5.49	3.62**	Aa2	AAA	Nov 1, 2029	366.0	380.1	2.7	2.7
Series 2012S-1	Aug 22, 2012	4.91	2.73	Aa2	AAA	Nov 1, 2016	114.0	115.4	6.4	0.8
Series 2015S-1	Sep 10, 2015	4.67	3.89	Aa2	AAA	Nov 1, 2018	913.6	-	6.2	-
Series 2015S-2A	Sep 10, 2015	Var	Var	Aa2	AAA	Nov 1, 2041	75.0	-	0.1	-
Series 2015S-2B	Sep 10, 2015	Var	Var	Aa2	AAA	Nov 1, 2041	75.0	-	0.1	-

* Estimated using quoted market prices
** Effective rate reduced due to interest subsidy provided by U.S. Government for Build America Bonds

No reserve account was required to be established for the 2009S-2T, 2012S-1, 2015S-1, 2015S-2A and 2015S-2B series bonds.

Sound Transit is also required to maintain certain minimum deposits as defined in 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 is sufficient to pay the interest, or principal and interest, next coming due on the bonds (see also note 3). Under the bond covenants, Sound Transit is required to value at market the investments held in debt service reserve accounts annually and to make up any deficiency within six months after the date of the valuation. As of December 31, 2015, the market value of the Prior debt service reserve exceeded the required reserve amount by $1.2 million. Reserve account proceeds are invested in municipal bonds.

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

(in thousands) Year ending December 31	Principal	Interest	Total
2016	$ 30,430	$ 91,591	$ 122,021
2017	33,235	90,053	123,288
2018	35,560	88,340	123,900
2019	39,520	86,408	125,928
2020	42,915	84,322	127,237
2021-2025	293,460	384,236	677,696
2026-2030	323,100	301,814	624,914
2031-2035	339,605	233,041	572,646
2036-2040	377,340	139,985	517,325
2041-2045	233,000	66,369	299,369
2046-2050	162,395	22,917	185,312
	$ 1,910,560	**$ 1,589,076**	**$ 3,499,636**

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

Time Period	Sequestration Rate
March 1, 2013 through September 30, 2013	8.7%
October 1, 2013 through September 30, 2014	7.2%
October 1, 2014 through September 30, 2015	7.3%
October 1, 2015 through September 30, 2016	6.8%

The subsidy received in 2015 and 2014 was reduced by $505 thousand and $515 thousand, respectively, as compared to the amount that would have been received if the rate had not been reduced. The 2009P-2T bonds and the 2009S-2T bonds are Build America Bonds.

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:

(in thousands)	2015 Beginning balance	Additions, accretion and changes in estimates	Reductions	2015 Ending balance	Amounts due within one year
Asset retirement obligations					
Sounder station platforms	$ 1,277	$ 63	$ -	$ 1,340	$ -
Tacoma link surface rail	1,850	93	-	1,943	-
Total asset retirement obligations	**3,127**	**156**	**-**	**3,283**	**-**
Uninsured losses					
OCIP	641	(207)	(235)	199	87
Transit operations	486	6	-	492	137
Total uninsured losses	**1,127**	**(201)**	**(235)**	**691**	**224**
Compensated absences	**6,403**	**7,290**	**(6,304)**	**7,389**	**6,773**
Deferred compensation	**135**	**58**	**-**	**193**	**193**
Total other long-term obligations	**$ 10,792**	**$ 7,303**	**$ (6,539)**	**$ 11,556**	**$ 7,190**

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

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

Risk Management— In the ordinary course of planning, building and operating its regional transit systems and services, 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 or 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 1st and Rail Operation policies renew on November 1st. Major coverages under these programs are as follows:

Program	Major Coverages	Limit / Deductible or Retention *
Agency Operation	Property (Earthquake) Primary and Excess Liability Commercial Auto / Excess Liability Pollution / Excess Liability Public Officials / Employer Liability Fiduciary Liability	$400M ($100M) / $100K ($2.5M) $100M / $25K $50M / $500 comp or $1K collision $50M / $100K * $25M / $250K $10M / $0
Rail Operation	Light Rail / Excess Liability Heavy Rail / Excess Liability Property – Rolling Stock	$100M / $750K $295M / $2M $25M / $50K or $500K derailment
Bus Operations	Provided through partner agency operating agreements	N/A

For certain of its 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 on its first OCIP

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 was provided from January 1, 2001 through December 31, 2009, with three years of completed operations coverage. The only insurance policy that has not expired, is the professional liability and contractor's pollution policy. By endorsement, this policy provides profession liability coverage through December 31, 2016 with an additional three-year reporting period extending to December 31, 2019. This insurance policy was extended in order to provide insurance coverage for the final design of the University Link light rail project.

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 and includes 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 to December 31, 2021 and includes six years of completed operations coverage, which will expire December 31, 2027.

Program	Coverage	Limit / Deductible or Retention *
Central Link OCIP	Primary and Excess Liability Professional Liability Pollution Liability Builders Risk	$100M / $500K per occ. $50M / $250K * $50M / $500k Project Value / $1M
University Link OCIP	Primary and Excess Liability Pollution Liability Builders Risk	$100M / $100K $50M / $250K * $400M / $500K
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 $700 thousand 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.

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

10. RESTRICTED NET POSITION

Restricted net position consists of the following:

(in thousands)	2015	2014
Debt service	$ 49,850	$ 56,801
Contractual arrangements	18,339	12,841
Deductible liability protection policy	5	996
	$ 68,194	**$ 70,638**

11. EMPLOYEE BENEFITS

Sound Transit provides a defined contribution money purchase plan and trust (401(a) Plan) to its employees. Great West Retirement Services is the plan's administrator and trustee. This plan is a fixed employer system, and membership in the system includes all full time Sound Transit employees and members of the Sound Transit Board eligible for compensation. The vesting schedule of the plan is 20% immediately upon employment, 40% after one year of service, 60% after two years, 80% after three years and 100% after four years. Employees are responsible for directing the investment of their contributions and Sound Transit's contributions.

Eligible employees are required to participate in the plan on the first day of employment. Sound Transit's actual contribution rates, which were the required contribution rates, are expressed as a percentage of covered payrolls. The amount of covered payroll during 2015 and 2014 was $64.1 million and $56.2 million, respectively, and total payroll was $64.5 million and $56.4 million, respectively. The required contribution rates expressed as a percentage of covered payroll and required Sound Transit contributions during 2015, 2014, and 2013 are as follows:

	Contribution rate			Contributions *(in thousands)*		
	2015	**2014**	**2013**	**2015**	**2014**	**2013**
Employer	12%	12%	12%	$ 7,697	$ 6,740	$ 6,198
Employee	10	10	10	6,415	5,616	5,165
Total	**22%**	**22%**	**22%**	**$ 14,112**	**$ 12,356**	**$ 11,363**

12. COMMITMENTS AND CONTINGENCIES

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 service is operated by partner agencies. A summary of significant agreements follows:

ST Express— Agreements have been entered into with King County Department of Transportation (DOT), Community Transit and Pierce Transit for the operations and maintenance of its 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 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 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 15th for the upcoming year and are reconciled to actual incurred by no later than March 31st of the year following. The current agreements are for 3 years, expiring December 31, 2017, with an option to extend for two additional 1-year periods, with a minimum of 12 months written notice to exercise an option year.

Link Light Rail— Sound Transit contracts with King County DOT for the operation and maintenance of its light rail service, operating in 2015 between SeaTac Airport and Westlake 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 15th for the upcoming year and are reconciled to actual incurred by no later than March 31st of the year following. The current agreement was for 5 years and was extended to July 2017. The extension includes extended service to University and Capitol Hill Stations, commencing March 2016.

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 the cost sharing with regard to the maintenance and operation in the Downtown Tunnel in exchange for the right to use the tunnel for light rail operations and to provide for the temporary continued joint-use for light rail and bus. Sound Transit's ongoing obligations include reimbursement of costs and payment of a prescribed share of King County DOT debt service owed for the original tunnel construction and to share costs for future capital repairs or replacements as they arise. Upon extension of light rail service to Northgate Station, Sound Transit shall become responsible for 100% of debt service. Compensation is calculated as reimbursement of certain King County DOT costs based on fixed percentages related to Sound Transit's share of usage of the DSTT. If Sound Transit does not use King County as its light rail operator, then Sound Transit may be required by the County to purchase the tunnel in order to continue light rail operations.

Light Rail Agreements— Sound Transit has entered into a variety of agreements to secure the right to operate light rail under, upon and over streets and property owned by the City of Seattle, Tukwila, SeaTac, the Port of Seattle and Bellevue granting permanent light rail access rights to operate its light rail service in the municipalities' right of way. 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 city right of way required under those agreements.

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

Sounder— Agreements have been entered into with the BNSF Railway Company (BNSF) for the operation of its Sounder commuter rail service and the National Railroad Passenger Corporation (Amtrak) for 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 are provided by BNSF under a 40-year service agreement for the operation of 18 one-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 maintenance of way and performance incentives. The agreement was amended to extend BNSF's operations beyond Tacoma to the City of Lakewood and to add up to 8 additional one-way trips were added by way of commuter rail easements purchased by Sound Transit. Currently the agency is operating 11 of 13 round-trips provided under these agreements. 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 four daily commuter rail round trips for Sound Transit under a service agreement. The service agreement expires in December 2020. At that time Sound Transit's four round trips under commuter rail easements purchased by Sound Transit from BNSF on its Seattle to Everett corridor will be governed by a now dormant joint use agreement.

Rolling Stock— Lease of the initial portion of its fleet of locomotives, passenger coaches and cab cars (rolling stock) to the National Railroad Passenger Corporation (Amtrak) for $1. Under the agreement, Amtrak is obligated to repair, maintain and service the rolling stock at Amtrak's maintenance facility in return for payment by Sound Transit. By separate agreement, 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— Under the agreement Sound Transit pays a flat monthly fixed price dependent upon the number of one-way trips and train sets in operation for a baseline set of operating assumptions. A negotiated rate is also established for additional service above the baseline operating plan. The agreement expires in 2016.

First Hill Streetcar— This agreement establishes the minimum scope of work for the project and funding obligations for Sound Transit. In October 2010, Sound Transit agreed to fully fund $132.8 million of the costs necessary to design, construct and operate the First Hill Streetcar that 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 will own and operate 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 and as restated in December 2003, the purpose of which is to establish a framework within which WSDOT can from time to time convey portions of WSDOT property to Sound Transit and to make other portions of other WSDOT property available for non-highway use by Sound Transit in consideration for Sound Transit's funding of highway purpose improvements. In August 2010, as part of the Umbrella Agreement with WSDOT to complete the R8A Project, WSDOT agreed to grant Sound Transit land bank credits for all of its funding on the R8A projects as well as to extend the land bank agreement to 2080. Sound Transit will continue to earn land bank credits for projects involving highway improvements and use credits on projects that are located within the public highway right of way.

Sound Transit has guideways located on WSDOT property governed under multiple twenty-year airspace leases issued under the land bank agreement. These airspace leases have options to renew for an additional 20 years, at no additional cost or use of Land Bank Agreement credits. Should Sound Transit and WSDOT not enter into a new agreement at the end of the leases, property ownership transfers to WSDOT. At December 31, 2015, the value of the unused land bank credits that have not been conveyed by WSDOT to Sound Transit was $294.8 million. This value is not recorded in the financial statements. The following table provides information on additions to and uses of credits accruing to the benefit of Sound Transit in 2015 and 2014.

(in millions)	2015	2014
Balance in Land Bank, beginning of year	$ 232.2	$ 232.2
Credits:		
85th Corridor Kirkland	1.5	-
Eastgate Transit HOV Direct Access	0.4	-
Federal Way HOV Access/South 317th	1.1	-
I-405 Bellevue Tran Ctr DA	1.6	-
I-90 Two-Way Transit & HOV	33.4	-
I-90 Umbrella Agreement	18.4	-
South Everett Freeway Station	0.8	-
Totem Lake Freeway Station / NE 128th	5.4	-
Balance in Land Bank, end of year	**$ 294.8**	**$ 232.2**

Amended and Restated Agreement for Regional Fare Coordination System— In April 2009, Sound Transit entered into an amended agreement to operate and maintain a RFCS that establishes a common, non-cash fare system throughout seven participating transit agencies service areas and commits the agencies to using the RFCS for a minimum of ten years. Each agency shares in operating and maintaining the RFCS in accordance with the agreement. Sound Transit's proportionate share of RFCS operating and maintenance costs for years 2015 and 2014 is 19.7% and 19.4%, respectively.

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

(in thousands)	December 31 2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 8,438	$ 7,352
Accounts receivable	7,660	7,066
Total assets	**16,098**	**14,418**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	9,945	9,082
Unearned revenue	6,153	5,336
Total liabilities	**16,098**	**14,418**
Net position	**$ -**	**$ -**
Total operating revenues	**$ 53,408**	**$ 48,826**
Total expenses	**$ 1,516**	**$ 1,551**

Purchases— At December 31, 2015 and 2014, Sound Transit had outstanding construction commitments of approximately $670.9 million and $908.7 million, respectively.

Grants— Sound Transit participates in several federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that Sound Transit has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2015 and 2014 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to noncompliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

APPENDIX B

FORM OF THE PARITY BOND MASTER RESOLUTION

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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. 2015-16, AS AMENDED BY RESOLUTION NO. 2016-32; 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. 2015-16, AS AMENDED BY RESOLUTION NO. 2016-32; 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.

"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

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. R-2012-16 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.

"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 2012-16 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. 2012-16. The Parity Bonds of each Series are "Subordinate Obligations" as that term is defined by and under the Prior Bond Resolution.

(d) There are hereby pledged for the payment of the Parity Bonds (1) amounts in the Parity Bond Account, the Additional Taxes Accounts, the Parity Reserve Account (to the extent provided in Section 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:

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

Second, to the payment to the persons entitled thereto of the unpaid principal and premium, if any, of any Parity Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, earliest maturities first, and, if the amount available shall not be sufficient to pay in full all the Parity Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(f) Relinquishment of Funds Upon Remedy of Default. If and whenever all overdue installments of interest on all Parity Bonds, together with the reasonable and proper charges, expenses and liabilities of the Parity Bondowners' Trustee and the Owners of Parity Bonds, their respective agents and attorneys, and all other sums payable by the Authority under this Parity Bond Master Resolution, including the principal of, premium, if any, and accrued unpaid interest on all Parity Bonds which shall then be payable, shall either be paid by or for the account of the Authority, or provision satisfactory to the Parity Bondowners' Trustee shall be made for such payment, and all Defaults under this Parity Bond Master Resolution or the Parity Bonds shall be made good or secured to the satisfaction of the Parity Bondowners' Trustee or provision deemed by the Parity Bondowners' Trustee to be adequate shall be made therefor, the Parity Bondowners' Trustee shall pay over to the Authority all money and securities then remaining unexpended and held by the Parity Bondowners' Trustee and thereupon all such funds shall thereafter be applied as provided in this Parity Bond Master Resolution. No such payment over to the Authority by the Parity Bondowners' Trustee or resumption of the application of Pledged Taxes as provided in this Parity Bond Master Resolution shall extend to or affect any subsequent Default under this Parity Bond Master Resolution or impair any right consequent thereon.

(g) Suits by Individual Owners. No Owner shall have any right to institute any action, suit or proceeding at law or in equity unless a Default shall have happened and be continuing and unless no Parity Bondowners' Trustee has been appointed as herein provided, but any remedy herein authorized to be exercised by the Parity Bondowners' Trustee may be exercised individually by any Owner, in his or her own name and on his or her own behalf or for the benefit of all Owners, in the event no Parity Bondowners' Trustee has been appointed, or with the consent of the Parity Bondowners' Trustee if such Parity Bondowners' Trustee has been appointed; provided, that nothing in this Parity Bond Master Resolution or in the Parity Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Parity Bonds to the Owners thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

(h) Remedies Granted in This Parity Bond Master Resolution not Exclusive. No remedy granted in this Parity Bond Master Resolution to the Parity Bondowners' Trustee or the Owners of the Parity Bonds is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Parity Bond Master Resolution or existing at law or in equity on or after the date of adoption of this Parity Bond Master Resolution.

Section 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.

Dow Constantine
Board Chair

ATTEST:

Kathryn Flores
Board Administrator

APPENDIX A

THE 2012 PARITY BONDS

Section 1. Definitions. As used in this Resolution in connection with the 2012 Parity Bonds, the following words and phrases shall have the meanings hereinafter set forth unless the context clearly indicates that another meaning is intended:

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

"Record Date" means the 15th day of the month preceding an interest payment date for the 2012 Parity Bonds.

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

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

"Refunding Parity Bonds" means Future Parity Bonds the proceeds of which will be used to refund Authority obligations as provided in Section 15 of this Appendix A.

"Refunding Plan" means:

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

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

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

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

"Resolution" means this Resolution No. R2012-16, as amended and restated as the Parity Bond Master Resolution, including this Appendix A.

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

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

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

"Underwriters" has the meaning set forth in Section 11 of this Appendix A.

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

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

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

(c) No Default has occurred or is continuing.

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

Section 3. Authorization and Description of 2012 Parity Bonds. For the purposes of refunding a portion of the 2005A Parity Bonds, the Authority is authorized to borrow money on the credit of the Authority and issue the 2012 Parity Bonds in the aggregate principal amount of not to exceed $200,000,000. The 2012 Parity Bonds shall be Tax-Exempt Parity Bonds and shall be in the denomination of $5,000 or any integral multiple thereof within a single Series and maturity, shall be dated the date of their initial delivery to the Underwriters and shall bear interest from their date until the 2012 Parity Bonds bearing such interest have been paid or their payment has been duly provided for, payable semiannually on each May 1 and November 1, or such other dates as the Designated Authority Representative shall determine. The 2012 Parity Bonds shall mature on November 1 in the years and amounts and bear interest at the rates per annum as shall be determined pursuant to Section 11 hereof.

Any amount received as original issue premium on the 2012 Parity Bonds shall not reduce the principal amount of 2012 Parity Bonds authorized under this Resolution. The principal amount of the 2012 Parity Bonds, together with the outstanding 1999 Prior Bonds, the outstanding 2009 Prior Bonds, the Outstanding 2005A Parity Bonds, the Outstanding 2007A Parity Bonds, the Outstanding 2009 Parity Bonds and any other outstanding indebtedness of the Authority not authorized by the voters, shall not exceed 1.5% of the value of the taxable property within the boundaries of the Authority.

Section 4. Registration and Transfer or Exchange of the 2012 Parity Bonds. The 2012 Parity Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the Owner of each 2012 Parity Bond and the principal amount and number of each of the 2012 Parity Bonds held by each Owner.

The 2012 Parity Bonds surrendered to the Bond Registrar may be exchanged for 2012 Parity Bonds in any authorized denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. The 2012 Parity Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any 2012 Parity Bond during the period beginning on the date the Bond Registrar receives direction to send notice of redemption of that 2012 Parity Bond and ending on the date the Bond Registrar sends such notice.

The 2012 Parity Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. The 2012 Parity Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of the Letter of Representations. Neither the Authority nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the 2012 Parity Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or premium, if any, or interest on the 2012 Parity Bonds, or any notice which is permitted or required to be given to Owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC or its nominee).

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

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

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

Section 5. Payment of 2012 Parity Bonds. Principal of and premium, if any, and interest on the 2012 Parity Bonds shall be payable in lawful money of the United States of America. Interest on the 2012 Parity Bonds shall be paid by checks or drafts of the Bond Registrar, or, if requested in writing prior to the Record Date by the Owner of $1,000,000 or more in principal amount of 2012 Parity Bonds, by wire, mailed or transferred on the interest payment date to Owners of the 2012 Parity Bonds as those Owners and their addresses and accounts appear on the Bond Register on the Record Date. Principal of and premium, if any, on the 2012 Parity Bonds shall be payable at maturity or on such date as may be specified for prior redemption upon presentation and surrender of the 2012 Parity Bonds by the Owners at the principal corporate trust office or offices of the Bond Registrar. Notwithstanding the foregoing, payment of any 2012 Parity Bonds registered in the name of DTC or its nominee shall be made in accordance with the Letter of Representations.

Section 6. Redemption and Purchase of 2012 Parity Bonds.

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

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

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

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

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

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

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

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

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

In the case of an optional redemption, the notice may state that the Authority retains the rights to rescind that notice on or prior to the scheduled redemption date, and that the notice and optional redemption shall be of no effect to the extent that the Authority gives notice to the

affected Owners at any time on or prior to the scheduled redemption date that the Authority is rescinding the redemption notice in whole or in part. Any 2012 Parity Bonds subject to a rescinded notice of redemption shall remain Outstanding, and the rescission shall not constitute a Default.

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

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

Section 9. Form and Execution of 2012 Parity Bonds. The Designated Authority Representative is authorized to approve the form of the 2012 Parity Bonds, which shall be prepared in a form consistent with the provisions of this Resolution and State law and shall be signed by the Chair of the Board and the Chief Executive Officer, either or both of whose signatures may be manual or in facsimile, and the seal of the Authority or a facsimile reproduction thereof shall be impressed or printed thereon.

Only 2012 Parity Bonds bearing a Certificate of Authentication in the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution: "Certificate Of Authentication. This bond is one of the fully registered The Central Puget Sound Regional Transit Authority Sales Tax Refunding Bonds, Series 2012S-1, described in the 2012 Parity Bond Resolution." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the 2012 Parity Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this Resolution.

If any officer whose manual or facsimile signature appears on the 2012 Parity Bonds ceases to be an officer of the Authority authorized to sign bonds before the 2012 Parity Bonds bearing his or her manual or facsimile signature are authenticated or delivered by the Bond Registrar or issued by the Authority, those 2012 Parity Bonds nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the Authority as though that person had continued to be an officer of the Authority authorized to sign bonds. Any 2012 Parity Bond also may be signed on behalf of the Authority by any person who, on the actual date of signing of the 2012 Parity Bond, is an officer of the Authority authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the 2012 Parity Bonds.

Section 10. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the 2012 Parity Bonds, which shall be open to inspection by the Authority at all times. The Bond Registrar is authorized, on behalf of the Authority, to authenticate and deliver 2012 Parity Bonds transferred or exchanged in accordance with the provisions of the 2012 Parity Bonds and this Resolution, to serve as the Authority's paying agent for the 2012 Parity Bonds, and to carry out all of the Bond Registrar's powers and duties under this Resolution. The Authority reserves the right in its discretion to appoint special paying agents, registrars, or trustees in connection with the payment of some or all of the principal of, premium, if any, or interest on the 2012 Parity Bonds. If a new Bond Registrar is appointed by the Authority (other than the Washington State fiscal agent), notice of the name and address of the new Bond Registrar shall be mailed to the Owners of the 2012 Parity Bonds appearing on the Bond Register at the time the Bond Registrar prepares the notice. The notice may be mailed together with the next interest payment due on the 2012 Parity Bonds, but, to the extent practicable, shall be mailed no later than the Record Date for any principal payment or redemption date of any 2012 Parity Bond.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the 2012 Parity Bonds. The Bond Registrar may become the Owner of 2012 Parity Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners of the 2012 Parity Bonds.

This Section and other relevant portions of this Resolution shall constitute a "system of registration" as that term is used in RCW 39.46.030.

Section 11. Sale of 2012 Parity Bonds. The Board has determined that it is in the best interest of the Authority to delegate to the Designated Authority Representative pursuant to RCW 39.46.040(2), the authority to approve the final principal amount, interest rates, prices, payment dates, maturity dates, maturity amounts, the Parity Reserve Account Requirement and redemption provisions of the 2012 Parity Bonds, and minimum savings to be achieved by the Refunding Plan, in the manner provided herein, provided that:

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

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

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

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

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

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

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

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

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

The 2012 Parity Bonds shall be sold by negotiated sale to any or all of: Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC and Siebert Brandford Shank & Co., LLC (collectively, the "Underwriters"), as determined by the Designated Authority Representative. Subject to the terms and conditions set forth in this Section 11, the Designated Authority Representative is hereby authorized to approve and to execute and deliver a purchase contract to be presented by the Underwriters (the "Bond Purchase Contract") on behalf of the Authority upon the determination by the Designated Authority Representative that the conditions of this Section 11 have been met.

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

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

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

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

Section 13. Preservation of Tax Exemption for Interest on 2012 Parity Bonds. The Authority covenants that it will take all actions necessary to prevent interest on the 2012 Parity Bonds from being included in gross income for federal income tax purposes, and that it will neither take any action nor make or permit any use of proceeds of the 2012 Parity Bonds or other funds of the Authority treated as proceeds of the 2012 Parity Bonds at any time during the term of the 2012 Parity Bonds which will cause interest on the 2012 Parity Bonds to be included in gross income for federal income tax purposes. The Authority also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to the 2012 Parity Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the 2012 Parity Bonds, including the calculation and payment of any penalties that the Authority has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the 2012 Parity Bonds from being included in gross income for federal income tax purposes.

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

The Chief Financial Officer may establish and may transfer, record, allocate or restrict proceeds of the 2012 Parity Bonds not deposited with the Refunding Trustee among such accounts or subaccounts of the Authority and make such transfers, recordings, allocations, restrictions or deposits on terms he or she may deem necessary, appropriate or desirable to carry out the purposes of the 2012 Parity Bond Resolution.

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

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

Section 15. Refunding of the Refunded Bonds.

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

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

thereof and deposited in the Parity Bond Account to pay interest on the 2012 Parity Bonds on the first interest payment date.

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

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

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

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

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

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

The Designated Authority Representative may also purchase Acquired Obligations to be deposited with the Refunding Trustee, together with the income therefrom, and with any necessary beginning cash balance, which will be sufficient to redeem the Refunded Bonds and will discharge and satisfy the obligations of the Authority under Resolution No. R2005-02 with respect to the Refunded Bonds. Immediately upon the delivery of such Acquired Obligations to the Refunding Trustee and the deposit of any necessary beginning cash balance, the Refunded

Bonds shall be deemed not to be Outstanding and shall cease to be entitled to any lien, benefit or security under Resolution No. R-2005-02 authorizing their issuance except the right to receive payment from the Acquired Obligations and beginning cash balance so set aside and pledged.

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

(i) To delete Section 29(b) of this Resolution (Resolution No. R2012-16, now Section 15(b) of the Parity Bond Master Resolution) and the corresponding provision of any Parity Bond Authorizing Resolution;

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

(iii) To permit federal credit payments scheduled to be received in any Fiscal Year in respect of Outstanding Build America Parity Bonds (other than federal credit payments received under a Payment Agreement) to be credited against Parity Bond Debt Service in calculating Annual Parity Bond Debt Service for that Fiscal Year; or

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

Section 18. Undertaking to Provide Continuing Disclosure. To meet the requirements of paragraph (b)(5) of the United States Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule 15c2-12"), as applicable to a participating underwriter for the 2012 Parity Bonds, the Authority makes the following written undertaking (the "Undertaking") for the benefit of holders of the 2012 Parity Bonds:

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

(i) Annual financial information and operating data of the type included in the final official statement for the 2012 Parity Bonds and as described in subsection (b) of this Section ("annual financial information");

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the 2012 Parity Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of

credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the 2012 Parity Bonds; (7) modifications to rights of holders of the 2012 Parity Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of 2012 Term Parity Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 2012 Parity Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority, as such "Bankruptcy Events" are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

(i) Shall consist of (1) audited financial statements prepared in accordance with generally accepted accounting principles applicable to Washington municipalities and consistent with requirements of the Washington State Auditor, except that if any audited financial statements are not available by nine months after the end of any Fiscal Year, the annual financial information filing shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the Authority, and the Authority's audited financial statements shall be filed in the same manner as the annual financial information filing when and if they become available; and (2) historical operating and financial information consisting of (A) aggregate principal amount of Prior Bonds, Parity Bonds and Junior Obligations Outstanding; (B) amount of Local Option Taxes and Pledged Taxes levied and collected by type; (C) any change (by type) in the rate or in the total amount of Local Option Taxes or Pledged Taxes that the Authority is authorized to levy; and (D) a sufficiency calculation of the type set forth in Section 20 of this Resolution (Resolution No. R2012-16, now Section 10 of the Parity Bond Master Resolution) if the Authority is required to provide an Authority certificate under that Section;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the Authority (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the Authority's fiscal year ending December 31, 2012; and

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

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the 2012 Parity Bonds without the consent of any holder of any 2012 Parity Bonds, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12.

The Authority will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this Section shall inure to the benefit of the Authority and any holder of 2012 Parity Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The Authority's obligations under this Undertaking shall terminate upon the legal defeasance of all of the 2012 Parity Bonds. In addition, the Authority's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require the Authority to comply with this Undertaking become legally inapplicable in respect of the 2012 Parity Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the Authority, and the Authority provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the Authority learns of any failure to comply with the Undertaking, the Authority will proceed with due diligence to cause such noncompliance to be corrected. No failure by the Authority or other obligated person to comply with the Undertaking shall constitute a default in respect of the 2012 Parity Bonds. The sole remedy of any holder of a 2012 Parity Bond shall be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the Authority or other obligated person to comply with the Undertaking.

(g) Designation of Official Responsible to Administer Undertaking. The Chief Financial Officer of the Authority (or such other officer of the Authority who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the Authority in respect of the 2012 Parity Bonds set forth in this Section in accordance with the Rule, including, without limitation, the following actions:

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

(ii) Determining whether any event specified in subsection (a) has occurred and preparing and disseminating notice of its occurrence;

(iii) Determining whether any person other than the Authority is an "obligated person" within the meaning of the Rule with respect to the 2012 Parity Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of enumerated events for that person in accordance with the Rule;

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

(v) Effecting any necessary amendment of the Undertaking.

CERTIFICATE

I, the undersigned, Administrator of the Board 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.

Kathryn Flores
Board Administrator

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

The following is a form of the continuing disclosure certificate with respect to the 2016 Parity Bonds. Capitalized words or phrases which are not defined in this form or conventionally capitalized have the meanings given such words or phrases in the 2016 Parity Bond Resolutions.

A. Contract/Undertaking

Sound Transit enters into this undertaking (the “Undertaking”) constituting the written undertaking for the benefit of the beneficial owners of the 2016 Parity Bonds in order to assist the Underwriters of the 2016 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 2016 Parity Bonds” shall have the meaning intended for such term under Rule 15c2-12.

Sound Transit undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

B. Financial Statements/Operating Data

1. Annual Disclosure Report. Sound Transit covenants that not later than nine months after the end of each Fiscal Year (the “Submission Date”), commencing September 30, 2017 for the Fiscal Year ending December 31, 2016, Sound Transit shall provide or cause to be provided to the MSRB an annual report (the “Annual Disclosure Report”) that is consistent with the requirements of part (2) of this subsection (B). The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in part (2) of this subsection (B); provided, that any audited annual financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such audited annual financial statements are not available by the Submission Date. If Sound Transit’s Fiscal Year changes, Sound Transit shall give notice of such change in the same manner as notice is to be given of the occurrence of an event listed in subsection (C) hereof.

2. Content of Annual Disclosure Reports. Sound Transit’s Annual Disclosure Report shall contain or include by reference the following:

i. Audited financial statements. Audited financial statements prepared in accordance with applicable generally accepted accounting principles applicable to local governmental units of the State such as Sound Transit (except as otherwise noted therein), as such principles may be changed from time to time, except that if any audited financial statements are not available by the Submission Date, the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for Sound Transit, and Sound Transit’s audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available.

ii. Operating and Financial Information.

a. Aggregate principal amount of and debt service requirements for Prior Bonds, Parity Bonds and Junior Obligations Outstanding;

b. Amount of Local Option Taxes and Pledged Taxes collected by type;

c. Legal debt capacity;

d. Restricted and unrestricted investments;

e. Revenues, expenses and changes in net position;

f. Debt service coverage on Prior Bonds and Parity Bonds;

g. Any change (by type) in the rate or in the total amount of Local Option Taxes or Pledged Taxes that Sound Transit is authorized to impose; and

h. Sufficiency Test calculation if Sound Transit is required to comply with the Sufficiency Test.

Any or all of the items listed above may be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the Securities and Exchange Commission.

Items listed in 2(ii) will be provided separately to the MSRB only to the extent that such information is not included in the information provided pursuant to item 2(i) above.

C. Listed Events

Sound Transit agrees to provide or cause to be provided to the MSRB timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the 2016 Parity Bonds:

i. Principal and interest payment delinquencies;

ii. Non-payment related defaults, if material;

iii. Unscheduled draws on debt service reserves reflecting financial difficulties;

iv. Unscheduled draws on credit enhancements reflecting financial difficulties;

v. Substitution of credit or liquidity providers, or their failure to perform;

vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the 2016 Parity Bonds;

vii. Modifications to rights of the holders of the 2016 Parity Bonds, if material;

viii. 2016 Parity Bond calls (other than scheduled mandatory redemptions of Term Parity Bonds), if material, and tender offers;

ix. Defeasances;

x. Release, substitution or sale of property securing the repayment of the 2016 Parity Bonds, if material;

xi. Rating changes;

xii. Bankruptcy, insolvency, receivership or similar event of Sound Transit, as such "Bankruptcy Events" are defined in Rule 15c2-12;

xiii. The consummation of a merger, consolidation, or acquisition involving Sound Transit or the sale of all or substantially all of the assets of Sound Transit other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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

D. Notice Upon Failure to Provide Financial Data

Sound Transit agrees to provide or cause to be provided to the MSRB timely notice of its failure to provide the annual financial information described in subsection (B) above on or prior to the date set forth in subsection (B) above.

This Undertaking is subject to amendment after the primary offering of the 2016 Parity Bonds without the consent of any holder of any 2016 Parity Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. Sound Transit will give notice to the MSRB of the substance (or provide a copy) of any amendment to this Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

If Sound Transit or any other obligated person fails to comply with this Undertaking, Sound Transit will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after Sound Transit learns of that failure. No failure by Sound Transit or any other obligated person to comply with this Undertaking shall constitute a default with respect to the 2016 Parity Bonds. The sole remedy of any holder of a 2016 Parity Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel Sound Transit or any other obligated person to comply with this Undertaking.

E. Termination/Modification

Sound Transit's obligations under this Undertaking shall terminate upon the legal defeasance of all of the 2016 Parity Bonds. In addition, Sound Transit's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require Sound Transit to comply with this Undertaking become legally inapplicable in respect of the 2016 Parity Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to Sound Transit, and Sound Transit provides timely notice of such termination to the MSRB.

F. Designation of Official Responsible to Administer Undertaking

The Chief Financial Officer of Sound Transit (or such other officer of Sound Transit who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out this Undertaking of Sound Transit in respect of the 2016 Parity Bonds in accordance with Rule 15c2-12, including, without limitation, the following actions:

i. Preparing and filing the annual financial information undertaken to be provided;

ii. Determining whether any event specified in subsection (A) has occurred and preparing and disseminating notice of its occurrence;

iii. Determining whether any person other than Sound Transit is an "obligated person" within the meaning of Rule 15c2-12 with respect to the 2016 Parity Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of certain events for that person in accordance with Rule 15c2-12;

iv. Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise Sound Transit in carrying out this Undertaking; and

v. Effecting any necessary amendment of this Undertaking.

G. Additional Information

Nothing in this Undertaking shall be deemed to prevent Sound Transit from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of a listed event, in addition to that which is required by this Undertaking. If Sound Transit chooses to include any information in any Annual Disclosure Report or notice of the occurrence of a listed event in addition to that specifically required by this Undertaking, Sound Transit shall have no obligation under the 2016 Parity Bond Resolutions to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of a listed event.

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

____

Designated Authority Representative

APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

The boundaries of the District incorporate areas within King, Pierce and Snohomish Counties. (A map of the District is set forth on page iv of this Official Statement.) King County consists of 2,126 square miles, Pierce County consists of 1,676 square miles, and Snohomish County consists of 2,090 square miles, ranking 11th, 23rd and 13th, respectively, in geographical size of the State's 39 counties. King County ranks first, Pierce County ranks second and Snohomish County ranks third in population. The Counties constitute the financial, economic and industrial center of the Pacific Northwest region. The city of Seattle, encompassing 83.1 square miles, is the center of economic activity in the District.

The 2015 population of the District is estimated to be 2.9 million, which is approximately 80% of the population of the Counties (87% of King County's population, 84% of Pierce County's population and 59% of Snohomish County's population), and 41% of the State's estimated 2015 population of 7.0 million.

As of October 2016, 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
2015	2,052,800	830,120	757,600	3,640,520
2014	2,017,250	821,300	741,000	3,579,550
2013	1,981,900	814,500	730,500	3,526,900
2012	1,957,000	808,200	722,900	3,488,100
2011	1,942,600	802,150	717,000	3,461,750
2010	1,931,249	795,225	713,335	3,439,809
2009	1,909,300	813,600	704,300	3,427,200
2008	1,884,200	805,400	696,600	3,386,200
2007	1,861,300	790,500	686,300	3,338,100

Sources: 2010, U.S. Department of Commerce, Bureau of Census; all others, State Office of Financial Management.

TABLE D-2
ANNUAL AVERAGE NONAGRICULTURAL EMPLOYMENT IN THE COUNTIES (1)

	2012	2013	2014	2015	2016(2)
Total (3)	1,733,700	1,783,000	1,833,000	1,888,700	1,943,900
Total Private	1,474,200	1,522,200	1,568,400	1,618,300	1,670,600
Mining, Logging & Construction	83,300	90,500	97,600	107,200	115,000
Manufacturing	183,900	187,800	187,600	187,800	187,700
Trade, Transportation and Utilities	316,500	327,500	341,400	354,900	364,600
Information	89,700	91,100	94,700	97,800	103,900
Financial Activities	90,500	93,300	94,300	96,000	97,600
Professional and Business Services	238,900	248,200	256,500	268,100	278,700
Education and Health Services	240,700	245,000	249,700	251,200	258,600
Leisure and Hospitality	164,100	171,400	177,700	185,100	191,600
Other Services	66,700	67,300	69,100	70,500	73,100
Government	259,500	260,800	264,600	270,500	273,300

(1) Not seasonally adjusted.
(2) Average through September 2016.
(3) Totals may not foot due to rounding.
Source: State Employment Security Department.

TABLE D-3
ANNUAL AVERAGE UNEMPLOYMENT IN THE COUNTIES (1)

	King County		Pierce County		Snohomish County	
Year	Civilian Labor Force	% Unemployed	Civilian Labor Force	% Unemployed	Civilian Labor Force	% Unemployed
2016(2)	1,205,514	4.3%	403,874	6.4%	411,707	4.8%
2015	1,177,297	4.4	391,963	6.3	401,742	4.8
2014	1,161,113	4.7	385,100	7.0	396,624	5.3
2013	1,138,902	5.0	384,051	8.4	389,355	5.7
2012	1,122,752	6.3	387,138	9.3	385,818	7.5
2011	1,108,838	7.9	386,866	10.1	384,151	9.5
2010	1,105,910	9.0	395,850	10.4	386,510	10.7
2009	1,119,030	8.6	394,020	9.7	384,180	10.1
2008	1,091,720	4.4	393,080	5.7	373,780	5.2
2007	1,068,970	3.6	383,850	4.8	364,040	4.0
2006	1,049,960	4.2	371,220	5.1	360,390	4.6

(1) Not seasonally adjusted.
(2) For civilian labor force totals, preliminary October 2016, not seasonally adjusted; unemployment rates for 2016 are average through October 2016.
Source: State Employment Security Department.

TABLE D-4
MAJOR EMPLOYERS IN THE COUNTIES

Employer	Business Activity
The Boeing Company	Aerospace manufacturer
Microsoft Corporation	Software developer
Amazon.com Inc.	Online retailer
Providence Health System	Health care
Wal-Mart	Retailer
Fred Meyer Stores	Retailer
Franciscan Health System	Health care
Starbucks Corp.	Coffee
MultiCare Health System	Health care
Swedish Health Services	Health care
Costco Inc.	Membership warehouses
Nordstrom Inc.	Department stores
Group Health Cooperative	Health care
Alaska Air Group Inc.	Airline
Virginia Mason Medical Center	Health care
Target	Retailer

Source: Puget Sound Business Journal The Book of Lists, December 2014.

TABLE D-5
PERSONAL INCOME IN THE COUNTIES
($000s)

Year	King County	Pierce County	Snohomish County
2015	$153,554,091	$37,640,095	$ 36,632,936
2014	147,538,083	35,916,045	34,894,961
2013	135,176,058	33,923,202	32,895,034
2012	131,263,349	32,941,576	31,981,676
2011	115,758,427	31,619,327	30,074,645
2010	107,552,067	30,256,545	28,347,132
2009	106,247,964	29,801,301	28,009,888
2008	116,867,546	30,583,283	29,344,289
2007	113,578,171	29,075,145	27,829,242
2006	104,736,499	27,100,885	24,926,988

Source: U.S. Bureau of Economic Analysis.

TABLE D-6
PER CAPITA PERSONAL INCOME IN THE COUNTIES

Year	King County	Pierce County	Snohomish County
2015	$72,530	$44,600	$47,421
2014	70,854	43,212	45,950
2013	66,016	41,403	44,095
2012	65,331	40,569	43,640
2011	58,685	39,361	41,626
2010	55,505	38,038	39,618
2009	55,569	37,416	39,657
2008	62,329	38,940	42,245
2007	61,461	37,639	40,686
2006	57,454	35,500	37,165

Source: U.S. Bureau of Economic Analysis.

TABLE D-7
NEW BUILDING PERMIT VALUES (RESIDENTIAL) IN THE COUNTIES

	Single-Family		Multi-Family	
Year	Total Permits	Total Value ($000s)	Total Units	Total Value ($000s)
2016(1)	7,255	$2,445,662	10,809	$1,405,596
2015	8,586	2,876,848	16,304	2,442,190
2014	8,502	2,684,834	13,164	1,721,209
2013	8,623	2,558,243	10,623	1,378,086
2012	7,909	2,158,147	9,473	1,318,612
2011	5,907	1,528,302	5,047	619,583
2010	6,092	1,502,676	3,820	375,101
2009	4,998	1,148,146	2,350	261,590
2008	6,638	1,551,485	8,772	1,182,837
2007	11,730	2,776,867	12,360	1,497,557
2006	14,230	3,174,265	9,856	1,202,679

(1) Through September 2016.
Source: U.S. Census Bureau.

TABLE D-8
TAXABLE RETAIL SALES IN THE COUNTIES
($000s)

Year	King County	Pierce County	Snohomish County	Total
2016[1]	$28,475,276	$7,042,606	$6,420,503	$41,938,385
2015	54,890,160	13,846,294	12,641,938	81,378,392
2014	49,638,174	12,736,324	11,699,234	74,073,732
2013	46,093,336	12,189,178	11,172,613	69,455,127
2012	43,038,776	11,080,669	10,341,317	64,460,762
2011	40,403,609	10,520,819	9,742,664	60,667,092
2010	38,789,856	10,624,266	9,735,984	59,150,106
2009	39,289,481	10,473,231	9,646,623	59,409,335
2008	45,158,574	11,711,653	10,784,068	67,654,295
2007	47,766,339	12,449,284	11,209,499	71,425,122
2006	43,993,479	12,068,965	10,438,480	66,500,924

(1) Preliminary through June 2016.
Source: State Department of Revenue.

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APPENDIX E

GREEN BOND PROJECT DESCRIPTIONS AND SECOND PARTY-REVIEW

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY GREEN BONDS

FRAMEWORK OVERVIEW AND SECOND-PARTY OPINION BY SUSTAINALYTICS

November 28th, 2016

SUSTAINALYTICS

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TABLE OF CONTENTS

1. PREFACE

The Central Puget Sound Regional Transit Authority (Sound Transit) plans to issue a series of green bonds and has engaged Sustainalytics to review and provide an opinion on the bonds' green credentials. As part of this engagement, Sustainalytics reviewed relevant public and internal documents and held conversations with Sound Transit's treasury team to understand the use of proceeds, management of proceeds and reporting aspects of its green bonds, as well as Sound Transit's progress since its 2015 inaugural green bond. This report contains two sections: (1) Framework Overview – summary of Sound Transit's Green Bonds framework; and (2) Sustainalytics' Opinion – an opinion on the framework.

2. INTRODUCTION

Created in 1993, Sound Transit is a special-purpose municipal corporation, responsible for the construction and operation of high-capacity public transportation systems serving the Greater Seattle area encompassing the greater part of three counties including King, Pierce and Snohomish. Sound Transit plans, builds and operates express bus, light-rail and commuter train services, with an annual ridership of nearly 35 million in 2015, representing an increase of nearly two million from 2014[1].

Sound Transit adopted its initial "System Plan" in 1996, which incorporated commuter rail, light rail, express bus, community connections (such as transit centers, park-and-ride lots and transit access improvements), high-occupancy vehicle facilities and other improvements. The agency's three primary transportation modes are detailed below:

Link Light Rail: Light electric rail travels 20 miles connecting a number of key economic centers of the Puget Sound region including the international airport, downtown Seattle, University of Washington and other major job centers and residential areas. The Tacoma Link light travels 1.6 miles through downtown Tacoma. With the opening of 3 new stations in 2016, average weekday ridership has grown 75% from April 2016 – September 2016 compared to April 2015 – September 2015[2].

Sounder Commuter Train: An 83-mile commuter train service that connects the cities of Seattle, Everett, Tacoma and Lakewood. Sounder commuter rail uses diesel-powered locomotives and multi-level passenger coach trains that run mostly on BNSF Railway Company railroad freight tracks.

ST Express Bus: ST Express buses travel between major communities in King, Pierce and Snohomish counties. ST Express also works to integrate its projects with other transit agencies in order to create an efficient transportation system throughout the entire region.

[1] Sound Transit 2015 Sustainability Progress Report—Appendix

[2] Sound Transit. Quarterly Ridership Report **http://www.soundtransit.org/ridership**

Sound Transit System's Expansion Plans

Sound Transit has initiated three comprehensive transportation development plans. The Ten-Year Regional Transit System Plan (Sound Move) was implemented in 1996 and is currently near completion. In 2008, voters approved Sound Transit 2 (ST2) as a second phase of the System Plan to finance the expansion of the transportation network, which is currently under development.

In November 2016, Puget Sound voters approved the third comprehensive transportation development plan. The Sound Transit 3 (ST3) System Plan, a 25-year mass transit expansion plan, will finance 62 new miles of light rail including 37 new stations, increase the capacity of the Sounder Commuter Rail, expand Bus Rapid Transit and improve the speed and reliability of the ST Express bus service. The plan is expected to cost $53.8 billion in total and is expected to be financed with a combination of sales tax, rental car tax and motor vehicle tax proceeds, property tax, federal, state and local grants and loans, bond proceeds, fares and other operating revenues, as well as interest earnings on money from such sources.

Sound Transit's Series 2015 Green Bonds

Sound Transit issued nearly $1 billion in green bonds in September 2015. Proceeds from the bond were used to finance or refinance projects that adhere to Sound Transit's Sustainability Plan, which include: 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[3]. Sustainalytics provided the second party opinion for the Series 2015, dated July 27, 2015[4].

3. SOUND TRANSIT GREEN BONDS OVERVIEW

Use of Proceeds

Sound Transit plans to raise approximately $480 million of bond proceeds (subject to market conditions) by issuing green bonds to reimburse Sound Transit's recent capital expenditures under the three transit modes. Appendix A provides a list of projects and their estimated expenditures that are eligible for reimbursement under the Green Eligibility Criteria. Sound Transit plans to report the final list of projects and actual allocated amounts when the bond proceeds are fully allocated.

In addition, a nominal amount from the proceeds will be used to pay for cost associated with the issuance of green bonds.

Green Eligibility Criteria

The projects that fall under the following green categories are eligible for reimbursement from the proceeds of the bond and eligible for green designation.

[3] Sound Transit. 2015 Green Bond Annual Report.
http://www.soundtransit.org/sites/default/files/20160919-green-bond-annual-report-2015.pdf

[4] Sustainalytics Second Party Opinion.
http://www.sustainalytics.com/sites/default/files/sound_transit_green_bonds_sustainalytics_review.pdf

- **Transit Line New Build/ Expansion / Extension:** Includes the planning, permitting, design and construction of new build, extension or expansion of transit system.
- **Transit Operations, Maintenance and Improvements:** Includes
    - Operations related projects such as fare collection systems, communication systems, signaling, transit centers etc.
    - Maintenance related project such as storage, layover, maintenance facilities, maintenance related electronic and electrical systems, refurbishments etc.
    - Improvements related projects that, enhance commuter experience (safety and comfort) such as signage, noise reducing walls etc., and/or increase access to transit such pedestrian bridges, car and bike parking, HOV lane and track improvements etc.
- **Transit Planning and Evaluation:** Planning, assessment and analysis relating to transit including environmental assessments, capital investments evaluation, evaluation of transit alternatives etc.

Projects Selection Process

Sound Transit's Treasury and Bond Counsel set guidelines and priorities for the project selection for green bonds. The projects were selected based on the following considerations:

- The projects satisfy at least one of the requirements of the Green Eligibility Criteria;
- The time period in which the expenditures were made;
- Preliminary expenditures that are eligible for reimbursement. These expenditures include design, engineering and surveying that occur before the commencement of a project; and
- Expenditures that have not been allocated to grants or other bond issues.

Management of Proceeds

At the time of the financial close of the green bonds transaction, it is expected that all the green bonds proceeds will be used to reimburse Sound Transit for approximately $480 million (subject to market conditions) of eligible capital expenditures and to pay associated cost of issuance. Given that the monies will have already been spent on transit projects, there will not be any bond proceeds to manage over time. In the event that any bond proceeds are not used for reimbursement, they will be spent on Link light rail eligible expenditures.

Reporting

Sound Transit publishes an Annual Green Bond Report that reports on the final use of proceeds and the agency's environmental and sustainability progress and results. As well, Sound Transit plans to report the final list of projects and actual allocated amounts when the bond proceeds are fully allocated.

In addition, Sound Transit publishes an annual sustainability progress report highlighting the environmental benefits of transit in its region of operation. This includes, how operating the system benefits regional air quality and greenhouse gas (GHG) emission savings per year**.** Sound Transit follows a methodology developed by the American Public Transportation Association (APTA) and The Climate Registry to account for savings from transit ridership, measured as carbon dioxide equivalents (CO2e)[5].

[5] American Public Transportation Association. Quantifying Greenhouse Gas Emissions from Transit. https://www.apta.com/resources/standards/Documents/APTA%20SUDS-CC-RP-001-09.pdf

4. SUSTAINALYTICS' OPINION

A sustainability-focused agency:

Sustainalytics has reviewed Sound Transit's 2015 Sustainability Progress Report and is of the opinion that Sound Transit is a sustainability-focused organization. Based on the agency's environmental commitments and internal processes to manage environmental impacts, Sound Transit is well positioned to issue green bonds.

In 2015, the agency met 14 out of 15 of its sustainability targets which align with the green bonds issued in 2015 including: advancing sustainability in early planning and design, reducing construction pollution, increasing revenue fleet fuel efficiency, and reducing vehicle pollution. Sound Transit's 2016 targets focus on integrating the agency's eight sustainability priorities into the Sound Transit 3 (ST3) system expansion plan, design and construction. The agency's sustainability priorities are provided in Appendix B.

Sound Transit has maintained an ISO 14001 certified Environmental & Sustainability Management System (ESMS) since 2007 with environmental objectives and targets that are measurable, meaningful and understandable. The ESMS provides the management system for implementing the sustainability goals. The ESMS is managed by an intra-agency Steering Committee which indicates a longer-term commitment to sustainability, oversight and overall transparency regarding sustainability goals. The agency reports that its Sustainability Division coordinates across the agency to set sustainability goals and annually monitor, measure and report on progress.

With the passage of ST3, Sound Transit will continue to implement its Sustainability Plan goals and integrate sustainability approaches into all aspects of agency activities, consistent with Board-adopted policy. The ST3 Plan re-affirms that Sound Transit's ongoing sustainability efforts include its commitment to implementing green building and infrastructure.

Finally, Sound Transit showed its commitment to sustainability by issuing nearly $1 billion in green bonds in September 2015. The issuance was the world's largest municipal sale of such bonds, which earned the organization Environmental Finance's Municipal Bond of the Year award for 2016[6].

Environmental impact of mass transit:

Sound Transit offers a low carbon alternative to commuting by road in the system area. Major environmental accomplishments achieved by Sound Transit include: (1) saving more GHG emissions than it emits resulting in a net positive environmental impact, (2) reducing the energy required to move each passenger and (3) reducing air pollution emissions.

Firstly, Sound Transit is able to save more GHG emissions than it emits. In 2015, the region avoided 2.2 tons of emissions for every ton of GHG that it emitted as a result of mode shift and related congestion

[6] Sound Transit. 2015 Green Bond Annual Report. **http://www.soundtransit.org/sites/default/files/20160919-green-bond-annual-report-2015.pdf**

relief benefits[7]. The data for land-use benefits are not yet as robust as for the other two metrics. Regional GHG emission savings from Sound Transit in 2014 are indicated in the table below[8].

Regional tonnes CO_2e Saved			
Mode Shift Benefits	Congestion Benefits	Land-Use Benefits	Total Benefits
98,459	39,178	259,610	397,248
Displacement ratios - CO2e units saved in the region per unit of CO2e from Sound Transit operations			
Mode Shift Benefits	Congestion Benefits	Land-Use Benefits	Total Benefits
1.6	0.6	4.2	6.4

The expansion of the Link light rail will further reduce GHG emissions in the system area through mode shift and congestion benefits. The proceeds of green bonds are allocated primarily to Link light rail expansion which has shown a significant increase in ridership recently and has resulted in positive environmental impacts.

Secondly, energy efficiency has improved per passenger and passenger mile travelled (PMT). Though fleet energy use across Sound Transit's three modes has gradually increased by 7% since 2011 due to increases in service, energy use per passenger mile travelled has decreased by 16%[9].

Thirdly, air pollution from Sound Transit operations decreased as a result of improved emissions control technologies on newer ST Express buses and upgrades to Sounder commuter rail engines. Sound Transit monitors criteria air pollutants (CAPs) which include particulate matter (PM_{10}), volatile organic compounds, nitrogen oxides, carbon monoxides (CO) and sulfur dioxides. The agency reports that it has been able to reduce such CAPs since 2011 - PM_{10} was reduced by 21% and CO by 3%[10].

Growing regional demand for mass transit:
Sound Transit's annual ridership was nearly 35 million in 2015 representing a 49% growth since 2010. Sound Transit ridership showed strong growth in 2015 with a 14.6% increase for the Sounder commuter rail, 3.6% increase for the ST Express and 5.1% increase for the Link light rail. More recently, Link light rail ridership showed a sharp increase during the second quarter, with a 75% growth compared to the same period of last year[11]. This growth was largely due to the opening of the University Link extension in March 2016 which connected light rail from downtown to the University of Washington.

The recent increase in ridership is an indication that Sound Transit is successfully addressing regional demand for public transportation. The region's population is expected to grow by approximately 1.7 million people by 2040 which will further increase the demand for service in the region by an estimated

[7] Sound Transit 2015 Sustainability Progress Report—Appendix
[8] Sound Transit 2014 Sustainability Progress Report—Appendix
[9] Sound Transit 2015 Sustainability Progress Report—Appendix
[10] Sound Transit 2015 Sustainability Progress Report—Appendix
[11] Sound Transit. Quarterly Ridership Report. **http://www.soundtransit.org/ridership**

40%[12]. Sound Transit's transport infrastructure will last for decades, which means that such development will have long-lasting impacts on the regions urban development as well as climate.

Alignment with the Sustainable Development Goals (SDGs):
The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. These goals are widely considered to be the next step to the Millennium Development Goals (MDG), which were time-bound to 2015. Sound Transit's sustainable transport development is essential to achieving most, if not all, of the proposed SDGs. According to the UN Division for Sustainable Development (DSD), although sustainable transport is not represented by a standalone SDG, it is mainstreamed across several SDGs and targets, especially those related to health, energy, infrastructure and cities and human settlements[13].

However, of particular importance for Sound Transit under the Green Bond Principles (GBP) is SDG 11 Sustainable Cities, which includes a target to providing access to safe, affordable, accessible and sustainable transport systems for all, notably by expanding public transport. The SDG recognize the fundamental role of cities in fighting climate change and achieving a sustainable future. Under the Central Puget Sound Regional Transit Authority Green Bond Framework, eligible green projects contribute towards the promotion of sustainable city infrastructure and are aligned with SDG 11.2 Sustainable Transport under Sustainable Cities.

Alignment with Green Bond Principles 2016:
Sustainalytics has determined that the Central Puget Sound Regional Transit Authority Green Bond Framework aligns to the four pillars of the International Capital Markets Association (ICMA) Green Bond Principles 2016 - the use of proceeds, process of project evaluation and selection, management of proceeds and reporting [14]. For detailed information please refer to Appendix D: Green Bond/Green Bond Programme External Review Form.

[12] Puget Sound Regional Council. Vision 2040. **http://www.psrc.org/assets/1775/V2040execsumm.pdf**

[13] UN Sustainable Development Goals: **https://sustainabledevelopment.un.org/topics/sustainabletransport**

[14] International Capital Market Association (ICMA), Green Bond Principles, 2016. 16 June 2016: **http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/green-bond-principles/**

Conclusion

The transport sector is responsible for one quarter of energy-related GHG emissions worldwide[15]. There are also enormous opportunities presented by sustainable transport: saving hundreds of thousands of lives every year through improved road safety and reduced air pollution, and reducing carbon emissions by 7 gigatons[16]. Since the transport sector has the fastest rate of emission increase, including it in an effective policy response to climate change is essential to keep the global temperature increase below two-degree Celsius. Considering its importance, ICMA Green Bond Principles recognizes clean transportation as an eligible green project category offering clear environmental benefits.

Through Sound Transit's green bonds, the agency aims to support projects that will provide low-carbon public transit to Central Puget Sound commuters and thereby reducing the overall GHG emissions within the system area. Sustainalytics is of the opinion that Central Puget Sound Regional Transit Authority's green bond framework is credible and robust and provides clarity regarding the outcomes of the green bond investments.

[15] UN Sustainable Development Goals: https://sustainabledevelopment.un.org/topics/sustainabletransport
[16] International Energy Agency: Energy Technology Perspectives: www.iea.org/etp

APPENDICES

Appendix A: Eligible Projects

Project Code	Project Category	Project Name	Project Description	Approximate Bond Eligible Amount
300004	Transit Operations, Maintenance and Improvements	Sounder Maintenance Base	Sounder Evaluating operations and maintenance cost efficiencies associated with commuter rail operations and maintenance facilities Commuter Rail Maintenance Base	805,000
300011	Transit Planning and Evaluation	Positive Train Control	Federally mandated systems that will significantly reduce the probability of accidents	33,590,000
300017	Transit Operations, Maintenance and Improvements	Puyallup Station Improvements	Sounder Commuter Rail Access improvements with parking, pedestrian access improvements bike storage and access	939,000
300018	Transit Operations, Maintenance and Improvements	Sumner Station Improvements	Sounder Commuter Rail Access improvements with parking, pedestrian access improvements bike storage and access	4,207,000
300021	Transit Line New Build/ Expansion / Extension	Tacoma Trestle Track & Signal	Sounder Commuter Rail Design and construction of additional track, bridge and platforms along .65 miles of track baselined in 2015	23,616,000
300026	Transit Line New Build/ Expansion / Extension	Sounder Yard Expansion	Sounder Commuter Rail Increase Track Capacity at the layover facility in Lakewood with drainage and electrical improvements	5,366,000
3X206	Transit Line New Build/ Expansion / Extension	Mukilteo Station-S Platform	Sounder Commuter Rail Construction of south platform opened March 2016	4,693,000
400007	Transit Line New Build/ Expansion / Extension	First Hill Streetcar	Built by ST owned and operated by King County Metro - Opened January 2016	41,923,000
400008	Transit Line New Build/ Expansion / Extension	Tacoma Link Expansion	2.4 miles, 6 new stations extended the existing Tacoma Link	3,173,000
400009	Transit Operations, Maintenance and Improvements	Link O&M Facility East	Operations and Maintenance Facility to support the fully built out ST2 program	5,786,000

400032	Transit Line New Build/ Expansion / Extension	ST1 LRV Fleet Expansion	Light Rail Vehicle Procurement that will support the needs of the entire ST2 program	879,000
4X100	Transit Line New Build/ Expansion / Extension	Northgate Link Extension	4.3 miles, 3 stations connecting the University of Washington Station to Northgate	448,181,000
4X115	Transit Line New Build/ Expansion / Extension	Lynnwood Link Extension	8.5 miles, 4 stations extending from Northgate to Lynnwood	26,114,000
4X200	Transit Line New Build/ Expansion / Extension	University Link Extension	3.15 miles. 2 stations extending light rail from downtown to the University of Washington - Opened March 2016	203,203,000
4X420	Transit Line New Build/ Expansion / Extension	S 200th Link Extension	1.6 miles, 1 station from Sea Tac Airport to the Angle Lake Station - Opened September 2016	131,317,000
4X445	Transit Line New Build/ Expansion / Extension	Federal Way Link Extension	7.6 miles, 3 stations from Angle Lake to the Federal Way Transit Center	6,946,000
4X600	Transit Line New Build/ Expansion / Extension	East Link	14 Miles, 10 stations connects downtown Seattle with Bellvue	269,710,000
5X387	Transit Line New Build/ Expansion / Extension	REX I-90 2 Way Trans& HOV III	Preparing I-90 for the East Link Extension	99,879,000
Grand Total				**1,310,327,000**

Appendix B: Sound Transit's 2016 Sustainability Targets

Help **People** move freely and affordably by providing regional transit.

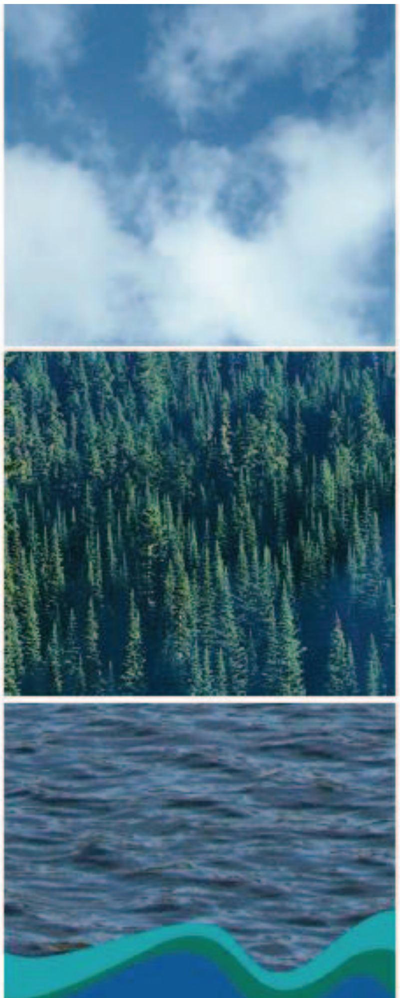
Promote stewardship to conserve the **Planet**'s natural environment.

Support local economic **Prosperity** by enabling residents and businesses to save time and money.

Sustainability Priorities

- Make informed decisions that consider environmental and social impacts.
- Advance sustainability in early planning and design.
- Increase system resilience to climate change and extreme weather.
- Reduce construction pollution.
- Increase revenue fleet fuel efficiency and reduce vehicle pollution.
- Optimize facility energy efficiency and clean energy generation.
- Procure and use green products and services.
- Foster a staff culture of sustainability.

Appendix C: Sound Transit's Environmental Policy



Sound Transit protecting the environment

Sound Transit integrates environmental ethics and sustainable business practices into planning, designing, constructing and operating new and existing transit systems and facilities. Environmental stewardship is a responsibility of all employees. Sound Transit's Environmental Policy was adopted by the Sound Transit Board in April 2004.

SOUND TRANSIT ENVIRONMENTAL POLICY

Sound Transit is committed to the protection of the environment for present and future generations as we provide high capacity transit to the Puget Sound region. Sound Transit has been a catalyst and model for engaging federal and state partners to resolve environmental issues that apply to our program. We will continue to be an environmental leader in the State of Washington through the integration of the following principles into our daily business practices:

- We will fully comply with all environmental laws and regulations. We will strive to exceed compliance by the continual improvement of our environmental performance through cost-effective innovation and self-assessment.
- We will restore the environment by providing mitigation and corrective action, and will monitor to ensure that environmental commitments are implemented. We will improve our ability to manage and account for environmental risk.
- We will avoid environmental degradation by minimizing releases to air, water and land. We will prevent pollution and conserve resources by reducing waste, reusing materials, recycling and preferentially purchasing materials with recycled content.
- We will increase the awareness of environmental issues among agency employees through education and training. We will continue to educate the public about the environmental benefits of our transit system. We will build relationships with our contractors, vendors, consultants and transit partners during planning, design, construction and operation to protect and enhance the environment.
- In order to implement this Policy, Sound Transit has established and maintains an Environmental & Sustainability Management System (ESMS) with environmental objectives and targets that are measurable, meaningful and understandable. The goals and progress of this Policy and the ESMS are communicated to agency board members, officers, employees and the public.

ENVIRONMENTAL & SUSTAINABILITY MANAGEMENT SYSTEM (ESMS)

Sound Transit manages and improves environmental performance through a system certified to international environmental standards (ISO 14001).

SUSTAINABILITY INITIATIVE

The Sound Transit Board authorized the establishment of a Sustainability Initiative in 2007. It requires that sustainable practices be incorporated throughout all Sound Transit activities. It also requires that targets be established as part of the ESMS and that progress reports be provided to the Board. The agency's CEO subsequently issued an Executive Order directing staff to implement the Sustainability Initiative.

The ESMS is managed by an intra-agency Steering Committee. Additional information is available on www.soundtransit.org and the agency's intranet. Questions or comments can be sent to esms@soundtransit.org

SOUNDTRANSIT

Appendix D: Green Bond / Green Bond Programme - External Review Form

Green Bond / Green Bond Programme External Review Form

Section 1. Basic Information

Issuer name: Central Puget Sound Regional Transit Authority (Sound Transit)

Review provider's name: Sustainalytics

Completion date of this form: November 25, 2016

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☒	Verification	☐	Rating
☐	Other *(please specify)*:		

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Sustainalytics is of the opinion that Central Puget Sound Regional Transit Authority's green bond framework is credible and robust and provides clarity regarding the outcomes of the green bond investments. Sustainalytics has reviewed Sound Transit's 2015 Sustainability Progress Report and is of the opinion that Sound Transit is a sustainability-focused organization. Based on the agency's environmental commitments and internal processes to manage environmental impacts as well as the region's growing demand to expand its transportation system, Sound Transit is well positioned to issue green bonds.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)***:**
Sustainalytics is of the opinion that the use of proceeds outlined by Sound Transit have a clear environmental benefit.

Use of proceeds categories as per GBP:

- ☐ Renewable energy
- ☐ Energy efficiency
- ☐ Pollution prevention and control
- ☐ Sustainable management of living natural resources
- ☐ Terrestrial and aquatic biodiversity conservation
- ☒ Clean transportation
- ☐ Sustainable water management
- ☐ Climate change adaptation
- ☐ Eco-efficient products, production technologies and processes
- ☐ Other *(please specify)*:
- ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)***:**
Projects will be selected in accordance with the eligibility criteria outlined in the framework.

Sound Transit’s Treasury and Bond Counsel set guidelines and priorities for the project selection for green bonds. The projects were selected based on the following considerations:
- The projects satisfy at least one of the requirements of the Green Eligibility Criteria;
- The time period in which the expenditures were made;
- Preliminary expenditures that are eligible for reimbursement. These expenditures include design, engineering and surveying that occur before the commencement of a project; and
- Expenditures that have not been allocated to grants or other bond issues.

Evaluation and selection

☒ Defined and transparent criteria for projects eligible for Green Bond proceeds

☒ Documented process to determine that projects fit within defined categories

☐ Summary criteria for project evaluation and selection publicly available

☐ Other *(please specify):*

Information on Responsibilities and Accountability

☒ Evaluation / Selection criteria subject to external advice or verification

☒ In-house assessment

☐ Other *(please specify)*:

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)***:**
Sound Transit's Treasury and Bond Council has sufficient oversight over the management of proceeds. Given that the monies will have already been spent on transit projects, there will not be any bond proceeds to manage over time. In the event that any bond proceeds are not used for reimbursement, they will be spent on Link light rail eligible expenditures.

Tracking of proceeds:

☒ Green Bond proceeds segregated or tracked by the issuer in a systematic manner

☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☐ Other *(please specify)*:

Additional disclosure:

☐ Allocations to future investments only

☒ Allocations to both existing and future investments

☐ Allocation to individual disbursements

☐ Allocation to a portfolio of disbursements

☐ Disclosure of portfolio balance of unallocated proceeds

☐ Other *(please specify)*:

4. REPORTING

Overall comment on section *(if applicable)***:**
Sound Transit publishes an Annual Green Bond Report that reports on the final use of proceeds and the agency's environmental and sustainability progress and results. Sound Transit plans to report the final list of projects and actual allocated amounts when the bond proceeds are fully allocated.

In addition, Sound Transit publishes an annual sustainability progress report highlighting the environmental benefits of transit in its region of operation. Sound Cloud has also committed to reporting on the impact of the bond. This is in line with industry norms.

Use of proceeds reporting:

☒ Project-by-project

☐ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other *(please specify):*

Information reported:

☒ Allocated amounts

☐ GB financed share of total investment

☐ Other *(please specify):*

Frequency:

☒ Annual

☐ Semi-annual

☐ Other *(please specify):*

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other *(please specify):*

Frequency:

☒ Annual

☐ Semi-annual

☐ Other *(please specify):*

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☐ Energy Savings

☐ Other ESG indicators *(please specify):*

Means of Disclosure

☒ Information published in financial report

☒ Information published in sustainability report

☐ Information published in ad hoc documents

☐ Other *(please specify):*

☐ Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review):*

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS *(e.g. to review provider methodology or credentials, to issuer's documentation, etc.)*

http://www.soundtransit.org
http://www.soundtransit.org/sustainability/green-bonds
http://www.soundtransit.org/sustainability

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- ☒ Consultancy (incl. 2nd opinion)
- ☐ Certification
- ☐ Verification / Audit
- ☐ Rating
- ☐ Other *(please specify):*

Review provider(s): N/A

Date of publication: N/A

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP

(i) Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second opinions" may fall into this category.

(ii) Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.

(iii) Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.

(iv) Rating: An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

Disclaimer

The Opinion was drawn up with the aim to explain why the analyzed bonds are considered sustainable and responsible. Consequently, the Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of the Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, Sustainalytics does not warrant that the information presented in the Opinion is complete, accurate or up to date.

Nothing contained in the Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, the Opinion shall in no event be interpreted and construed as an assessment of the economic performance and credit worthiness of the bonds, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments` compliance, implementation and monitoring.

SUSTAINALYTICS

Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors. We serve over 250 institutional investors which include some of the world's largest asset owners and asset managers. Through over 20 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.

Sustainalytics is headed by seasoned professionals in the field of business, finance, and sustainability, with a wealth of experience in the Responsible Investment area. After more than 20 years of local experience and expertise in the Responsible Investment (RI) market Sustainalytics has developed a comprehensive understanding of trends and best practices and a solid process to assist organisations in integrating ESG considerations into their policies and strategies. We have worked with some of the world's financial institutions including pension plans, investment managers and banks providing customised support to help them achieve their RI objectives. Clients include ABN AMRO, APG, BBVA, BNP Paribas, Deutsche Bank, ING Bank, Lombard Odier, Lloyds Bank, Triodos Bank, UBS and over 250 other financial institutions and organisations.

Sustainalytics now has a staff of 250 employees globally, including over 120 analysts, with operations in Amsterdam, Boston, Bucharest, Frankfurt, New York, Paris, London, Singapore, Sydney, Timisoara, and Toronto, and representation in Brussels and Washington DC.

In 2015, Sustainalytics was named the Best SRI or Green Bond Research Firm by GlobalCapital. In December 2014, for the third year in a row, Sustainalytics was named best sustainable and responsible investment research firm in the Independent Research in Responsible Investment (IRRI) Survey, conducted by Thomson Reuters and SRI-CONNECT.

APPENDIX F

FORM OF BOND COUNSEL OPINION

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[FORM OF BOND COUNSEL OPINION]

[Closing Date]

The Central Puget Sound
Regional Transit Authority
Seattle, Washington

Re: The Central Puget Sound Regional Transit Authority
Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2016S-1

We have served as bond counsel to The Central Puget Sound Regional Transit Authority (the "Authority") in connection with the issuance of the Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2016S-1 (the "2016 Parity Bonds"), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

The 2016 Parity Bonds are issued by the Authority pursuant to Resolution Nos. R2016-32 and R2016-34, adopted on November 29, 2016 (together, the "2016 Parity Bond Resolutions"), to provide funds 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 costs of issuing the 2016 Parity Bonds, all as set forth in the 2016 Parity Bond Resolutions. Reference is made to the 2016 Parity Bond Resolutions for the definitions of capitalized terms used and not otherwise defined herein.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the 2016 Parity Bonds or otherwise used in connection with the 2016 Parity Bonds.

Based upon the foregoing, as of the date of initial delivery of the 2016 Parity Bonds to the purchasers thereof and full payment therefor, it is our opinion that under existing law:

1. The Authority is a duly organized and legally existing regional transit authority under the laws of the State of Washington;

2. The 2016 Parity Bonds have been duly authorized and executed by the Authority and are issued in full compliance with the provisions of the Constitution and laws of the State of Washington and the resolutions of the Authority relating thereto; and

3. The 2016 Parity Bonds constitute valid and binding special limited obligations of the Authority, payable from and secured solely by Pledged Taxes and amounts, if any, in the Parity Bond Account, the Local Option Tax Accounts, the Additional Taxes Accounts, the Tax Stabilization Subaccount and any project account created in the Project Fund for the deposit of proceeds of the Parity Bonds, subject to the prior pledge of money in the Local Option Tax Accounts and the Tax Stabilization Subaccount that has been created in favor of the Prior Bonds, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles and the exercise of judicial discretion in appropriate cases.

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

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

FOSTER PEPPER PLLC

APPENDIX G

FORM OF SPECIAL TAX COUNSEL OPINION

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December 19, 2016

The Central Puget Sound Regional Transit Authority
Seattle, Washington

The Central Puget Sound Regional Transit Authority
Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2016S-1
(Special Tax Counsel Opinion)

Ladies and Gentlemen:

We have acted as Special Tax Counsel to The Central Puget Sound Regional Transit Authority (the "Authority") in connection with the issuance of $400,000,000 aggregate principal amount of Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2016S-1 (the "2016 Parity Bonds").

The 2016 Parity Bonds are being issued pursuant to chapters 81.104, 81.112 and 39.46 of the Revised Code of Washington (the "Act"), and Resolution No. R2015-16, adopted by the Board of Directors of the Authority (the "Board") on July 23, 2015, as amended by Sections 15, 16, 17, and 18 of Resolution No. R2016-32, adopted by the Board on November 29, 2016, and as restated by Resolution No. R2016-34, adopted by the Board on November 29, 2016 (collectively, the "Parity Bond Master Resolution"), as supplemented by Resolution No. R2016-32, adopted by the Board on November 29, 2016 (together, the "2016 Parity Bond Resolutions"). The 2016 Parity Bond Resolutions provide that the 2016 Parity Bonds are being issued for the purpose of paying or reimbursing the Authority for costs of constructing a portion of the Authority's System Plan and paying costs of issuing the 2016 Parity Bonds.

In such connection, we have reviewed the 2016 Parity Bond Resolutions; Resolution No. R2012-14, adopted on June 28, 2012, as amended by Resolution No. R2016-33, adopted on November 29, 2016, and restated by Resolution No. R2016-35, adopted on November 29, 2016 (as so amended and restated, the "Master Prior Bond Resolution; Resolution No. R2014-30, adopted by the Board on November 20, 2014 (as amended, the "TIFIA Resolution" and together with the 2016 Parity Bond Resolutions and the Master Prior Bond Resolution, the "Resolutions"); the TIFIA Loan Agreement (as defined in the TIFIA Resolution); the Tax Certificate executed and delivered by the Authority on the date hereof (the "Tax Certificate"); the Certificate of the Designated Authority Representative, dated December 19, 2016 (the "Authority Representative Certificate"); the opinion of Foster Pepper PLLC, as Bond Counsel, dated the date hereof (the "Bond Counsel Opinions"); additional certificates of the Authority 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 third paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions 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 2016 Parity 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 2016 Parity Bonds, the 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. Finally, as Special Tax Counsel we undertake no responsibility for the accuracy, completeness or fairness of any portion of the Official Statement of the Authority, dated December 7, 2016 relating to the 2016 Parity Bonds, or other offering material relating to the 2016 Parity Bonds and express no opinion with respect thereto.

In rendering the opinions expressed herein, we expressly have relied with your consent on the Bond Counsel Opinion with respect to the validity of the 2016 Parity Bonds and with respect to the due authorization and issuance of the 2016 Parity Bonds. We call attention to the fact that the interest on the 2016 Parity Bonds may not be excluded from gross income for federal income tax purposes if the 2016 Parity Bonds are not valid and binding obligations of the Authority.

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

1. Interest on the 2016 Parity Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986.

2. Interest on the 2016 Parity 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 2016 Parity Bonds.

Faithfully yours,

APPENDIX H

DTC AND ITS BOOK-ENTRY SYSTEM

The information in this appendix has been furnished by DTC and has not been independently verified by Sound Transit or the Underwriters. Neither Sound Transit nor the Underwriters makes any representation as to the accuracy, adequacy or completeness of such information.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2016 Parity Bonds. The 2016 Parity Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2016 Parity Bond certificate will be issued for each maturity or interest rate within a maturity of the 2016 Parity Bonds, each in the aggregate principal amount of such maturity or interest rate within a maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2016 Parity Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Parity Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 Parity Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Parity Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2016 Parity Bonds, except in the event that use of the book-entry system for the 2016 Parity Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Parity Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2016 Parity Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial DTC Owners of the 2016 Parity Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Parity Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2016 Parity Bonds within a maturity or interest rate within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity or interest rate within a maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2016 Parity Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Sound Transit as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2016 Parity Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the 2016 Parity Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Sound Transit or the Bond Registrar on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar or Sound Transit, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of Sound Transit or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2016 Parity Bonds at any time by giving reasonable notice to Sound Transit or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, 2016 Parity Bond certificates are required to be printed and delivered.

Sound Transit may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2016 Parity Bond certificates will be printed and delivered.

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

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THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY • SALES TAX AND MOTOR VEHICLE EXCISE TAX BONDS, SERIES 2016S-1 (GREEN BONDS)

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