NEW ISSUE
BOOK-ENTRY ONLY

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

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Sound Transit, 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 2021 Parity Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the 2021 Parity Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2021 Parity Bonds. See "TAX MATTERS."

SOUNDTRANSIT

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

$869,360,000

Sales Tax and Motor Vehicle Excise Tax Improvement and Refunding Bonds, Series 2021S-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 Improvement and Refunding Bonds, Series 2021S-1 (the "2021 Parity Bonds"), in the aggregate principal amount of $869,360,000. The 2021 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 2021 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 2021 Parity Bonds. Individual purchases of 2021 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 2021 Parity Bonds, except as described herein. Payments of principal of and interest on the 2021 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 2021 Parity Bonds is the responsibility of DTC participants. The 2021 Parity Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices described herein.

Interest on the 2021 Parity Bonds is payable on each May 1 and November 1, commencing May 1, 2022, until maturity or prior redemption.

The 2021 Parity Bonds are being issued (i) to refund all of Sound Transit's Sales Tax and Motor Vehicle Excise Tax Refunding Bonds, Series 2012P-1; (ii) to pay, or reimburse Sound Transit for the payment of, a portion of the costs of acquiring, designing, constructing, equipping and installing improvements to high-capacity transportation facilities; and (iii) to pay costs of issuing the 2021 Parity Bonds.

The 2021 Parity Bonds are special limited obligations of Sound Transit payable from and secured solely by a pledge of the proceeds of certain sales and use taxes, motor vehicle excise taxes and rental car taxes imposed by Sound Transit and amounts, if any, in certain accounts held by Sound Transit. The pledge of such taxes and amounts in certain accounts to the payment of the 2021 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 2021 Parity Bonds are not obligations of the State of Washington or any political subdivision thereof other than Sound Transit. The 2021 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 2021 Parity Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Sound Transit. Certain legal matters will be passed upon for Sound Transit by its General Counsel and by Pacifica Law Group LLP, Seattle, Washington, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Garvey PC, Seattle, Washington. It is expected that the 2021 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 November 4, 2021.

J.P. Morgan **Citigroup**
BofA Securities **RBC Capital Markets**

October 20, 2021

The Central Puget Sound Regional Transit Authority

\$869,360,000
Sales Tax and Motor Vehicle Excise Tax Improvement and Refunding Bonds,
Series 2021S-1 (Green Bonds)

Due (November 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No. 155048[±]
2022	\$9,025,000	5.00%	0.12%	104.834	DM0
2023	18,450,000	5.00	0.20	109.536	DN8
2024	20,880,000	5.00	0.34	113.858	DP3
2025	23,470,000	5.00	0.49	117.805	DQ1
2026	35,905,000	5.00	0.64	121.385	DR9
2027	37,695,000	5.00	0.84	124.258	DS7
2028	31,315,000	5.00	1.00	126.946	DT5
2029	43,240,000	5.00	1.16	129.227	DU2
2030	35,495,000	5.00	1.27	131.600	DV0
2031	52,885,000	5.00	1.36	133.899	DW8
2032	55,530,000	5.00	1.41[†]	133.348	DX6
2033	58,305,000	5.00	1.45[†]	132.909	DY4
2034	29,410,000	5.00	1.48[†]	132.581	DZ1
2035	17,290,000	5.00	1.50[†]	132.363	EA5
2036[‡]	47,000,000	3.00	2.03[†]	108.732	EC1
2036[‡]	30,280,000	5.00	1.53[†]	132.037	EB3
2040	65,000,000	4.00	1.87[†]	119.330	ED9
2041	12,345,000	4.00	1.90[†]	119.028	EE7

\$26,315,000, 5.00% Term Parity Bonds due November 1, 2043, yield of 1.76%[†], at a price of 129.567, CUSIP No. 155048EF4

\$108,000,000, 4.00% Term Parity Bonds due November 1, 2046, priced to yield 2.08%[†], at a price of 117.241, CUSIP No. 155048EG2

\$111,525,000, 2.60% Term Parity Bonds due November 1, 2050, yield of 2.60%, at a price of 100.00, CUSIP No. 155048EH0

[±] 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 2021 Parity Bonds. Neither Sound Transit nor the Underwriters take responsibility for the accuracy of the CUSIP numbers.
[†] Calculated to the par call date of November 1, 2031.
[‡] Bifurcated maturity.

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 2021 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 2021 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.

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

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

Information on website 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 2021 Parity Bonds.

The 2021 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 2021 Parity Bonds will not have been recommended by the Securities and Exchange Commission ("SEC") or any other federal, state or foreign securities commission or regulatory authority, and no such commissions or regulatory authorities will have reviewed or passed upon the accuracy or adequacy of this 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[(1)]

Board of Directors

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

Principal Administrative Officers

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

Advisors and Consultants

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

Bond Registrar

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

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(1) This inactive textual reference to Sound Transit's website is not a hyperlink, and Sound Transit's website, by this reference, is not incorporated herein.
(2) On September 23, 2021, Sound Transit announced that Mr. Rogoff will step down as CEO in second quarter 2022. The Board adopted a motion approving a Transition Employment Contract with Mr. Rogoff. The Transition Employment Contract extends until transitional and/or operational benchmarks are complete or May 31, 2022, whichever is earlier. Sound Transit is initiating a national search to select the agency's next Chief Executive Officer.
(3) On August 23, 2021, Tracy Butler announced her intention to leave Sound Transit, and the agency is initiating a search for her successor.

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APPENDIX E:	FORM OF BOND COUNSEL OPINION
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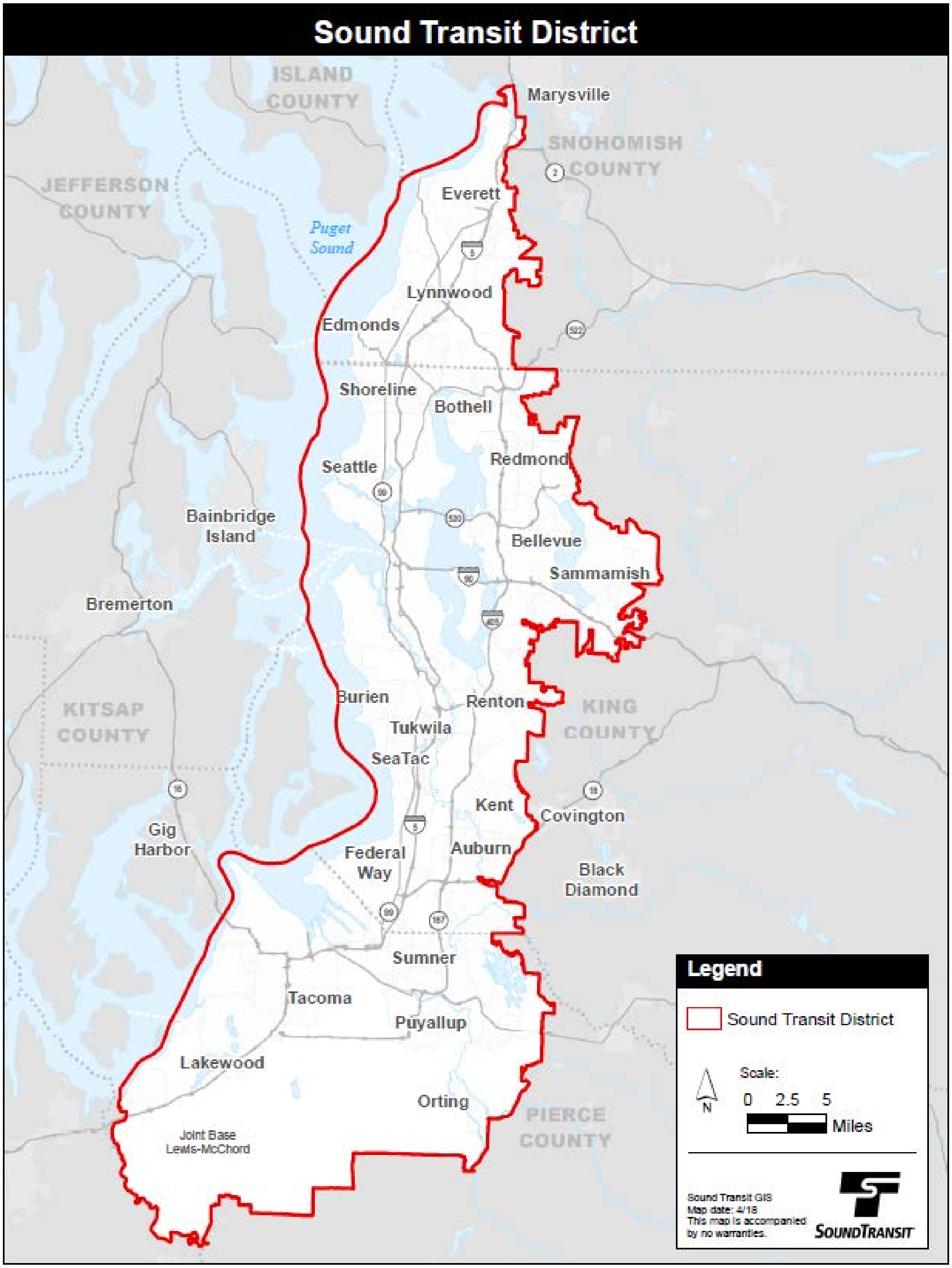
APPENDIX G:	GREEN BOND PROJECTS

SOUND TRANSIT DISTRICT MAP



OFFICIAL STATEMENT

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

\$869,360,000
SALES TAX AND MOTOR VEHICLE EXCISE TAX IMPROVEMENT AND REFUNDING BONDS, SERIES 2021S-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 Improvement and Refunding Bonds, Series 2021S-1 (Green Bonds), in the aggregate principal amount of \$869,360,000 (the "2021 Parity Bonds").

The 2021 Parity Bonds, together with the outstanding Sales Tax Bonds, Series 2009S-2T (Taxable Build America Bonds – Direct Payment) (the "2009S-2T Parity Bonds"), Sales Tax Refunding Bonds, Series 2012S-1 (the "2012S-1 Parity Bonds"), Sales Tax Improvement and Refunding Bonds, Series 2015S-1 (the "2015S-1 Parity Bonds"), Sales Tax and Motor Vehicle Excise Tax Improvement Bonds, Series 2015S-2A (the "2015S-2A Parity Bonds"), Sales Tax and Motor Vehicle Excise Tax Improvement Bonds, Series 2015S-2B (the "2015S-2B Parity Bonds," and together with the 2015S-1 Parity Bonds and the 2015S-2A Parity Bonds, the "2015 Parity Bonds"), Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2016S-1 (the "2016 Parity Bonds," and together with the 2009S-2T Parity Bonds, the 2012S-1 Parity Bonds, and the 2015 Parity Bonds, the "Outstanding Parity Bonds"), and any obligations issued in the future that are secured by a pledge of the Pledged Taxes (defined herein) on a parity with the pledge to the payment of the Outstanding Parity Bonds (the "Future Parity Bonds"), are referred to collectively as the "Parity Bonds." 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 to the payment of the outstanding Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999 (the "1999 Prior Bonds"), Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2009P-2T (Taxable Build America Bonds – Direct Payment) (the "2009P-2T Prior Bonds"), and Sales Tax and Motor Vehicle Excise Tax Refunding Bonds, Series 2012P-1 (the "2012P-1 Prior Bonds," and together with the 1999 Prior Bonds, and the 2009P-2T Prior Bonds, the "Outstanding Prior Bonds"). Sound Transit will refund all of the 2012P-1 Prior Bonds maturing on and after February 1, 2022 (the "Refunded Bonds") with a portion of the proceeds of the 2021 Parity Bonds. The Outstanding Prior Bonds and any obligations issued in the future that are secured by a pledge of the Local Option Taxes (defined herein) on a parity with the pledge to the payment of the Outstanding Prior Bonds (the "Future Prior Bonds") are referred to collectively as the "Prior Bonds." See "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS."

This Introduction does not purport to be complete, and reference is made to the entire Official Statement, including the cover, inside cover and appendices, for more complete statements with respect to the matters summarized herein. Unless otherwise defined in this Official Statement, capitalized terms used herein have the meanings set forth in Appendix B – "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 2020 estimated population of approximately 3.2 million, or approximately 80.3%

of the population of the three counties within the District and approximately 41.6% of the population of the State, and includes, among others, the cities of Seattle, Tacoma, Bellevue, and Everett. A map of the District is set forth on page iv of this 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 2021 Parity Bonds

The 2021 Parity Bonds are being issued to provide funds (i) to refund all of Sound Transit's 2012P-1 Prior Bonds maturing on and after February 1, 2022; (ii) to pay, or reimburse Sound Transit for the payment of, a portion of the costs of acquiring, designing, constructing, equipping and installing improvements to high-capacity transportation facilities; and (iii) to pay costs of issuing the 2021 Parity Bonds. See "SOURCES AND USES OF FUNDS."

Green Bonds

Sound Transit has designated the 2021 Parity Bonds as "Green Bonds" based on the use of the proceeds of the 2021 Parity Bonds to finance or refinance projects that adhere to Sound Transit's Sustainability Plan (the "Sustainability Plan"), such as reducing car trips by carrying more transit riders, supporting smart regional growth, fostering transit-oriented development and improved transit access, designing and building greener projects, and operating fleets and facilities more efficiently. See "THE 2021 PARITY BONDS – Designation as Green Bonds" and "Appendix G—GREEN BOND PROJECTS."

Authority for Issuance

The 2021 Parity Bonds are authorized to be issued pursuant to chapters 81.104 and 81.112 RCW (the "Act") and chapter 39.46 RCW.

The 2021 Parity Bonds are being issued pursuant to Resolution No. R2015-16, adopted on July 23, 2015 (as amended and restated, including as restated by Resolution No. 2016-34, adopted on November 29, 2016, the "Parity Bond Master Resolution"), as supplemented by Resolution No. R2021-13, adopted on September 23, 2021 (the "2021 Parity Bond Series Resolution," and together with the Parity Bond Master Resolution, the "2021 Parity Bond Resolutions"). The 2021 Parity Bond Resolutions, together with the other resolutions, as amended and restated, that authorized the issuance of the Outstanding Parity Bonds, are referred to collectively as the "Parity Bond Resolutions."

The 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. R2016-35, adopted on November 29, 2016 (the "Master Prior Bond Resolution"), together with the other resolutions, as amended, that authorized the issuance of the Outstanding Prior Bonds, are referred to collectively as the "Prior Bond Resolutions."

Summary of System Plan

Sound Transit has adopted its "System Plan," which incorporates commuter rail, light rail, express buses, bus rapid transit, community connections (such as transit centers, park-and-ride lots and transit access improvements), and HOV facilities and other improvements. The four primary programs are regional express buses ("ST Express"), bus rapid transit ("Stride"), commuter rail ("Sounder"), and electric light rail ("Link"). The implementation of the initial phase of the System Plan ("Sound Move") was approved by voters in 1996 to finance the beginning of the light rail, commuter rail, and express bus service. In 2008, voters approved "Sound Transit 2" as a second phase of the System

Plan to finance the expansion of the light rail system, commuter rail, and express bus service. In 2016, voters approved "Sound Transit 3" as a third phase of the System Plan to finance additional expansion of the light rail system, commuter rail, and regional express bus service, as well as the implementation of the bus rapid transit system. The capital component of the entire System Plan is estimated to cost $68.8 billion (in year of expenditure dollars, through 2046) and is being financed with a combination of Sales Tax, Rental Car Tax, and Motor Vehicle Tax (each defined herein) revenues, other tax revenues (including property tax revenues), federal, State, and local grants and loans, bond and TIFIA Bond (as defined herein) proceeds, and fares and other operating revenues, as well as interest earnings on money from such sources. See "SOUND TRANSIT TAXES" and "SOUND TRANSIT – System Plan." Many such sources, including proceeds of Local Option Taxes and Pledged Taxes available as described in "SECURITY FOR THE PARITY BONDS – Flow of Funds," are also used and will be used to pay the cost of operating and maintaining Sound Transit and its facilities. See "HISTORICAL FINANCIAL INFORMATION."

Pledged Taxes

In 1996, Sound Transit obtained voter approval to impose and collect two taxes within the District: a sales and use tax (the "Sales Tax"), imposed initially at the rate of 0.4%, and a motor vehicle excise tax (the "Motor Vehicle Tax"), imposed initially at the rate of 0.3% (the "1996 Motor Vehicle Tax"). Sound Transit imposed the Sales Tax and the 1996 Motor Vehicle Tax effective April 1, 1997, together with a rental car tax that did not require voter approval (the "Rental Car Tax") at the rate of 0.8%.

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

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

In 2016, Sound Transit obtained voter approval to increase the rate at which the Sales Tax is imposed by an additional 0.5%. Sound Transit began imposing the Sales Tax at the increased total rate of 1.4% effective April 1, 2017, and included the increased rate of Sales Tax in Pledged Taxes as an "Adopted Parity Rate Adjustment."

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

The Pledged Taxes currently consist of the following components:

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

The Pledged Taxes are pledged to the payment of the Parity Bonds, including the 2021 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 the issuance of the 2016 Parity Bonds, the 1996 Motor Vehicle Tax was not a component of Pledged Taxes pledged to the payment of the Parity Bonds. Under current law, Sound Transit does not have authority to impose the 1996 Motor Vehicle Tax after the 1999 Prior Bonds are retired or provision is made for their payment. The last scheduled maturity of the 1999 Prior Bonds is February 1, 2028.

See "SOUND TRANSIT TAXES" and "SECURITY FOR THE PARITY BONDS."

Security for the Parity Bonds

The Parity Bonds, including the 2021 Parity Bonds, are "Subordinate Obligations," as that term is defined in the Master Prior Bond Resolution. The 2021 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 2021 Parity Bonds, of amounts in the Parity Bond Account, the Additional Taxes Accounts, and, except as otherwise provided in a Series Resolution or the Parity Bond Master Resolution, the proceeds of the Parity Bonds deposited in any proceeds account and/or in any account created in the Project Fund for the deposit of Parity Bond proceeds, is a charge on the amounts in such accounts equal to the charge of any other Parity Bonds thereon and superior to all other charges of any kind or nature (including the payment of costs of operating and maintaining Sound Transit and its facilities and the payment of debt service on the Prior Bonds).

The pledge of the Pledged Taxes and amounts in the Parity Bond Account, the Local Option Tax Accounts, the Additional Taxes Accounts, and the Tax Stabilization Subaccount and earnings thereon, to the extent amounts and earnings in the Local Option Tax Accounts, the Additional Taxes Accounts, and the Tax Stabilization Subaccount represent revenues from Pledged Taxes, to the payment of the Parity Bonds, including the 2021 Parity Bonds, is a prior charge superior to all other charges of any kind or nature (including the payment of costs of operating and maintaining Sound Transit and its facilities), except the charge of the Prior Bonds on Local Option Taxes, and equal to the charge of any other Parity Bonds.

Sound Transit has also pledged to the payment of the 2021 Parity Bonds the proceeds of the 2021 Parity Bonds deposited in the 2021 Project Account in the Project Fund and in any other account or subaccount established by Sound Transit to hold proceeds of the 2021 Parity Bonds, and such pledge is a charge on the amounts in such accounts superior to all other charges of any kind or nature. See "SECURITY FOR THE PARITY BONDS."

Security for the Prior Bonds and Other Obligations

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

The "Local Option Taxes" currently consist of the following components:

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

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

Second Tier Junior Obligations – TIFIA Bonds. In January 2015, Sound Transit entered into a TIFIA Loan Agreement (the "East Link TIFIA Loan Agreement") with the United States Department of Transportation, acting by and through the Federal Highway Administrator (the "TIFIA Lender"), pursuant to the Transportation Infrastructure Finance and Innovation Act ("TIFIA"). In December 2016, Sound Transit entered into a Master Credit Agreement (the "TIFIA Master Credit Agreement") with the successor TIFIA Lender pursuant to TIFIA. Pursuant to the TIFIA Master Credit Agreement, Sound Transit entered into four TIFIA Loan Agreements (the "Northgate Link TIFIA Loan Agreement" in December 2016, the "O&M Facility East TIFIA Loan Agreement" in June 2017, the "Lynnwood Link TIFIA Loan Agreement" in December 2018, and the "Federal Way Link TIFIA Loan Agreement" in December 2019). In September 2021, Sound Transit entered into the "Downtown Redmond Link TIFIA Loan Agreement" and "East Link TIFIA Loan Agreement" and replaced the four TIFIA Loan Agreements entered into pursuant to the TIFIA Master Credit Agreement, on substantially similar terms but at lower rates of interest.

The obligations of Sound Transit under each of the East Link TIFIA Loan Agreement, the Northgate Link TIFIA Loan Agreement, the O&M Facility East TIFIA Loan Agreement, the Lynnwood Link TIFIA Loan Agreement, the Federal Way Link TIFIA Loan Agreement, and the Downtown Redmond TIFIA Loan Agreement (collectively, the "TIFIA Loan Agreements") are each evidenced by a TIFIA Bond. Each TIFIA Bond is a Second Tier Junior Obligation payable from Pledged Taxes after payment of debt service on the Prior Bonds, the Parity Bonds, and any First Tier Junior Obligations, and on a parity with any other Second Tier Junior Obligations. See "SECURITY FOR THE PARITY BONDS – Flow of Funds."

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

Lease-Leaseback. In 2001, Sound Transit entered into a transaction to lease 22 rail passenger cab and coach cars and five locomotives to an investor and simultaneously subleased the vehicles from the investor (the "Capital Lease"). The payment obligations of Sound Transit under the Capital Lease are subject and subordinate to the payment of the Prior Bonds, the Parity Bonds, the First Tier Junior Obligations, and the Second Tier Junior Obligations. See "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – Capital Lease."

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

THE 2021 PARITY BONDS

General

The 2021 Parity Bonds are to be issued in the aggregate principal amount of $869,360,000. The 2021 Parity Bonds will be dated November 4, 2021, mature on November 1 in the years set forth on the inside front cover and will be issued in denominations of $5,000 and any integral multiple of $5,000 within a maturity and interest rate.

Designation as Green Bonds

Sound Transit has designated the 2021 Parity Bonds as "Green Bonds" based on the use of the proceeds of the 2021 Parity Bonds to reimburse costs of 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. This Green Bonds designation is in alignment with the four core components of the Green Bond Principles as published and administered by the International Capital Markets Association. Proceeds of the 2021 Parity Bonds will be used to reimburse costs of projects that adhere to the Sustainability Plan consistent with the Green Eligible Project Category for "Clean transportation (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)." Proceeds of the 2021 Parity Bonds (other than amounts applied to pay costs of issuance) will be used to reimburse costs incurred by Sound Transit for various projects relating to building new, expanded, or extended transit lines and improvements to transit operations and maintenance facilities identified in Appendix G (the "Green Bond Projects"). The 2021 Parity Bond proceeds are expected to be allocated on the date of issuance of the 2021 Parity Bonds to all or a portion of the Green Bond Projects. Payment of principal of and interest on the 2021 Parity Bonds will not be directly linked to the performance of any Green Bond Project.

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

Sound Transit's mission is for the System Plan and Sustainability Plan to enable more people to travel affordably and reliably on environmentally-friendly buses and trains throughout the region to reduce greenhouse gases and reliance on fossil fuels. According to the State Department of Ecology, the transportation sector is responsible for the majority of the region's greenhouse gas emissions, differing from most of the United States, where electricity generation is the primary source of emissions. Sound Transit's mission has thereby had a direct beneficial impact on the sector that is responsible for the majority of the region's emissions. By providing green transit services, Sound Transit has been making continuous efforts in reducing emissions in the transportation sector, including with the proceeds of the 2021 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.

Sound Transit has not engaged an independent consultant in connection with the designation of the 2021 Parity Bonds as Green Bonds or the identification of the Green Bond Projects.

Reporting. The identification of the Green Bond Projects is set forth in Appendix G. Sound Transit does not undertake to provide further reporting on the Green Bond Projects.

No representation is made as to the suitability of any 2021 Parity Bonds to fulfill environmental and sustainability criteria required by prospective investors. Each potential purchaser of 2021 Parity Bonds should determine for itself the relevance of the information contained or referred to herein or in the 2021 Parity Bond Resolutions *regarding the use of proceeds and its purchase of 2021 Parity Bonds should be based upon such investigation as it deems necessary.*

Payment of 2021 Parity Bonds

The fiscal agent of the State (currently U.S. Bank National Association in Seattle, Washington) serves as paying agent, authenticating agent, transfer agent, and registrar for the 2021 Parity Bonds (the "Bond Registrar").

The 2021 Parity Bonds have been issued as fully registered bonds under a book-entry system, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which acts as securities depository for the 2021 Parity Bonds. Individual purchases of 2021 Parity Bonds are to be made in authorized denominations in book-entry form only. Purchasers will not receive certificates representing their interest in the 2021 Parity Bonds, except as described in Appendix F – "DTC AND ITS BOOK-ENTRY SYSTEM."

Payments of principal of and interest on the 2021 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 2021 Parity Bonds is the responsibility of DTC participants, all as described in Appendix F – "DTC AND ITS BOOK-ENTRY SYSTEM."

Interest on certificated 2021 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 2021 Parity Bonds, by wire, mailed or transferred on the interest payment date to Owners of the 2021 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 certificated 2021 Parity Bonds is payable at maturity or on such date as may be specified for prior redemption upon presentation and surrender of the 2021 Parity Bonds by the Owners at the designated office or offices of the Bond Registrar.

"Record Date" means the Bond Registrar's close of business on the 15th day of the month preceding an interest payment date, regardless of whether or not the 15th day is a business day.

If the principal of any 2021 Parity Bond is not paid when properly presented at its maturity or earlier date fixed for redemption, Sound Transit is obligated to pay interest on that 2021 Parity Bond at the same rate provided in that 2021 Parity Bond from and after its maturity or earlier date fixed for redemption until that 2021 Parity Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Account or with an escrow agent to defease that 2021 Parity Bond.

Registration and Transfer or Exchange of 2021 Parity Bonds

The 2021 Parity Bonds are registered in the name of Cede & Co., as the nominee of DTC. The 2021 Parity Bonds are held by DTC as securities depository in its book-entry system in accordance with the provisions of the Letter of Representations, all as described in Appendix F – "DTC AND ITS BOOK-ENTRY SYSTEM."

Neither Sound Transit nor the Bond Registrar has any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the 2021 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 2021 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 2021 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 2021 Parity Bonds.

2021 Parity Bonds surrendered to the Bond Registrar may be exchanged for 2021 Parity Bonds in any authorized denomination of an equal aggregate principal amount and of the same series, maturity, and interest rate. 2021 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 2021 Parity Bond during the period beginning on the date the Bond Registrar receives direction to send notice of redemption of that 2021 Parity Bond and ending on the date the Bond Registrar sends such notice.

Terms of the 2021 Parity Bonds

Optional Redemption. The 2021 Parity Bonds maturing on or after November 1, 2032 are subject to redemption at the option of Sound Transit on any day on or after November 1, 2031, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the date fixed for redemption, without premium.

Mandatory Redemption. The 2021 Parity Bonds maturing in 2043, 2046, and 2050, are Term Parity Bonds and, if not optionally redeemed, purchased, or defeased, 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.

2021 Parity Bonds (2043 Maturity)

Year	Principal Amount
2042	$12,835,000
2043*	13,480,000

* *Final maturity.*

2021 Parity Bonds (2046 Maturity)

Year	Principal Amount
2044	$27,965,000
2045	29,090,000
2046*	50,945,000

* *Final maturity.*

2021 Parity Bonds (2050 Maturity)

Year	Principal Amount
2047	$26,815,000
2048	27,515,000
2049	28,230,000
2050*	28,965,000

* *Final maturity.*

If a 2021 Term Parity Bond is redeemed at the option of Sound Transit, defeased, or purchased by Sound Transit for cancellation, the principal amount of the 2021 Term Parity Bond so redeemed, defeased, or purchased by Sound Transit for cancellation (irrespective of its actual redemption or purchase price) will be credited against one or more scheduled mandatory redemption installments for the 2021 Term Parity Bond.

Selection for Redemption. If fewer than all of the outstanding 2021 Parity Bonds of a maturity are to be redeemed prior to maturity, 2021 Parity Bonds of a maturity are to be selected for redemption by lot in such manner as the Bond Registrar shall determine. Notwithstanding the foregoing, so long as the 2021 Parity Bonds are registered in the name of DTC or its nominee, selection of 2021 Parity Bonds for redemption shall be in accordance with the Letter of Representations.

Notice of Redemption; Conditional Notice; Rescission. Sound Transit is required to cause notice of any intended redemption of 2021 Parity Bonds to be given not less than 20 calendar days, but not more than 60 days prior to the date fixed for redemption, by Electronic Notice, confirmed by written notice given by first-class mail, postage prepaid, to the Owner of any 2021 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 2021 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 (i) that Sound Transit retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the Owners of the 2021 Parity Bonds that were to have been redeemed at any time on or prior to the date fixed for redemption and/or (ii) that such redemption is conditioned on sufficient money being available for such purpose on or prior to the date fixed for redemption or conditioned on the occurrence of any other event. Any notice of optional redemption that is so rescinded will be of no effect, each 2021 Parity Bond for which a notice of optional redemption has been so rescinded will remain outstanding, and the rescission will not constitute a Default. Any such conditional notice of optional redemption for which sufficient money is not available for such purpose on the date specified, or for which the event upon which redemption is conditioned has not occurred, as the case may be, will be of no effect, each 2021 Parity Bond for which notice of optional redemption has been so conditioned shall remain outstanding, and the failure to satisfy such condition to redemption shall not constitute a Default.

Effect of Notice of Redemption. If notice of redemption has been duly given and not duly rescinded (and in the case of a conditional notice of optional redemption, if sufficient money is available for such purpose on the date specified and/or any other event upon which redemption is conditioned has occurred), then on the date fixed for redemption, each 2021 Parity Bond 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 Sound Transit has provided to the Bond Registrar money for the payment of the redemption price of any 2021 Parity Bond so called for redemption that becomes payable, interest thereon will cease to accrue and that 2021 Parity Bond will cease to be outstanding and to be entitled to any benefit, protection, or security under the 2021 Parity Bond Resolutions, and the Owner of such 2021 Parity Bond will have no rights in respect thereof except to receive payment of the redemption price upon delivery of such 2021 Parity Bond to the Bond Registrar.

Purchase in the Open Market. 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 2021 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.

COVID-19 PANDEMIC

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

The State Department of Health began distributing COVID-19 vaccines according to the State allocation and priority plan. The plan began in December 2020 and opened to anyone 16 and older on April 15, 2021, and to anyone 12 and older on May 13, 2021. The District has a relatively high vaccination adoption rate. According to the State Department of Health COVID-19 Data Dashboard, as of October 4, 2021, 77.1% of Washingtonians 12 and older have received at least one dose of COVID-19 vaccine and 70.7% of people 12 and older are fully vaccinated. As of

October 2, 2021, 79.6% of King County residents 12 or older, 59.2% of Pierce County residents 12 or older, and 69.1% of Snohomish County residents 12 or older are fully vaccinated.

While the pandemic has had a significant impact on ridership, the overall financial impact to Sound Transit has been much less pronounced. Sound Transit's financial performance has historically relied primarily on Local Option Taxes and federal contributions and much less on farebox revenues. After an initial decline (particularly in monthly Sales Tax revenues beginning April 2020 and extending until December 2020), Sales Tax and Motor Vehicle Tax revenues recovered and in 2021 are over 10% above pre-pandemic 2019 levels. See Table 4. As a precautionary measure early in the pandemic, Sound Transit implemented a variety of measures to control costs while monitoring the length and depth of the economic slowdown. These measures included a hiring freeze for non-critical positions, a reduction in department budgets, and reductions in service levels to match ridership.

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

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

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

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

SOURCES AND USES OF FUNDS

The 2021 Parity Bonds are to be issued (i) to refund all of Sound Transit's 2012P-1 Prior Bonds maturing on and after February 1, 2022; (ii) to pay, or reimburse Sound Transit for the payment of, a portion of the costs of acquiring, designing, constructing, equipping and installing improvements to high-capacity transportation facilities; and (iii) to pay costs of issuing the 2021 Parity Bonds.

The following table sets forth the sources and uses of funds, including proceeds of the 2021 Parity Bonds, rounded to the nearest dollar.

TABLE 1
SOURCES AND USES OF FUNDS

Sources of Funds	
Principal of the 2021 Parity Bonds	$869,360,000
Original Issue Premium	184,312,741
Accrued Interest Contribution	1,434,912
Debt Service Reserve Release	11,584,297
Total Sources	$1,066,691,950
Uses of Funds	
2021 Project Account	$950,000,000
Refunding Account	113,867,250
Issuance Costs[1]	2,824,700
Total Uses	$1,066,691,950

[1] Includes rating agency fees, escrow agent fees, financial advisor and legal fees, Underwriters' discount, additional proceeds, and other costs of issuing the 2021 Parity Bonds.

Source: Sound Transit

Plan of Refunding

A portion of the proceeds of the 2021 Parity Bonds are to be used to defease and refund all of the following 2012P-1 Prior Bonds (the "Refunded Bonds"):

TABLE 2
REFUNDED BONDS

Maturity Date (February 1)	Principal Amounts	Interest Rates	Maturity or Call Date	Redemption Price	CUSIP Numbers (155048)
2022	$ 9,310,000	5.000%	2/1/2022	N/A	CJ8
2023	11,300,000	5.000	2/1/2022	100%	CK5
2024	13,425,000	5.000	2/1/2022	100	CL3
2025	15,700,000	5.000	2/1/2022	100	CM1
2026	18,130,000	5.000	2/1/2022	100	CN9
2027	20,725,000	5.000	2/1/2022	100	CP4
2028	22,500,000	5.000	2/1/2022	100	CQ2

The Refunded Bonds either mature on February 1, 2022 or are callable at a price of par, plus accrued interest to the date of redemption, on any date on or after February 1, 2022. On the day of issuance of the 2021 Parity Bonds, net proceeds of the 2021 Parity Bonds and other available funds of Sound Transit, if any, are to be deposited into an escrow fund (the "Escrow Fund") held by U.S. Bank National Association, as escrow agent (the "Escrow Agent"), and used on February 1, 2022 to pay the maturing principal or the full redemption price (100% of par) of the Refunded Bonds on the call date, as applicable, all pursuant to the terms of an Escrow Deposit Agreement between Sound Transit and the Escrow Agent.

Verification of Mathematical Calculations

Causey Demgen & Moore P.C. (the "Verification Agent") will verify the accuracy of the mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Governmental Obligations, to be placed together with other escrow money in the escrow account to pay when due, pursuant to the call for redemption, the principal of and interest on the Refunded Bonds.

SOUND TRANSIT TAXES

Introduction

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

In 2008, Sound Transit obtained voter approval to increase the rate at which the Sales Tax is imposed by an additional 0.5%. Sound Transit began imposing the Sales Tax at the increased rate of 0.9% effective April 1, 2009, and included the increased rate of Sales Tax in Local Option Taxes as an "Adopted Prior Rate Adjustment."

In 2016, Sound Transit obtained voter approval to increase the rate at which the Sales Tax is imposed by an additional 0.5%. Sound Transit began imposing the Sales Tax at the increased total rate of 1.4% effective April 1, 2017, and included the increased rate of Sales Tax in Local Option Taxes as an "Adopted Prior Rate Adjustment."

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

The Local Option Taxes currently consist of the following components:

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

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

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

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

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

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

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

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

The Pledged Taxes are pledged to the payment of the Parity Bonds, including the 2021 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 2021 Parity Bonds.

General. The State first imposed a retail sales tax and a corresponding use tax on taxable retail sales and uses of personal property in 1935. Cities, counties, and other municipal corporations are authorized to impose various local sales and use taxes to generate revenues to carry out essential governmental purposes. Neither the State nor any local government within the State has to date collected a tax on personal or corporate net income, although the 2021 State Legislature enacted a 7% tax on the sale or exchange of long-term capital assets (stocks, bonds, business interests, or other investments, and many tangible assets) if the profits exceed $250,000 annually. This capital gains tax takes effect January 1, 2022, and applies only to individuals and only to gains allocated to the State.

The State currently imposes a sales and use tax of 6.5%. Sales and use taxes in the District currently are imposed by the State and local taxing entities at aggregate rates ranging from 9.2% to 10.4%. These rates include the Sales Tax imposed at a rate of 1.4%.

In 2020, Sound Transit received or accrued $1,324.5 million on account of the Sales Tax. See Table 3 under this heading for historical information regarding Sales Tax revenues. See "COVID-19 PANDEMIC."

Tax Base. The Sales Tax consists of a sales tax and a use tax. The sales tax currently is applied to a broad base of tangible personal property and selected services purchased by consumers, including construction (labor and materials), machinery and supplies used by businesses, and repair of real and personal property and many other transactions not taxed in other states. The use tax supplements the sales tax by taxing the use of certain services and by taxing the use of personal property on which a sales tax has not been paid (such as items purchased in a state that imposes no sales tax). The State Legislature and the voters through the initiative process have changed the base of the sales tax and the use tax on occasion. This may occur again in the future. See "INITIATIVES AND REFERENDA." Among the various items not currently subject to the Sales Tax are most personal services, motor vehicle fuel, most food for off-premises consumption, trade-ins, and purchases for resale. Most lodging is not subject to the Sales Tax because the State Legislature has authorized the imposition of separate lodging taxes and has limited the total sales tax that may be imposed on lodging.

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

Method of Collection. Sales tax upon applicable retail sales is collected by the seller from the consumer. Use tax is payable by the consumer upon applicable rendering of services or uses of personal property. County auditors collect any use tax imposed on the use of motor vehicles. Each seller (and County auditor) is required to hold taxes collected in trust until remitted to the State Department of Revenue (the "DOR"), which usually occurs on a monthly basis. The DOR remits the Sales Tax revenues to Sound Transit by electronic funds transfer each month. The Sales Tax revenues received by Sound Transit in each month are derived from transactions that occurred during the second month prior to the month that such Sales Tax revenues are received by Sound Transit. Receipts were further, temporarily delayed as a result of the Governor's March 18, 2020 COVID-19 proclamation suspending interest on tax payments (and subsequent extensions of the proclamation). See "COVID-19 PANDEMIC."

Sound Transit has entered into an agreement with the DOR for State administration of the Sales Tax and the Rental Car Tax. Under this agreement, the DOR administers and collects the taxes from retailers, taxpayers, and the County auditors on account of the Sales Tax and the Rental Car Tax and disburses the proceeds to Sound Transit on a monthly basis. The DOR charges an ongoing administrative fee for this service of 0.7% on 4/9ths of the Sound Transit monthly tax distributions through 2025 and on all of the monthly tax distributions after 2025. The DOR agreement also provides for reimbursement of DOR for costs of modifications or changes to the administration of Sound Transit taxes as well as refunds not in the ordinary course of administering the taxes. The agreement was updated to include the Sound Transit 3 Sales Tax increase of 0.5% and was originally effective from April 1, 2017 through December 31, 2020. The agreement is subject to automatic renewal for an additional three successive three-year periods, and has been renewed under this automatic renewal provision, and is subject to termination by either party upon proper written notice.

Sales Tax Offset. Sound Transit 3 included a requirement that Sound Transit pay a sales and use tax offset fee into a Puget Sound taxpayer accountability account. This offset fee is 3.25% of the total payments made by Sound Transit to construction contractors and excluded from the definition of retail sales for new projects included in Sound Transit 3 and any other system plan approved after January 1, 2015, and will continue until Sound Transit has paid $518 million into such account. As of December 31, 2020, Sound Transit had paid $8.5 million into the taxpayer accountability account. The DOR is to oversee the Puget Sound taxpayer accountability account, and after September 1, 2017, the money in that account is to be used for educational services within the Counties. Sound Transit's obligation pay this offset fee is subordinate to the payment of the Prior Bonds, the Parity Bonds, the First Tier Junior Lien Obligations, and the Second Tier Junior Lien Obligations.

Motor Vehicle Tax

Pledge of 1996 Motor Vehicle Tax. The 1996 Motor Vehicle Tax, imposed at the rate of 0.3%, is a component of the Local Option Taxes pledged to the payment of the Prior Bonds and a component of the Pledged Taxes pledged to the payment of the Parity Bonds, including the 2021 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 2021 Parity Bonds.

General. The State first imposed a motor vehicle excise tax on vehicles owned by residents in 1937. In 1992, the State Legislature authorized regional transit authorities to impose an incremental motor vehicle excise tax upon voter approval. In 2002, the State's voters approved I-776, which also purported to repeal this statutory authority, but the State Supreme Court confirmed Sound Transit's authority to continue collecting the full amount of the 1996 Motor Vehicle Tax so long as the 1999 Prior Bonds remain outstanding. In 2015, the State Legislature authorized regional transit authorities to impose an incremental motor vehicle excise tax of up to 0.8% upon voter approval.

In 2020, Sound Transit received or accrued $361.7 million on account of the Motor Vehicle Tax. See Table 3 under this heading for historical information regarding Motor Vehicle Tax revenues. See "COVID-19 PANDEMIC."

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

The Motor Vehicle Tax does not apply to certain exempted classes of vehicles, including commercial trucks and rental cars.

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

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

Rental Car Tax

Pledge of Rental Car Tax. The Rental Car Tax, imposed at the rate of 0.8%, is a component of the Local Option Taxes pledged to the payment of the Prior Bonds and a component of the Pledged Taxes pledged to the payment of the Parity Bonds, including the 2021 Parity Bonds.

General. In 1992, the State Legislature authorized regional transit authorities to impose an incremental sales and use tax upon retail car rentals that are otherwise taxable by the State pursuant to chapters 82.08 and 82.12 RCW. Sound Transit began imposing the Rental Car Tax in 1997 upon car rentals in the District at the rate of 0.8% of the rental value.

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

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

In 2020, Sound Transit received or accrued approximately $1.9 million on account of the Rental Car Tax. See Table 3 under this heading for historical information regarding Rental Car Tax revenues. See "COVID-19 PANDEMIC."

Tax Base and Method of Collection. The Rental Car Tax is paid by the customer on the rental of a passenger car for a period of less than 30 days. The base of the Rental Car Tax is the rental value of the car. Rental car companies are required by law to collect the Rental Car Tax, temporarily hold the tax receipts in trust, and remit such tax receipts to the DOR on the same frequency as the retail sales tax (which rental car companies also collect from their customers). The DOR disburses Rental Car Tax proceeds to Sound Transit on a monthly basis pursuant to the contract described in "Sales Tax – Method of Collection" under this heading. As with the Sales Tax revenues, the Rental Car Tax revenues received by Sound Transit in each month are derived from transactions that occurred during the second month prior to the month that such Rental Car Tax revenues are received by Sound Transit.

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

Table 3 sets forth historical Sales Tax, Motor Vehicle Tax and Rental Car Tax revenues as reported in Sound Transit's audited financial statements for the years 2012 through 2020. See "COVID-19 PANDEMIC."

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

(1) On an accrual basis.
(2) The rate of the Sales Tax was increased to 1.4% from 0.9% in April 2017. In addition to the 1996 Motor Vehicle Tax imposed at the rate of 0.3%, the ST3 Motor Vehicle Tax was imposed at the rate of 0.8% beginning in March 2017.
Source: Sound Transit.

TABLE 4
MONTHLY TAX RECEIPTS (2019-2021 YEAR-TO-DATE)
($000s)

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

(1) Cash receipts, unaudited. Note: April 2021 Rental Car Receipts show as zero due to a processing error.
Source: Sound Transit.

TABLE 5
AGGREGATE MONTHLY TAX RECEIPTS (2019-2021 YEAR-TO-DATE)[1]
($000s)

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

[1] Cash receipts, unaudited.
Source: Sound Transit.

Property Tax

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

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

SECURITY FOR THE PARITY BONDS

Limited Obligations

The 2021 Parity Bonds are not obligations of the State or any political subdivision thereof other than Sound Transit. The 2021 Parity Bonds are not secured by any lien, nor are the 2021 Parity Bonds secured by any charge upon any general fund or upon any money or other property of Sound Transit not specifically pledged thereto.

Flow of Funds

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

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

(i) to pay the interest when due on the Prior Bonds (including regularly scheduled Payments under Prior Payment Agreements); and

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

Second, to make all payments required to be made into the Prior Reserve Account to meet the Prior Reserve Account Requirement and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Qualified Prior Letter of Credit or Qualified Prior Insurance with respect to the Prior Reserve Account Requirement; provided, that if there is not sufficient money to make all payments under all such reimbursement 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 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; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made to the providers on a *pro rata* basis;

Fourth, to make all payments required to be made (1) into the Parity Reserve Account under any Series Resolution authorizing the issuance of Parity Bonds that are Covered Parity Bonds to meet the Parity Reserve Account Requirement for Covered Parity Bonds and (2) into a separate reserve account or into a subaccount within the Parity Reserve Account established in a Series Resolution for one or more Series of Parity Bonds that are not Covered Parity Bonds; and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to the Parity Reserve Account Requirement; provided, that if there is not sufficient money to make all payments under all such Parity Bond reserve account reimbursement agreements the payments will be made to the providers on a *pro rata* basis;

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

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

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

(iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of any reserve account requirement for First Tier Junior Obligations, and other than the provider of a Liquidity Facility) for payments of the principal and/or interest on First Tier Junior Obligations; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made to the providers on a *pro rata* basis;

Sixth, to make all payments required to be made to meet any reserve account requirement for First Tier Junior Obligations and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to such reserve account requirement; provided that if there is not sufficient money to make all payments under all such reserve account reimbursement agreements the payments will be made to the providers on a *pro rata* basis;

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

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

(ii) to pay the maturing principal (including sinking fund redemptions) of the TIFIA Bonds and any other Second Tier Junior Obligations; and

(iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of any reserve account requirement for Second Tier Junior Obligations, and other than the provider of a Liquidity Facility) for payments of the principal of and/or interest on Second Tier Junior Obligations; provided that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made to the providers on a *pro rata* basis;

Eighth, to make all payments required to be made to meet any reserve account requirement for Second Tier Junior Obligations (including the payments required to be made into the TIFIA Reserve Account pursuant to the TIFIA Loan Agreements to meet the TIFIA Reserve Requirement) and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to such reserve requirement; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made on a *pro rata* basis;

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

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

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

Twelfth, so long as any TIFIA Bond is outstanding and is owned by the TIFIA Lender or another federal agency and except as otherwise agreed (or waived), upon the occurrence and continuation of a Revenue Sharing Trigger Event (as defined under "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bonds – Optional and Mandatory Prepayment"), an amount equal to the Excess Taxes for such month for deposit into the Revenue Sharing Account; and

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

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

Security for the Parity Bonds

Pledge of Pledged Taxes. The Parity Bonds, including the 2021 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 2021 Parity Bonds, are also secured by a pledge of (i) amounts, if any, in the Parity Bond Account and (ii) amounts in the Local Option Tax Accounts, the Additional Taxes Accounts, and the Tax Stabilization Subaccount, subject to the prior pledge of money in the Local Option Tax Accounts and the Tax Stabilization Subaccount that has been made in favor of the Prior Bonds. Sound Transit has also pledged for the payment of the 2021 Parity Bonds proceeds of the 2021 Parity Bonds, if any, deposited in the 2021 Project Account in the Project Fund and in any other account or subaccount established by Sound Transit to hold proceeds of the 2021 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 2021 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 2021 Parity Bonds, of the Pledged Taxes and amounts in the Local Option Tax Accounts, the Additional Taxes Accounts, and the Tax Stabilization Subaccount and earnings thereon, to the extent amounts and earnings in the Local Option Tax Accounts, the Additional Taxes Accounts, and the Tax Stabilization Subaccount represent revenues from Pledged Taxes, is a prior charge superior to all other charges of any kind or nature (including the payment of costs of operating and maintaining Sound Transit and its facilities), except the charge of the Prior Bonds on Local Option Taxes, and equal to the charge of any other Parity Bonds.

Covenant to Impose Pledged Taxes. Sound Transit has covenanted in the Parity Bond Resolutions that so long as any Parity Bonds remain Outstanding, Sound Transit will fix, levy, and impose the Sales Tax at a rate of not less than 1.4% and the Rental Car Tax at a rate of not less than 0.8%, except that Sound Transit may impose the Sales Tax at a rate of not less than 1.3% in the manner described below in "Permitted Reduction of Sales Tax Rate." Sound Transit has covenanted in the Parity Bond Resolutions to fix, levy, and impose the 1996 Motor Vehicle Tax, to the extent permitted by law, at a rate of not less than 0.3% and to fix, levy, and impose the ST3 Motor Vehicle Tax at a rate of not less than 0.8%. Under current law, Sound Transit does not have authority to impose the 1996 Motor Vehicle Tax after the 1999 Prior Bonds are retired or provision is made for their payment. The last scheduled maturity of the 1999 Prior Bonds is February 1, 2028.

Sound Transit has further covenanted in the Parity Bond Resolutions (i) to take all reasonable actions necessary to impose and provide for the continued collection of the Pledged Taxes and the application of those taxes for payment of the Parity Bonds in accordance with the Parity Bond Resolutions; (ii) to take all reasonable actions necessary to impose and provide for the continued collection of the Local Option Taxes and the application of those taxes for the payment of the Prior Bonds in accordance with the Master Prior Bond Resolution and the application of those Local Option Taxes in accordance with the Master Prior Bond Resolution and the Parity Bond Resolutions; and (iii) except as described in "Permitted Reduction of Sales Tax Rate," not to take any action that limits, terminates, reduces, or otherwise impairs the authority of Sound Transit to impose and collect all Local Option Taxes and Pledged Taxes.

Permitted Reduction of Sales Tax Rate. Sound Transit has reserved the right to reduce the rate at which Sound Transit imposes the Sales Tax to 1.3%, provided that Sound Transit certifies in an Authority Pledged Taxes Sufficiency Certificate that:

(i) *Prior Bonds Coverage Test.* Local Option Taxes received during any consecutive 12-month period selected by Sound Transit out of the 16-month period immediately preceding the date of calculation (for purposes of an Authority Pledged Taxes Sufficiency Certificate, the "Base Parity Period") were not less than 1.5 times Maximum Annual Prior Bond Debt Service on all Prior Bonds outstanding on the date such certification is made (the "Prior Bonds Coverage Requirement"); and

(ii) *Parity Bonds Coverage Test.* Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement were not less than 1.5 times Maximum Annual Parity Bond Debt Service on all Parity Bonds Outstanding on the date such certification is made.

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

(1) the Local Option Taxes and/or Pledged Taxes during the Base Parity Period may be only those shown in audited or unaudited financial statements of Sound Transit; provided, that

(2) in calculating amounts received during the Base Parity Period, Sound Transit must take into account any Adopted Parity Rate Adjustment, Additional Taxes and Motor Vehicle Tax included as Pledged Taxes and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Parity Period;

(3) the Sales Tax received during the Base Parity Period is to be adjusted to reflect the reduced rate of less than 1.4%;

(4) the Motor Vehicle Tax and/or Additional Taxes may not be taken into account to meet the requirements described in clause (2) above unless Sound Transit receives an opinion of Bond Counsel to the effect that the pledge of such Motor Vehicle Tax and/or Additional Taxes to Parity Bonds is in full force and effect for the period in which they are included as Pledged Taxes; and

(5) any Adopted Parity Rate Adjustment, Additional Taxes and/or extension of an existing tax may be taken into account only if a certified public accountant, economic consultant or financial advisor experienced with state or local taxation or municipal bonds certifies that it is reasonable to expect that such adjusted, new or extended taxes will be received in the amounts assumed for purposes of the Authority Pledged Taxes Sufficiency Certificate.

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

Sound Transit has covenanted in the Parity Bond Resolutions that, if Sound Transit is imposing the Sales Tax at a rate less than 1.4% and if Sound Transit is unable to deliver an Authority Pledged Taxes Sufficiency Certificate as described above within 30 days after the end of any Fiscal Year, it will, within 90 days after the end of that Fiscal Year, take all action required on its part to increase the rate of that Sales Tax imposed, but not to exceed the rate of 1.4%, for the purpose of being able to deliver that Authority Pledged Taxes Sufficiency Certificate.

The Master Prior Bond Resolution imposes additional restrictions on any reduction in the rate of the Sales Tax to 1.3%. The 2021 Parity Bonds are not secured by any provisions of the Master Prior Bond Resolution.

Pledge of Additional Taxes. In the Parity Bond Resolutions, Sound Transit has reserved the right (but is not obligated) to include and pledge Additional Taxes and/or receipts resulting from an Adopted Parity Rate Adjustment as "Pledged Taxes." Sound Transit must use Additional Taxes deposited in Additional Taxes Accounts for the purposes and in the order of priority set forth in the "Flow of Funds" under this heading, beginning with the paragraph "Third."

Federal Credit Payments. The 2009S-2T Parity Bonds were issued as "Build America Bonds" under the Internal Revenue Code of 1986, as amended. Sound Transit is allowed a credit payable by the United States Treasury to Sound Transit in an amount equal to 35% of the interest payable on the 2009S-2T Parity Bonds on each interest payment date, subject to federal sequestration. See "SOUND TRANSIT – Federal Sequestration." The federal credit payments received and expected to be received by Sound Transit in respect of the 2009S-2T Parity Bonds are required to be deposited in the Parity Bond Account (which reduces the amount of Pledged Taxes required to be deposited into the Parity Bond Account) and are required to be taken into account as "Receipts" under a "Parity Payment Agreement" in calculating Annual Parity Bond Debt Service (which reduces the amount of Annual Parity Bond Debt Service in satisfying certain conditions for reducing the Sales Tax rate and for issuing Future Parity Bonds).

No Pledge of Property Tax or Other Revenues. Neither the Property Tax nor the operating and non-operating revenues (other than Pledged Taxes) of Sound Transit are pledged to the payment of the Parity Bonds.

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

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

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

There currently is no Tax Stabilization Subaccount or Additional Taxes Accounts, and there can be no assurance that Sound Transit will create or fund the Tax Stabilization Subaccount at any time while the 2021 Parity Bonds are Outstanding.

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

Parity Reserve Account. The Parity Bond Master Resolution provides for a Parity Reserve Account that secures only Future Parity Bonds for which Sound Transit establishes a Parity Reserve Account Requirement greater than zero. The Parity Reserve Account Requirement for the Outstanding Parity Bonds, including the 2021 Parity Bonds, is zero. The Outstanding Parity Bonds, including the 2021 Parity Bonds, are not secured by the Parity Reserve Account. The Parity Reserve Account is not currently funded.

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

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

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

(1) There is no deficiency in the Parity Bond Account;

(2) An amount equal to the Parity Reserve Account Requirement, if any, for the Future Parity Bonds to be issued is on deposit or is otherwise provided for on or prior to the date of issuance of such Future Parity Bonds;

(3) No Default has occurred and is continuing; and

(4) Sound Transit certifies in an Authority Parity Bond Certificate that, upon the issuance of the Future Parity Bonds:

  (i) *Prior Bonds Coverage Test.* Local Option Taxes received during any consecutive 12-month period selected by Sound Transit out of the 24-month period immediately preceding the date of calculation (for purposes of an Authority Parity Bond Certificate, the "Base Parity Period") were not less than 1.5 times Maximum Annual Prior Bond Debt Service on all Prior Bonds that will be outstanding upon the issuance of such Series of Future Parity Bonds (the "Prior Bonds Coverage Requirement"); and

  (ii) *Parity Bonds Coverage Test.* Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement, were not less than 1.5 times Maximum Annual Parity Bond Debt Service.

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

(1) the Local Option Taxes and/or Pledged Taxes during the Base Parity Period may be only those shown in audited or unaudited financial statements of Sound Transit; provided, that:

(2) in calculating amounts received during the Base Parity Period, Sound Transit must take into account any Adopted Parity Rate Adjustment, Additional Taxes and Motor Vehicle Tax included as Pledged Taxes and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Parity Period;

(3) the Motor Vehicle Tax and/or Additional Taxes may not be taken into account to meet the requirements described in clause 4(ii) above unless Sound Transit receives an opinion of Bond Counsel to the effect that the pledge of such Motor Vehicle Tax and/or Additional Taxes to such Future Parity Bonds is in full force and effect for the period in which they are included as Pledged Taxes;

(4) any Adopted Parity Rate Adjustment, Additional Taxes and/or extension of an existing tax included as part of Pledged Taxes may be taken into account only if a certified public accountant, economic consultant or financial advisor experienced with state or local taxation or municipal bonds certifies that it is reasonable to expect that such adjusted, new or extended taxes will be received in the amounts assumed for purposes of the Authority Parity Bond Certificate; and

(5) deposits into and withdrawals from the Tax Stabilization Subaccount during the Base Parity Period may not be taken into account.

The TIFIA Loan Agreements impose additional conditions precedent to the issuance of Future Parity Bonds. See "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bonds – Additional Bonds."

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

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

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

Sound Transit will deliver an Authority Parity Bond Certificate upon issuance of the 2021 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 securing the Parity Bonds ("Parity Payment Agreements") if the Payment Agreement satisfies the requirements for issuing Future Parity Bonds described above, taking into consideration regularly scheduled Payments and Receipts (if any) under the Payment Agreement. "Payment Agreement" means a written agreement such as an interest rate swap, for the purpose of managing or reducing Sound Transit's exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes, entered into on either a current or forward basis by Sound Transit and a Qualified Counterparty, all as authorized by any applicable laws of the State. Such agreement may or may not be characterized by a structure of reciprocity of payment. See Appendix B – "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 a TIFIA Bond is outstanding, a Bankruptcy Related Event (as defined in the TIFIA Loan Agreements, including any amendment thereto) occurs with respect to Sound Transit. See "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – Prior Bonds – Defaults" under this heading for a summary of events that constitute a "Default" under the Master Prior Bond Resolution and " – TIFIA Bonds" for a summary of events that constitute an "Event of Default" (including a "Bankruptcy Related Event") under the TIFIA Loan Agreements. See also Appendix B – "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, the 2015 Parity Bonds, and the 2016 Parity Bonds have been, and the Owners of any Future Parity Bonds (including the 2021 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 2021 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 2021 Parity Bonds or portions thereof (the "Defeased 2021 Parity 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 2021 Parity Bonds to be redeemed prior to maturity, irrevocably calling the Defeased 2021 Parity Bonds for redemption or delivering to the escrow agent irrevocable instructions to call such Defeased 2021 Parity 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 2021 Parity Bonds, at which time all liability of Sound Transit with respect to the Defeased 2021 Parity Bonds will cease, the Defeased 2021 Parity Bonds will be deemed not to be Outstanding and the Owners of the Defeased 2021 Parity 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 2021 Parity Bonds.

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

In connection with a defeasance, Sound Transit is required to cause to be delivered (i) a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm, (ii) an opinion of nationally recognized bond counsel to the effect that the defeasance is permitted under the laws of the State and the Parity Bond Master Resolution and (iii) in the case of Defeased 2021 Parity 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 2021 Parity 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, in such amounts, and with such deductibles, as the Board deems prudent for the protection of Sound Transit; and to keep books of account and accurate records of all of its revenue and its expenses that are in accordance with applicable accounting principles as in effect from time to time. See Appendix B – "FORM OF THE PARITY BOND MASTER RESOLUTION – Covenants."

No Express Lien

The Owners of the 2021 Parity Bonds are not secured by an express lien on the Pledged Taxes or on any money in any account held by Sound Transit. Sound Transit may be able to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"). See "LIMITATIONS ON REMEDIES."

No Acceleration upon Default

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

SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS

Prior Bonds

The 2021 Parity Bonds are not secured by any provisions of the Prior Bond Resolutions, which may be altered, modified, or amended at any time in accordance with their terms. The registered owners of Prior Bonds may waive any required action or event of default under the Prior Bond Resolutions or forebear from exercising any remedies granted.

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

The pledge for the payment of the Prior Bonds of the Local Option Taxes and of amounts in the Local Option Tax Accounts, the Prior Bond Account, the Prior Reserve Account, and any project account created for the deposit of Prior Bond proceeds is a prior charge upon the Local Option Taxes and such accounts superior to all other charges of any kind or nature (including the payment of Parity Bonds and the payment of costs of operating and maintaining Sound Transit and its facilities).

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

No Pledge of Property Tax or Other Revenues. Neither the Property Tax nor the operating and non-operating revenues (other than Local Option Taxes) of Sound Transit are pledged to the payment of the Prior Bonds.

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

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

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

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

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

Sound Transit has reserved the right to satisfy the Prior Reserve Account Requirement by deposits of cash, investments, a Qualified Prior Letter of Credit, or Qualified Prior Insurance, or a combination of the foregoing.

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

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

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

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

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

(3) Sound Transit certifies (by an "Authority Prior Bond Certificate") that Local Option Taxes received during any consecutive 12-month period out of the 18-month period next preceding the date of issuance of the Future Prior Bonds were not less than 3.0 times Maximum Annual Prior Bond Debt Service on all Prior Bonds that will be outstanding upon the issuance of the Future Prior Bonds, taking into account any adopted adjustment in the rate of Local Option Taxes imposed, as if the new rate had been in effect during that 12-month period.

The TIFIA Loan Agreements impose additional conditions precedent to the issuance of Future Prior Bonds. See "TIFIA Bonds – Additional Bonds" under this heading.

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

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

Prior Payment Agreements. Sound Transit has reserved the right to make Payments under Payment Agreements secured by a pledge of Local Option Taxes on a parity with the pledge to the payment of the Prior Bonds ("Prior Payment Agreements") if the Payment Agreement satisfies the requirements for Future Prior Bonds described above. "Payment Agreement" means a written agreement, for the purpose of managing or reducing Sound Transit's exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes, entered into on either a current or forward basis by Sound Transit and a Qualified Counterparty, all as authorized by any applicable laws of the State. Such agreement may or may not be characterized by a structure of reciprocity of payment. The Master Prior Bond Resolution requires that the federal credit payments received by Sound Transit in respect of the 2009P-2T Prior Bonds be taken into account as "Receipts" under a "Prior Payment Agreement" in calculating Annual Prior Bond Debt Service.

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

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

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

(1) After the 1999 Prior Bonds are no longer outstanding, to impose the Motor Vehicle Tax at a rate of less than one and one-tenth of one percent, but not less than eight-tenths of one percent;

(2) To delete from the Master Prior Bond Resolution the Default described in clause (i) in "Defaults" above;

(3) To establish for any one or more series of Future Prior Bonds a separate reserve account requirement for such series (which may be zero) and, if applicable, a separate reserve account or accounts to secure such series, which series shall not be secured by the Prior Reserve Account, and which separate reserve account or accounts shall not secure the Prior Bonds secured by the Prior Reserve Account, and in satisfying the conditions to the issuance of Future Prior Bonds that will not be secured by the Prior Reserve Account, to disregard the requirement that an amount equal to

the Prior Reserve Account Requirement (including for the Future Prior Bonds to be issued) be on deposit or otherwise provided for in the Prior Reserve Account on or prior to the date of issuance of such Future Prior Bonds;

(4) To permit federal credit payments received in respect of outstanding Build America Prior Bonds (other than federal credit payments received under a Payment Agreement) to be deposited into the Prior Bond Account and credited against the Local Option Taxes otherwise required to be deposited into the Prior Bond Account; or

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

Junior Obligations

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

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

TIFIA Bonds

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

Table 6 identifies Sound Transit's TIFIA Loan Agreements as of September 10, 2021, subject to the further conditions set forth in the TIFIA Loan Agreements.

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TABLE 6
SUMMARY OF TIFIA LOAN TERMS

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

(1) As of September 10, 2021, Sound Transit paid down then outstanding draw amounts in connection with the execution of amendments to its TIFIA Loan Agreements entered into pursuant to a TIFIA Master Credit Agreement. Sound Transit expects to draw down the amount available under each TIFIA Loan Agreement before the end of the applicable draw period (e.g. to draw down the amount available for the OMFE project by December 23, 2021, to draw down the amount available for the Northgate project by October 31, 2022, and so forth).
(2) At time of loan closing; as defined in the applicable TIFIA Loan Agreement: "the opening of the project to general passenger traffic." All substantial Completion Dates other than for OMFE are estimates.
(3) No disbursements of TIFIA Loan proceeds may be made on or after the date that is one year after the Substantial Completion Date of the applicable Project. All substantial Completion Dates other than for OMFE are estimates and therefore draw deadline dates (other than for OMFE) also are estimates.
(4) The TIFIA Loan Agreements limit capitalized interest period to the earlier of five years from the Substantial Completion Date or if Substantial Completion does not occur on a semi-annual payment date to the semi-annual payment date immediately preceding five years from Substantial Completion.
(5) The TIFIA Loan Agreements limit final maturity to no later than the semi-annual payment date immediately prior to the 35th anniversary of Substantial Completion. See Table 7—Annual Debt Service Requirements.
Source: Sound Transit

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

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

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

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

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

(1) The following ratio is not less than 1.10 to 1.00: (a) Pledged Taxes received during any consecutive 12-month period out of the immediately preceding 18 calendar months to (b) maximum annual debt service on Prior Bonds, Parity Bonds, and Junior Obligations that will be outstanding, after giving effect to the bonds proposed to be issued;

(2) The following ratio is projected to be not less than 1.10 to 1.00 in each of the three consecutive years commencing with the calendar year immediately succeeding the date of issuance of the bonds proposed to be issued: (a) projected Pledged Taxes for such calendar year to (b) maximum annual debt service on Prior Bonds, Parity Bonds, and Junior Obligations that will be outstanding, after giving effect to the bonds proposed to be issued;

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

(4) Unless waived by the TIFIA Lender, the then-existing credit rating of the TIFIA Bonds will not be downgraded below "A-" or "A3."

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

No "Springing Lien." The order of priority of the payment obligations of Sound Transit under the TIFIA Loan Agreements is not subject to change upon occurrence of an event of bankruptcy, insolvency, or liquidation of Sound Transit. See "SECURITY FOR THE PARITY BONDS – Flow of Funds."

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

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

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

Sale of TIFIA Bonds. The TIFIA Lender is not permitted to sell a TIFIA Loan at any time prior to the Substantial Completion Date for the related project. After such Substantial Completion Date, the TIFIA Lender may sell such TIFIA Loan to another entity or reoffer such TIFIA Loan into the capital markets in accordance with the provisions set forth in the related TIFIA Loan Agreement.

Lease-Leaseback

In 2001, Sound Transit entered into a transaction to lease 22 rail passenger cab and coach cars and five locomotives to an investor and simultaneously subleased the vehicles from the investor pursuant to the Capital Lease. Under these transactions, Sound Transit maintains the right to continued use and control of the vehicles through the end of the leases and is required to insure and maintain the assets. As of December 31, 2020, the present value of Sound Transit's future payments under the Capital Lease was $66.0 million. Sound Transit expects that its payment obligations under the Capital Lease will be fully satisfied from investment earnings on amounts deposited with AIG-FP Special Finance Ltd. And AIG Matched Funding Corp. ("AIG Matched Funding") pursuant to repurchase agreements with such parties. Such payments, however, may be made from Local Option Taxes, if necessary. The payment obligations of Sound Transit under the Capital Lease are (except for the lien and right of first payment from the collateral under the Capital Lease) unsecured claims against the general credit of Sound Transit, subject and subordinate to the rights of holders of debt issued by Sound Transit that is payable from and secured by sales tax, and/or motor vehicle excise tax and/or rental car tax revenues as established and granted by Sound Transit from time to time, including the Prior Bonds, the Parity Bonds, the First Tier Junior Obligations and the Second Tier Junior Obligations.

Sound Transit is required to make an additional, lump sum payment if it defaults or prematurely terminates any of these transactions. Sound Transit also may be subject to certain payment obligations if the counterparty to these transactions experiences financial difficulties. The Capital Lease established minimum credit levels for AIG Matched Funding, and as of December 31, 2020, AIG Matched Funding was rated below the minimum levels. As a result, Sound Transit was required to replace AIG Matched Funding or to amend the documents. Sound Transit entered into a waiver agreement with the transaction parties in 2009 that has been extended through March 31, 2022, and may be further extended by agreement of the parties. If a further extension is not granted, the investor could demand a termination payment valued as of December 31, 2020 at approximately $10.7 million. See Note 5 in Appendix A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019."

Other Obligations

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

DEBT SERVICE REQUIREMENTS

Table 7 sets forth the current annual principal and interest requirements of the Outstanding Prior Bonds (excluding the Refunded Bonds), the Outstanding Parity Bonds, and the TIFIA Bonds, rounded to the nearest dollar. See "DEBT CAPACITY – Outstanding Prior Bonds and Parity Bonds." Table 7 does not include payments on the Capital Lease. Table 7 excludes debt service on certain 2012 and 2015 Parity Bonds defeased on October 1, 2021 (the "Defeased Bonds"). Table 7 also includes debt service on the 2021 Parity Bonds, including the portion of the 2021 Parity Bonds to be issued to refund the Refunded Bonds.

TABLE 7
ANNUAL DEBT SERVICE REQUIREMENTS FOR THE PRIOR BONDS, PARITY BONDS, AND TIFIA BONDS

Year Ending December 31	Outstanding Prior Bonds(1)(2)	Outstanding Parity Bonds(2)(3)	Series 2021S-1 Principal	Series 2021S-1 Interest	Series 2021S-1 Total	Total Parity Bonds	Total Prior and Parity Bonds	TIFIA Debt Service(4)	Total Debt Service
2022(3)	$44,519,397	$49,816,450	$9,025,000	$37,681,300	$46,706,300	$96,522,750	$141,042,148	$5,183,755	$146,225,903
2023	44,524,027	42,008,700	18,450,000	37,546,700	55,996,700	98,005,400	142,529,427	13,425,973	155,955,400
2024	44,530,387	53,442,200	20,880,000	36,624,200	57,504,200	110,946,400	155,476,787	30,052,500	185,529,288
2025	44,537,262	52,182,450	23,470,000	35,580,200	59,050,200	111,232,650	155,769,912	47,951,449	203,721,360
2026	44,545,123	40,899,450	35,905,000	34,406,700	70,311,700	111,211,150	155,756,273	52,480,781	208,237,054
2027	44,553,557	40,899,950	37,695,000	32,611,450	70,306,450	111,206,400	155,759,957	54,889,859	210,649,817
2028	44,557,484	40,895,450	31,315,000	30,726,700	62,041,700	102,937,150	147,494,634	71,022,560	218,517,195
2029	-	45,709,950	43,240,000	29,160,950	72,400,950	118,110,900	118,110,900	91,942,785	210,053,685
2030	-	45,710,024	35,495,000	26,998,950	62,493,950	108,203,974	108,203,974	106,560,000	214,763,974
2031	-	45,715,102	52,885,000	25,224,200	78,109,200	123,824,302	123,824,302	105,987,000	229,811,302
2032	-	45,723,327	55,530,000	22,579,950	78,109,950	123,833,277	123,833,277	105,414,395	229,247,671
2033	-	45,727,770	58,305,000	19,803,450	78,108,450	123,836,220	123,836,220	104,841,000	228,677,220
2034	-	45,731,754	29,410,000	16,888,200	46,298,200	92,029,954	92,029,954	104,268,000	196,297,954
2035	-	45,738,421	17,290,000	15,417,700	32,707,700	78,446,121	78,446,121	103,695,000	182,141,121
2036	-	45,740,593	77,280,000	14,553,200	91,833,200	137,573,793	137,573,793	103,122,395	240,696,187
2037	-	121,691,341	-	11,629,200	11,629,200	133,320,541	133,320,541	102,549,000	235,869,541
2038	-	121,757,717	-	11,629,200	11,629,200	133,386,917	133,386,917	101,976,000	235,362,917
2039	-	121,834,162	-	11,629,200	11,629,200	133,463,362	133,463,362	101,403,000	234,866,363
2040	-	30,189,250	65,000,000	11,629,200	76,629,200	106,818,450	106,818,450	233,739,018	340,557,468
2041	-	58,080,500	12,345,000	9,029,200	21,374,200	79,454,700	79,454,700	233,739,018	313,193,718
2042	-	58,647,704	12,835,000	8,535,400	21,370,400	80,018,104	80,018,104	233,739,018	313,757,122
2043	-	59,242,240	13,480,000	7,893,650	21,373,650	80,615,890	80,615,890	233,739,018	314,354,908
2044	-	59,880,728	27,965,000	7,219,650	35,184,650	95,065,378	95,065,378	233,739,018	328,804,396
2045	-	60,534,472	29,090,000	6,101,050	35,191,050	95,725,522	95,725,522	233,739,018	329,464,540
2046	-	27,825,000	50,945,000	4,937,450	55,882,450	83,707,450	83,707,450	233,739,018	317,446,468
2047	-	-	26,815,000	2,899,650	29,714,650	29,714,650	29,714,650	233,739,018	263,453,668
2048	-	-	27,515,000	2,202,460	29,717,460	29,717,460	29,717,460	233,739,018	263,456,478
2049	-	-	28,230,000	1,487,070	29,717,070	29,717,070	29,717,070	233,739,018	263,456,088
2050	-	-	28,965,000	753,090	29,718,090	29,718,090	29,718,090	233,739,018	263,457,108
2051	-	-	-	-	-	-	-	233,739,018	233,739,018
2052	-	-	-	-	-	-	-	233,739,018	233,739,018
2053	-	-	-	-	-	-	-	233,739,018	233,739,018
2054	-	-	-	-	-	-	-	233,739,018	233,739,018
2055	-	-	-	-	-	-	-	233,739,018	233,739,018
2056	-	-	-	-	-	-	-	228,410,613	228,410,613
2057	-	-	-	-	-	-	-	190,524,310	190,524,310
2058	-	-	-	-	-	-	-	190,524,310	190,524,310
2059	-	-	-	-	-	-	-	103,342,826	103,342,826
Total	$311,767,238	$1,405,624,703	$869,360,000	$513,379,320	$1,382,739,320	$2,788,364,024	$3,100,131,262	$5,859,391,804	$8,959,523,067

Footnotes to Table 7 begin on the following page.

Footnotes to Table 7:

Note: Totals may not foot due to rounding.

(1) Excludes the Refunded Bonds. Note that the Refunded Bonds are Prior Bonds, to be refunded with the proceeds of the 2021 Parity Bonds.

(2) Net of federal credit payments expected to be received by Sound Transit related to the 2009P-2T Prior Bonds and 2009S-2T Parity Bonds. Excludes the effect of federal sequestration. See "Security for the Parity Bonds" and "Security for the Prior Bonds and Other Obligations."

(3) Assumes the 2015S-2A Parity Bonds and the 2015S-2B Parity Bonds remain outstanding until maturity or prior mandatory redemption and bear interest at 1.576% per annum (as of October 20, 2021, the highest 12-month rolling average of the SIFMA Municipal Swap Index over the preceding ten years). Excludes debt service on the Defeased Bonds.

(4) Assumed debt service derived from expected future draws on the East Link TIFIA Bond, Northgate Link TIFIA Bond, O&M Facility East TIFIA Bond, Lynnwood Link TIFIA Bond, Federal Way Link TIFIA Bond, and Downtown Redmond Link TIFIA Bond. See "Security for the Prior Bonds and Other Obligations – TIFIA Bonds."

Source: Sound Transit.

DEBT SERVICE COVERAGE

Neither the Master Prior Bond Resolution nor the Parity Bond Master Resolution defines or requires that Sound Transit maintain a specified debt service coverage ratio in each fiscal year. Table 8 sets forth historical debt service coverage for the Prior Bonds and Parity Bonds, and for Prior Bonds and Parity Bonds on a combined basis, assuming that the Motor Vehicle Tax was included in Pledged Taxes at all times in 2016. See "SOUND TRANSIT TAXES."

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

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TABLE 8
HISTORICAL DEBT SERVICE COVERAGE ON PRIOR BONDS, PARITY BONDS AND COMBINED PRIOR AND PARITY BONDS
($000s)

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

(1) On an accrual basis.
(2) The Sales Tax was imposed at the rate of 0.9% until April 2017, when the rate was increased to 1.4%. See "SOUND TRANSIT TAXES – Sales Tax."
(3) The Motor Vehicle Tax was imposed at the rate of 0.3% until March 2017, when the rate was increased to 1.1%. Under current law, Sound Transit does not have authority to impose the 1996 Motor Vehicle Tax after the 1999 Prior Bonds are retired or provision is made for their payment. The last scheduled maturity of the 1999 Prior Bonds is February 1, 2028. See "SOUND TRANSIT TAXES – Motor Vehicle Tax."
(4) Net of federal credit payments expected to be received by Sound Transit. Excludes the effect of federal sequestration. See "SOUND TRANSIT – Federal Sequestration." Prior Bonds Debt Service includes debt service on the Refunded Bonds. As a result of refunding the Refunded Bonds with the proceeds of the 2021 Parity Bonds, debt service associated with the projects financed with the proceeds of the Refunded Bonds will be shown as part of Parity Bonds Debt Service, rather than Prior Bond Debt Service, in future coverage calculations.

Source: Sound Transit.

DEBT CAPACITY

Borrowing Authority

Sound Transit is authorized to borrow money by various means, including: (i) issuing general obligation bonds with a maximum term of 40 years; (ii) issuing revenue bonds with a maximum term of 40 years, payable from gross revenues of the high capacity transportation system and from otherwise unpledged fees, tolls, charges, tariffs, fares, rentals or special taxes; (iii) entering into financing leases; (iv) issuing special assessment bonds with a maximum term of 30 years, payable from special assessments levied in a local improvement district that may be created to provide transportation improvements; (v) borrowing from the State or any local transit agency within the District pursuant to a loan agreement; (vi) establishing lines of credit with banking institutions; (vii) issuing short-term obligations; and (viii) issuing refunding bonds. Under State law, bonds payable from any type of taxes, such as the 2021 Parity Bonds, are considered general obligation bonds for purposes of determining the source of authority for issuance and limits on the amount of debt that may be issued.

Outstanding Prior Bonds, Parity Bonds, and TIFIA Bonds

Table 9 sets forth the final maturity date, original principal amount and outstanding principal amount of each series of Outstanding Prior Bonds, Outstanding Parity Bonds and Outstanding TIFIA Bonds as of September 10, 2021.

TABLE 9
OUTSTANDING PRIOR BONDS, PARITY BONDS, AND TIFIA BONDS
($000s)

Series	Final Maturity	Original Principal Amount	Outstanding Principal Amount [1]
Prior Bonds			
1999	2/01/2028	$ 350,000	$ 206,365
2009P-2T	2/01/2028	76,845	61,790
2012P-1[2]	2/01/2028	216,165	111,090
Total Prior Bonds		**$ 643,010**	**$ 379,245**
Parity Bonds			
2009S-2T	11/01/2039	$ 300,000	$ 300,000
2012S-1[3]	11/01/2030	97,545	7,440
2015S-1[3]	11/01/2050	792,840	22,185
2015S-2A	11/01/2045	75,000	75,000
2015S-2B[4]	11/01/2045	75,000	75,000
2016S-1	11/01/2046	400,000	392,175
Total Parity Bonds		**$1,740,385**	**$ 871,800**
Total Prior Bonds and Parity Bonds		**$2,383,395**	**$1,251,045**
TIFIA Bonds		**Loan Amount**	**Loan Amount Outstanding**
East Link	11/01/2058	$1,330,000	$ 0
Northgate Link	11/01/2056	615,267	0
O&M Facility East	11/01/2055	87,664	0
Lynnwood Link	05/01/2059	657,863	0
Federal Way Link	05/01/2059	629,472	0
Downtown Redmond	11/01/2059	520,981	0
Total TIFIA Bonds		**$3,841,247**	**$ 0**
Total Prior Bonds, Parity Bonds, and TIFIA Bonds Outstanding		**$6,224,642**	**$1,251,045**

(1) As of June 30, 2021. Excludes undrawn loan amounts. See Table 6: Summary of TIFIA Loan Terms. As of September 10, 2021, Sound Transit paid down then outstanding draw amounts in connection with the execution of amendments to its TIFIA Loan Agreements. Sound Transit expects to draw down the amount available under each TIFIA Loan Agreement before the end of the applicable draw period (e.g. to draw down the amount available for the OMFE project by December 23, 2021, to draw down the amount available for the Northgate project by October 31, 2022, and so forth).
(2) The Refunded Bonds, which are to be refunded with a portion of the proceeds of the 2021 Parity Bonds.
(3) Excludes the Defeased Bonds.
(4) The 2015S2-B Parity Bonds are subject to mandatory tender for purchase on November 1, 2023.
Source: Sound Transit.

Debt Capacity

Sound Transit may issue bonds payable from taxes if, at the time of issuance, Sound Transit has sufficient debt capacity. Sound Transit is authorized to incur debt in an aggregate amount (taking into account all outstanding debt at the time of calculation) equal to 1½% of the value of taxable property within the District without obtaining voter approval for such debt. Once the debt has been issued, changes in assessed valuation have no effect on the validity of outstanding debt or on Sound Transit's ability to refund outstanding debt. Future declines in assessed valuation can impact the ability to issue additional bonds payable from taxes. Although Sound Transit has not sought voter approval of its outstanding debt, Sound Transit has obtained voter approval of certain transportation plans and taxes. The Outstanding Prior Bonds, the Outstanding Parity Bonds, the TIFIA Bonds, and the Capital Lease are included in Sound Transit's nonvoted debt computation. For Sound Transit to implement its current financial plan without obtaining voter approval of indebtedness, the assessed value of taxable property within the District will have to grow sufficiently for the amount of debt to be issued by Sound Transit in the coming years to remain below the 1½% limitation. See "SOUND TRANSIT – Financial Plan and Realignment."

With the approval of 60% of the District electors voting on the proposition, Sound Transit may incur debt in an amount equal to 5% of the value of taxable property within the District.

For purposes of computing Sound Transit's debt capacity, the value of taxable property is defined to be the actual value of taxable property within the District, with certain adjustments for timber property. The Act requires that each County assessor certify annually to Sound Transit the assessed value of property in that County that is within the District. Table 10 sets forth the legal debt capacity for Sound Transit.

TABLE 10
LEGAL DEBT CAPACITY[1]
($Millions)

Assessed valuation in 2020 for collection of taxes in 2021	$805,957
Maximum nonvoted debt (1½% of assessed valuation)	$12,089
Less: Outstanding Prior Bonds[2]	(268)
Less: Outstanding Parity Bonds[3]	(872)
Less: TIFIA Bonds[4]	(3,841)
Less: Capital Lease[5]	(11)
Less: The 2021 Parity Bonds	(869)
Nonvoted debt capacity remaining	$6,228
Maximum voted debt (5% of assessed valuation)	$40,298
Less: Outstanding nonvoted debt[3]	(5,861)
Less: Outstanding voted debt	–
Voted debt capacity remaining	$34,437

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

(2) Excludes the Refunded Bonds.

(3) Excludes the Defeased Bonds.

(4) Reflects the full amount available to be drawn on the TIFIA Bonds. See "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bonds" and Table 6: Summary of TIFIA Loan Terms.

(5) As of December 31, 2020. See "SOUND TRANSIT – Capital Lease."

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

Additional Borrowing

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

SOUND TRANSIT

Introduction

Sound Transit is a regional transit authority created in 1993 pursuant to chapter 81.112 RCW. Sound Transit is not a general purpose municipal government. The primary statutory purpose of Sound Transit is to develop and operate a "high capacity transportation system" within its boundaries. State law defines a "high capacity transportation system" to be "a system of public transportation services within an urbanized region operating principally on exclusive rights of way, and the supporting services and facilities necessary to implement such a system, including interim express services and HOV lanes, which taken as a whole, provides a substantially higher level of passenger capacity, speed, and service frequency than traditional public transportation systems operating principally in general purpose roadways."

State law permits such a system to include, in addition to trains, buses, tracks and roads, other infrastructure such as feeder systems, park-and-ride facilities, intermodal centers and related roadway and operational facilities. Sound Transit's facilities may include any lands, interest in land, air rights over lands, and improvements thereto including vessel terminals, and any equipment, vehicles, vessels, and other components necessary to support the system.

Sound Transit's administrative and principal business office is located in Seattle, Washington, at the address shown on page i of this 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. In addition, if a portion of any city was determined to be within the service area, then the entire city must be included. The District boundaries were established consistent with these principles and generally conform to the "urban growth areas" designated by each County pursuant to the State Growth Management Act, with certain minor adjustments to account for voter precinct boundaries and city limit lines. A map of the District is set forth on page iv of this Official Statement. The District includes, among other cities, Seattle, Tacoma, Bellevue, and Everett. The estimated 2020 population within the District is 3.2 million. (The city of Covington, which was incorporated subsequent to the creation of Sound Transit and had an estimated 2021 population of 20,890, is not within the District boundaries even though it is included within "urban growth area" designated by King County.) Sound Transit may annex adjacent areas, subject to certain conditions contained in the Act, including in certain cases approval by voters within the area to be annexed. Sound Transit's service area generally encompasses the District.

Governance and Organizational Structure

Sound Transit is governed by an 18-member Board of Directors (the "Board") that establishes and controls policy for Sound Transit. Seventeen of the Board members are local elected officials, appointed by the County executive and confirmed by the legislative authority of each County. A number of the Board members also are members of the governing boards of local transit agencies. The State Secretary of Transportation also serves on the Board. The local elected officials include County executives, County councilmembers, mayors, and city councilmembers from within the District. Board membership with regard to the number of representatives from each County is based on population from that portion of each County that is within the District. Board membership is reconstituted on a population basis, using official State Office of Financial Management population estimates in the year following each federal census. The names and affiliations of the current Board members are set forth on page i of this Official Statement.

None of the Board members or other officers of Sound Transit has any interest in the sale of the 2021 Parity Bonds that is prohibited by law.

Key Staff Biographies

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

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

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

Tracy Butler, Chief Financial Officer. On August 23, 2021, Ms. Butler has announced her intention to leave Sound Transit, and the agency is conducting a search for her successor. Ms. Butler joined Sound Transit in 2007. She oversees all financial operations and planning, including management of cash, investments, debt, risk and forecasting. Prior to joining Sound Transit, she served as the Treasurer at Salem Hospital in Salem, Oregon, where she managed the investment of the general operating, construction, endowment, and retirement funds while also issuing variable rate, fixed-rate, and synthetic fixed-rate bonds. She also served as Management Consultant at Optima Management and Consultant of the Guaranteed Fund project at the International Labor Organization in Geneva, Switzerland, prior to coming to the United States in 2000. She is a Certified Treasury Professional and holds a Master's degree in Public and Business Administration from Willamette University in Oregon and a Bachelor of Arts in Business Administration from the American Graduate School of Business in Switzerland.

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

Office. He acted as the principal attorney for numerous property and right-of-way acquisitions, including the acquisition of land for the Seattle Mariners baseball stadium and for the West Point Sewage Effluent Transfer System. He received his law degree from Harvard Law School and is a graduate of Arkansas State University with a Bachelor of Science degree in operations research management.

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

System Plan

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

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

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

Sound Transit has adopted its "System Plan," which incorporates commuter rail, light rail, express bus, bus rapid transit, community connections (such as transit centers, park-and-ride lots, and transit access improvements), and HOV facilities and other improvements. The System Plan consists of four primary programs: HOV access improvements, transit centers, and park-and-ride lots to support a system of regional express buses ("ST Express"); bus rapid transit ("Stride"); commuter rail ("Sounder"); and electric light rail ("Link"). The initial phase of the System Plan ("Sound Move") was approved by voters in 1996. The second phase of the System Plan ("Sound Transit 2") was approved by voters in 2008. In the 2008 election, as in the 1996 election, approximately 57% of voters approved the proposition. In December 2014, the Board adopted an updated Long-Range Plan to plan for the expansion of regional mass transit after Sound Transit 2 is complete. The third phase of the System Plan ("Sound Transit 3") was approved by voters in November 2016. In the November 2016 election, approximately 54% of voters approved the proposition.

The Board's policy decisions as to services, equipment, route alignment, fares, and other matters may affect the cost and timing of System Plan implementation. Implementation of the remaining portions of the System Plan also depends on circumstances beyond the control of Sound Transit, including economic conditions, weather, soil conditions, environmental conditions, local jurisdiction permitting, the presence of archaeologically significant artifacts, natural disasters, earthquakes, volcanic eruptions, legal challenges, changes in law, and other circumstances. Any of these circumstances, among others, could delay the implementation or increase costs of the remainder of the System Plan, increase operating expenses, or result in the need to revise the System Plan. The ability of Sound Transit to issue debt is subject, among other things, to (i) market conditions, (ii) Sound Transit's debt capacity, which is based on the assessed value of property within the District, as described under "DEBT CAPACITY," and (iii) the ratings requirement for the TIFIA Bonds (unless waived by the TIFIA Lender) under the TIFIA Loan Agreements, as described under "SECURITY FOR THE PRIOR BONDS AND OTHER OBLIGATIONS – TIFIA Bonds." The 2021 Parity Bonds are secured by a gross pledge of the Pledged Taxes and, therefore, the security for the 2021 Parity Bonds does not depend on implementation of the System Plan.

Sound Move. In 1996, central Puget Sound voters approved implementation of the Sound Move plan to build a high-capacity public transit system. Sound Move was expected to cost approximately $3.9 billion (in 1995 dollars). Since then, Sound Transit has built and now operates 23 ST Express bus routes, 83 miles of Sounder Commuter Rail from Everett to Lakewood, 20 miles of Link light rail from the University of Washington to Angle Lake, south of the Seattle-Tacoma International Airport (the "Airport"), and 1.8 miles of Link light rail connecting downtown Tacoma with a regional transit center at the Tacoma Dome Station ("Tacoma Link Light Rail"). Subsequent to the adoption of Sound Move, Sound Transit revised and rescaled certain project elements so that these elements could be completed on time and on budget. Sound Transit completed the elements of the rescaled Sound Move plan on time.

Sound Transit 2. In 2008, voters approved Sound Transit 2 as a second phase of the System Plan to finance the expansion of light rail, commuter rail and express bus service. Sound Transit 2 was expected to cost approximately $17.9 billion at the time of approval. Sound Transit 2 also included improved access to transit through expanded bike facilities, better pedestrian access, and additional parking in certain locations. ST Express began increased service in 2009. Several additional Light Rail segments are under design or construction and are scheduled to begin service in 2021 through 2023, including an additional 2.4 mile Light Rail extension in Tacoma ("Hilltop Tacoma Link Extension"). Subsequent to the adoption of Sound Transit 2, Sound Transit revised and rescaled certain project elements so that the rest of the plan could be completed on time and on budget. Sound Transit currently expects that Sound Transit 2 will be completed by 2034.

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

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

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

Sound Transit 3 also requires that, beginning within three years following voter approval of Sound Transit 3, Sound Transit contribute at least $4 million a year for five consecutive years to a revolving loan fund to support the development of affordable housing opportunities related to equitable transit-oriented development within the District. As of June 30, 2021, Sound Transit has contributed $12 million to the revolving loan fund. Sound Transit 3 also requires that Sound Transit offer surplus properties it deems suitable for housing for either transfer at no cost, sale or long-term lease first to local governments, housing authorities and non-profit developers to develop affordable housing, regardless of when the surplus property was acquired. As of the date of this Official Statement, Sound Transit has offered 16 surplus properties for housing.

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

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

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

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

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

In addition to identifying options to manage costs, Realignment entails the pursuit of additional federal grants and alternative revenue sources. More information on Realignment can be found at https://www.soundtransit.org/system-expansion/realignment.[3]

Table 11 provides a summary of the expected sources and uses for the Sound Transit capital program from 2017 through 2046, five years beyond the financial plans previously prepared by Sound Transit. The financial plan under Realignment projects $80.1 billion in Pledged Taxes and $12.3 billion in grant revenues in the years 2017 through 2046.

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

The LRFP, Realignment decisions, and Table 11 include forecast information that is subject to a number of assumptions (including without limitations those noted above) as well as to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.

[3] This inactive textual reference to the Realignment information on Sound Transit's website is not a hyperlink, and the website, by this reference, is not incorporated herein.

TABLE 11
FORECASTED SOURCES AND USES OF FUNDS, 2017-2046
(millions of year of expenditure dollars)

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

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

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

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

Sound Transit Future Service

Transit Operations

Introduction. Sound Transit makes service available to 80% of the population of the Counties and had 46.9 million passenger boardings in 2019 and approximately 15.5 million passenger boardings in 2020. See "COVID-19 PANDEMIC." ST Express bus service began in 1999 and currently has 23 routes. Sounder Commuter Rail began operations in 2000 and now operates 83 miles. Link began with the 1.6 mile Tacoma Link Light Rail in 2003, and the Central Link Light Rail, connecting downtown Seattle to the Airport, began service in 2009. Light rail has been extended from downtown to the University of Washington with the opening of two new stations in March 2016 and has been extended south from the Airport with the opening of the Angle Lake light rail station in September 2016. Sound Transit has announced that service to and from its U District Station, Roosevelt Station and Northgate Station will begin October 2, 2021.

Partner Agencies. Sound Transit purchases buses and trains that are operated and maintained by its partner agencies—King County Metro, Community Transit, Pierce Transit, BNSF Railway Company ("BNSF") and the National Railroad Passenger Corporation ("Amtrak")—with the exception of Tacoma Link Light Rail, which is operated directly by Sound Transit. In 2000, Sound Transit entered into a 40-year agreement with BNSF for the operation of the Sounder commuter trains by BNSF between Seattle and Tacoma. Other agreements with BNSF for the operation of the Sounder commuter trains by BNSF between Seattle and Everett and allowing for an extension of service from Tacoma south to Lakewood, on railway owned by Sound Transit, continue in effect. In 2016, Sound Transit entered into an agreement with Amtrak for the maintenance of its Sounder Commuter Rail rolling stock. Sound Transit's current operations contracts for ST Express buses are with Community Transit, King County Metro, and Pierce Transit. Effective in 2009, Sound Transit entered into an operations contract for King County Metro to operate Link light rail in King County. Sound Transit has also entered into an agreement with King County and the City of Seattle to provide for cost sharing with regard to the maintenance of and operation in the downtown Seattle transit tunnel (the "Downtown Tunnel") in exchange for the right to use the Downtown Tunnel for light rail operations and to provide for the temporary continued joint use for Link light rail and bus service. Sound Transit's ongoing obligations include reimbursement of costs and payment of a prescribed share of King County Department of Transportation debt service owed for the original construction of the Downtown Tunnel and sharing of costs for future capital repairs or replacements as they arise. Compensation under the agreement is calculated as reimbursement of certain King County Department of Transportation costs based on fixed percentages related to Sound Transit's share of usage of the Downtown Tunnel. Upon extension of Link light rail service to Northgate Station, Sound Transit will become responsible for all of the debt service. If Sound Transit does not use King County as its light rail operator (other than for Tacoma Link Light Rail), Sound Transit may be required by King County to purchase the Downtown Tunnel to continue Link light rail operations.

ST Express and Bus Rapid Transit. Through its partner agencies, Sound Transit currently operates 23 ST Express bus routes in the Counties. ST Express bus ridership in 2020 was almost 6.3 million, compared to 17.5 million in 2019. ST Express buses carried almost 12,100 passengers each weekday in December 2020, compared to almost 52,500 passengers each weekday in December 2019. The ST Express capital program is focused on providing two types of transportation improvements: community connection facilities and HOV improvements. Community connection facilities include transit centers, park-and-ride lots, and transit access improvements. These community connection facilities improve access to the regional transit system and connections to local transit services. The HOV improvements are designed to allow quick and reliable express bus service throughout Sound Transit's service area. The HOV access projects were implemented through a partnership between Sound Transit and WSDOT. Sound Transit has constructed special access ramps to make it easier for transit and vanpools to use HOV lanes at some of the region's most congested freeway intersections. These improvements are intended to expand and improve the existing HOV network within the District. Sound Transit expects to increase ST Express bus service in the highest-need corridors by improving service frequency, expanding hours of operation and adding trips to relieve overloads.

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

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

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

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

The Sounder Commuter Rail system includes 12 stations on two lines that span the three Counties. The North Line runs from Seattle to Everett; the South Line runs from Seattle to Lakewood. Sounder Commuter Rail service between Tacoma and Seattle began in 2000 with two round trips on weekdays and weekend event service. Service has gradually been expanded, and there are now 13 round trips between Tacoma and Seattle and four round trips (with two more trips provided by Amtrak) between Everett and Seattle on weekdays, as well as event service on weekends. Sounder service between Tacoma and Lakewood began in 2012. Sound Transit also expects to construct an expanded Sounder station in Tukwila and access improvements for Sounder Commuter Rail and bus riders at seven stations.

Sounder Commuter Rail ridership in 2020 was 1.2 million, compared to 4.6 million in 2019. Sounder trains carried approximately 2,000 passengers each weekday in December 2020, compared to 17,100 passengers each weekday in December 2019.

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

Sound Transit and BNSF have entered into agreements that allow Sound Transit to operate the Sounder service on the entire 83-mile BNSF corridor from Lakewood to Everett. Sound Transit's contract with BNSF requires the completion of specific track and signal improvements to accommodate passenger service along BNSF's right-of-way and the payment of certain amounts to acquire easements from BNSF. See Note 12 in Appendix A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019."

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

The last phase of the original System Plan is University Link, a three-mile light rail extension that includes a tunnel east from the Downtown Seattle Transit Tunnel, crossing under I-5 and proceeding east and then north to the Capitol Hill Station serving the First Hill/Capitol Hill urban center. The tunnel route then crosses under the ship canal to an interim terminus at the University of Washington station at Husky Stadium, serving the University of Washington campus and the surrounding neighborhoods. The University Link project received $813 million in grants from the FTA, which funded approximately 40% of the $1.9 billion cost of building the line. Construction began in 2009, and operations began in March 2016. University Link opened six months ahead of schedule and approximately $200 million under budget.

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

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

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

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

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

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

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

Tacoma Link Light Rail connects downtown Tacoma with a regional transit center at the Tacoma Dome Station, where riders can transfer to Sounder Commuter Rail, ST Express regional buses, and local Pierce Transit buses. Tacoma Link began service in August 2003. Ridership in 2020 was approximately 439,200, compared to 937,000 in 2019. Tacoma Link Light Rail trains carried more than 900 passengers each weekday in December 2020, compared to 2,800 in December 2019. Sound Transit 2 also included funding for the Hilltop Tacoma Link Extension, which is currently in the pre-construction stage. The Hilltop Tacoma Link Extension received a $75 million grant awarded through the Federal Transit Administration (FTA) Small Starts program in May 2018. Sound Transit 3 also includes expanding the Tacoma Link to Tacoma Community College.

Environmental and Sustainability Management

Sound Transit manages its sustainability efforts through a long-term Sustainability Plan, first adopted in 2011 and most recently updated in 2019, to provide a policy framework for Sound Transit's day-to-day work. That policy is implemented via an ISO 14001 certified Environmental and Sustainability Management System, as well as multiple sustainability policies, procedures, and initiatives.

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

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

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

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

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

Labor Relations

As of June 30, 2021, Sound Transit employed 1,115 permanent employees. Sound Transit currently has 10 employees represented by the Amalgamated Transit Union, Local 758 AFL-CIO. This contract is effective through September 30, 2023. In addition, Sound Transit currently has 14 employees represented by the International Brotherhood of Electrical Workers, Local 46. This contract is effective through December 31, 2023. Sound Transit management believes that employee relations are satisfactory.

Employee Benefits

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

Sound Transit's actual contribution rates, which were the required contribution rates, are expressed as a percentage of covered payrolls. In 2020, the employer contribution rate was 12% ($15.2 million) and the employee contribution rate was 10% ($12.7 million) on covered payroll of $126.7 million. In 2019, the employer contribution rate was 12% ($13.4 million) and the employee contribution rate was 10% ($11.2 million) on covered payroll of $111.8 million.

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

Sound Transit does not participate in the federal Social Security System. Sound Transit provides no other post-employment benefits ("OPEB") to employees, other than free transit passes.

Risk Management

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

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

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

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

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

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

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

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

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

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

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

Financial Policies

The Board has adopted an Asset Liability Management Policy that contains investment, debt management, and swap policies. The objectives of the current investment policy are, in order of priority, safety, liquidity, and return on investment. Sound Transit's practice is to maintain a minimum cash balance of two months' operating expenses and up to three months of forecasted capital expenditures and the amount budgeted annually for the system-wide emergency and contingency fund. As of December 31, 2020, Sound Transit has an operating and contingency reserve of approximately $91.2 million and a capital replacement reserve of approximately $347.7 million. Sound Transit also maintains construction contingency funds. The Prior Bonds and the Parity Bonds are secured by a gross pledge of certain taxes, but for planning purposes, under Sound Transit's current debt management policy, the debt service coverage ratio is to be set at an average coverage ratio of 2.0x for net revenues over annual debt service costs and the coverage ratio is not to fall below 1.5x in any single year. The debt management policy establishes that Sound Transit will manage its debt obligations to minimize its net debt service payments. Under its swap policy, Sound Transit may consider the use of swaps in connection with the issuance of debt obligations consistent with its overall Asset Liability Management Policy as a means of reducing exposure to interest rate fluctuations and/or lower net borrowing costs. Sound Transit has not entered into any swaps and has no current plans to do so. See "Payment Agreements" under this heading. The Board may revise the Asset Liability Management Policy at any time.

Budgeting and Capital Planning Process

Sound Transit prepares an annual proposed budget for presentation to the Board no later than 60 days prior to the end of each Fiscal Year. The budget includes operating expenses, capital expenditures, reserves, and revenues for the upcoming Fiscal Year. Sound Transit also provides a multi-year capital and operating projects plan in the Transit Improvement Plan ("TIP"). The TIP contains project-by-project summaries for all active projects including Board-authorized cost information by project phase, life-to-date costs, annual spending forecasts for the upcoming six years, and summarized costs for years beyond this six-year period. The scope, budget-year activities, increase to the authorized project allocation over the prior year, and project risk information is also provided for each project. The Board-adopted budget policies require Board adoption before the start of each Fiscal Year and require a two-thirds affirmative vote of the full Board. The budget for 2021 was adopted by the Board on December 17, 2020.

Sound Transit's financial system and reporting tools allow management to monitor activity as needed. Monthly reports are produced for internal distribution and quarterly financial reports and progress reports are produced for external distribution. Both of these reports provide budget versus actual information. Under the Board's adopted budget policies, budget amendments that increase budget authority require adoption by a two-thirds affirmative vote of the full Board.

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

Accounting and Auditing

Method of Accounting. Sound Transit's accounts are maintained and financial statements prepared using the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and methods prescribed by the State Auditor under the authority of chapter 43.09 RCW for proprietary funds. See Note 2 in Appendix A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019" for a summary of Sound Transit's significant accounting policies.

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

Financial Statements. Sound Transit's financial statements are audited annually by an independent auditor. Sound Transit's audited financial statements for the years ended December 31, 2020 and 2019, including the accompanying notes, are included as Appendix A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019." Sound Transit has not requested that its independent auditor provide consent for inclusion in this Official Statement of its report included in Appendix A. Sound Transit's independent auditor has not been engaged to perform and has not performed, since the date of its report included in Appendix A, any procedures on the financial statements addressed in that report, nor has Sound Transit's independent auditor performed any procedures relating to this 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 complies with the international professional practices framework promulgated by the Institute of Internal Auditors.

State Accountability Audits. The State Auditor's Office performs an annual audit of Sound Transit's accountability for public resources and compliance with State laws and regulations and Sound Transit policies and procedures. The most recent audit, for 2019, reported no findings.

Investments

Permitted Investments. Washington law limits the investment of public funds by local governments to the following authorized instruments: (i) bonds of the State or any local government in the State, (ii) general obligation bonds of any other state or local government thereof which have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, (iii) registered warrants of a local government in the same county as the local government making the investment, (iv) obligations of the United States government, its agencies and wholly owned corporations, or obligations issued or guaranteed by supranational institutions, provided, that at the time of investment, the United States government must be the largest shareholder of such institution, (v) obligations of the Federal Home Loan Bank, Fannie Mae and other government-sponsored enterprises, (vi) bankers' acceptances, (vii) commercial paper, subject to State Investment Board policies, and (viii) corporate notes, subject to State Investment Board policies. In addition, Sound Transit invests in accordance with an investment policy approved by the Board. Permitted investments under the policy include obligations of the United States treasury and agency securities, bankers' acceptances, certificates of deposit, commercial paper, general obligation municipal bonds, and repurchase agreements. See Note 3 in Appendix A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019."

Local Government Investment Pool. The State Treasurer's Office administers the Local Government Investment Pool (the "LGIP"), with an ending fund balance of $24.5 billion (as of May 31, 2021) that invests money on behalf of more than 630 participants, including cities, counties, and special purpose districts. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands. The State Treasurer's Office reports that the LGIP is a highly liquid money market fund comparable to a Rule 2a-7 money market fund. The LGIP is restricted to investments with maturities of 397 days or less, and the average investment life typically is less than 60 days. Permissible investments include United States government and agency securities, bankers' acceptances, repurchase and reverse repurchase agreements, bank deposits, NOW accounts, and certificates of deposit issued by qualified Washington State depositories.

King County Investment Pool. The King County Investment Pool invests cash reserves for all King County agencies and approximately 100 special purpose districts and other public entities such as fire, school, sewer, and water districts and other public authorities. It is one of the largest investment pools in the State, with an average asset balance of more than $7.9 billion during 2020. As of March 31, 2021, the balance in the Investment Pool was $7.5 billion.

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

TABLE 12
RESTRICTED AND UNRESTRICTED INVESTMENTS
(As of July 31, 2021)[1]

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

(1) Includes approximately $960 million applied to defease the Defeased Bonds on October 1, 2021.
(2) Totals may not foot due to rounding.
Source: Sound Transit.

Payment Agreements

Sound Transit is authorized by chapter 39.96 RCW and by the Parity Bond Master Resolution to enter into payment agreements, including interest rate swap agreements, agreements for interest rate caps and floors, and certain interest payment option agreements. Sound Transit has adopted a formal policy with respect to its potential use of payment agreements. Sound Transit may amend such policy at any time.

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

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

Federal Sequestration

Under the Internal Revenue Code of 1986, as amended, Sound Transit is allowed a credit payable by the United States Treasury to Sound Transit in an amount equal to 35% of the interest payable on the 2009P-2T Prior Bonds and the 2009S-2T Parity Bonds on each interest payment date. The sequestration provisions of the Budget Control Act of 2011 went into effect on March 1, 2013, and are currently scheduled to remain in effect through federal fiscal year 2027. As a result of sequestration, the credits payable to Sound Transit were reduced in 2020 by $410,000 (reflecting the 2020 sequestration rate of 5.9%).

Leases

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

HISTORICAL FINANCIAL INFORMATION

Table 13 sets forth a summary of revenues, expenses and changes in net position, as reported in Sound Transit's audited financial statements for the years 2016 through 2020, which are on an accrual basis. Additional information that may interpret, clarify, or modify the summary set forth in Table 13 may be contained in the complete audited financial statements of the Sound Transit, including the accompanying footnotes. See Appendix A – "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019."

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TABLE 13
HISTORICAL REVENUES, EXPENSES AND CHANGES IN NET POSITION
($000s)

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

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

(2) The Motor Vehicle Tax was imposed at the rate of 0.3% until March 1, 2017, when the rate was increased to 1.1%. Under current law, Sound Transit does not have authority to impose the 1996 Motor Vehicle Tax after the 1999 Prior Bonds are retired or provision is made for their payment. The last scheduled maturity of the 1999 Prior Bonds is February 1, 2028. See "SOUND TRANSIT TAXES – Motor Vehicle Tax."

(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.

Source: Sound Transit.

CERTAIN INVESTMENT CONSIDERATIONS

Prospective purchasers of the 2021 Parity Bonds should consider the matters set forth below as well as other information contained in this Official Statement in evaluating an investment in the 2021 Parity Bonds. This section does not purport to be a comprehensive list or description of all potential risks which, if realized, could adversely affect the payment or the value of the 2021 Parity Bonds. The order of presentation of these factors below is not intended to create any implication as to the relative importance of any one risk factor over another.

Economic Activity

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

Public Health

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

Initiative and Referendum; Legislation

Under the State Constitution, the State's voters have the ability to initiate legislation and to modify existing legislation through the powers of initiative and referendum. Initiatives and referenda can be submitted to the voters (if an initiative to the people) or to the State Legislature (if an initiative to the State Legislature) each November upon receipt of a petition signed by at least 8% (initiatives) or 4% (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Regular gubernatorial elections occur every four years, with the most recent election held in November 2020.

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

In recent years, there have been initiatives to the State Legislature and to the voters, and the State's voters have approved numerous initiatives and referenda to limit taxation and revenue collection by the State and local governments in the State, including the 1996 Motor Vehicle Tax and the ST3 Motor Vehicle Tax. See "SOUND TRANSIT TAXES – Motor Vehicle Tax." Some of these initiatives and referenda have been ruled to be unconstitutional by the State Supreme Court. Others have been upheld. Sound Transit cannot predict whether any initiatives or referenda affecting Sound Transit will qualify to be submitted to the State's voters or, if submitted, will be approved, and if approved, upheld by the State's courts if challenged.

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

Limitations on Remedies

Any remedies available to the Owners of the 2021 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 2021 Parity Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the Owners of the 2021 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 2021 Parity Bonds and the 2021 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 opinion to be delivered by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, concurrently with the issuance of the 2021 Parity Bonds, is subject to limitations regarding bankruptcy, insolvency, and other laws relating to or affecting creditors' rights. A complete copy of the opinion to be delivered by Bond Counsel in connection with the issuance of the 2021 Parity Bonds is included in Appendix E.

No Acceleration

The 2021 Parity Bonds are not subject to acceleration upon the occurrence of a default. Sound Transit is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal of or interest on 2021 Parity Bonds, the owners would be required to bring a separate action for each such payment not made. This could give rise to a difference in interests between owners of earlier and later maturing 2021 Parity Bonds.

Capital Plan Risk

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

Municipal Bankruptcies

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

Under Chapter 9, "special revenues" are granted special protection in cases brought by municipalities. The definition of "special revenues" includes "special excise taxes imposed on particular activities or transactions" and includes "taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor." Under Chapter 9, the pledge of the Pledged Taxes may be enforceable if a bankruptcy court determines that the Pledged Taxes are "special revenues" under Chapter 9 and that the pledge of the Pledged Taxes is valid and binding under Chapter 9.

The Bankruptcy Code provides that "special revenues" can be applied to necessary operating expenses of the project or system before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. It is not clear precisely which expenses would constitute necessary operating expenses. If Sound Transit sought protection under Chapter 9, a bankruptcy court could find that the Pledged Taxes are not "special revenues" or could find that the flow of funds or the pledge of the Pledged Taxes under the Parity Bond Master Resolution is not enforceable under Chapter 9, in which case the Owners of the 2021 Parity Bonds would not be entitled to any special priority to such proceeds and could be treated as general unsecured creditors of Sound Transit.

There can be no assurance that a bankruptcy court would order Sound Transit to apply Pledged Taxes to payment of the Prior Bonds or the Parity Bonds, including the 2021 Parity Bonds.

Sound Transit holds all accounts created under the Master Prior Bond Resolution and the Parity Bond Resolutions, including the Local Option Tax Accounts, the Prior Bond Account, the Prior Reserve Account, the Parity Bond Account, the Parity Reserve Account, and the Project Fund. The Owners of the 2021 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 2021 Parity Bonds could be time consuming. Substantial delays or reductions in payments to the Owners of the 2021 Parity Bonds could result. Even if a court determines that post-bankruptcy money in such accounts is payable to the Owners of the Parity Bonds, the court may permit Sound Transit to spend such money in such accounts to pay operation and maintenance costs of Sound Transit or to pay general creditors, notwithstanding any provision of the Parity Bond Master Resolution to the contrary.

Seismic, Volcanic, and Other Natural Disasters

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

Mount Rainier National Park is approximately 65 miles from Seattle. Mount Rainer is a dormant volcano having glacier ice that exceeds that of any other mountain in the coterminous United States and poses a variety of geologic hazards, including the potential for future eruptions. The recorded history (about 200 years) of Mount Rainier includes one or two small eruptions, several small debris avalanches, and many small lahars (debris flows originating on a volcano consisting of water, ice, soils, and/or downed trees and other debris). A future major eruption could result in pyroclastic flows, ballistic projectiles, and lava flows closer to the mountain, and could result in very large lahars that could travel at high rates of speed as far as the District and into the Puget Sound. Such lahars could cause catastrophic damage to the area within the District.

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

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

Laws and Regulation; Federal Funding

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

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

Climate Change and Sustainability

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

Sound Transit has not engaged an independent consultant in connection with the designation of the 2021 Parity Bonds as Green Bonds. *No representation is made as to the suitability of any 2021 Parity Bonds to fulfill environmental, sustainability or social bond criteria required by prospective investors.* In particular, no assurance is given by Sound Transit or the Underwriters that the use of 2021 Parity Bond proceeds will satisfy, in whole or in part, any present or future investor expectations or requirements as to any investment criteria or guidelines with such investor or its investments are required to comply, whether by any present or future applicable law or regulations, or by its own by-laws or other governing rules or investment portfolio mandates.

Cybersecurity

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

LITIGATION

In the ordinary course of business, Sound Transit has been named as a defendant in a number of lawsuits relating to personnel, commercial, environmental and condemnation matters. Although the ultimate effect, if any, of these matters is not presently determinable, Sound Transit's management believes that, collectively, these matters will not have a material effect on Sound Transit's ability to pay debt service on the 2021 Parity Bonds when due.

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

There is no other action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance or sale of the 2021 Parity Bonds or in any way contesting the validity of the 2021 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.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Sound Transit ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2021 Parity Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the 2021 Parity Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the 2021 Parity Bonds is less than the amount to be paid at maturity of such 2021 Parity Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2021 Parity Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2021 Parity Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the 2021 Parity Bonds is the first price at which a substantial amount of such maturity of the 2021 Parity Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2021 Parity Bonds accrues daily over the term to maturity of such 2021 Parity Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2021 Parity Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2021 Parity Bonds. Beneficial Owners of the 2021 Parity Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2021 Parity Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2021 Parity Bonds in the original offering to the public at the first price at which a substantial amount of such 2021 Parity Bonds is sold to the public.

2021 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 2021 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 2021 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 2021 Parity Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2021 Parity Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2021 Parity Bonds may adversely affect the value of, or the tax status of interest on, the 2021 Parity Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2021 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 2021 Parity Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2021 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 2021 Parity Bonds. Prospective purchasers of the 2021 Parity Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2021 Parity Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of Sound Transit, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. Sound Transit has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2021 Parity Bonds ends with the issuance of the 2021 Parity Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend Sound Transit or the Beneficial Owners regarding the tax-exempt status of the 2021 Parity Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than Sound Transit and their 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 2021 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 2021 Parity Bonds, and may cause Sound Transit or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission, Sound Transit has undertaken for the benefit of holders of the 2021 Parity Bonds to provide certain financial information and operating data relating to Sound Transit by no later than nine months after the end of each Fiscal Year (the "Annual Financial Information"), and to provide notices of the occurrence of certain events. The Annual Financial Information is required to be filed by or on behalf of Sound Transit with the Municipal Securities Rulemaking Board (the "MSRB"). Notices of certain events are required to be filed by or on behalf of Sound Transit with the MSRB. A copy of Sound Transit's undertaking to provide continuing disclosure is included as Appendix C – "CONTINUING DISCLOSURE CERTIFICATE."

LEGAL MATTERS

Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Sound Transit, in connection with the issuance of the 2021 Parity Bonds. A complete copy of the form of opinion to be delivered by Bond Counsel in connection with the issuance of the 2021 Parity Bonds is included in Appendix E. See "ADVISORS AND CONSULTANTS – Bond Counsel." 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 General Counsel to Sound Transit, and by Pacifica Law Group LLP, Disclosure Counsel to Sound Transit. See "ADVISORS AND CONSULTANTS – Disclosure Counsel." Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Garvey PC. Any opinion of Foster Garvey PC will be rendered solely to the Underwriters, will be limited in scope and cannot be relied upon by investors. Foster Garvey PC represents Sound Transit on matters other than the issuance and sale of the 2021 Parity Bonds including as bond counsel to Sound Transit on the TIFIA Loan Agreements and bond counsel and disclosure counsel to Sound Transit on other matters, including as bond counsel to Sound Transit in connection with the issuance and sale of the Refunded Bonds.

RATINGS

Moody's Investors Service, Inc., and S&P Global Ratings have assigned their municipal bond ratings of "Aa1" and "AAA," respectively, to the 2021 Parity Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the 2021 Parity Bonds. Each rating reflects only the view of the applicable rating agency, and an interpretation of such rating may be obtained only from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; and S&P Global Ratings, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There can be no assurance that such ratings will continue for any given period of time or that they will not be revised downward, suspended, or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such revision, suspension, or withdrawal of any such rating may have an adverse effect on the market price of the 2021 Parity Bonds.

UNDERWRITING

The 2021 Parity Bonds are to be purchased by J.P. Morgan Securities LLC, on behalf of itself and as representative of Citigroup Global Markets Inc., BofA Securities, Inc., and RBC Capital Markets, LLC (collectively, the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the 2021 Parity Bonds at a price of $1,051,453,230.14, which amount is equal to the principal amount thereof, plus original issue premium of $184,312,740.50, less Underwriters' discount of $2,219,510.36. The bond purchase contract for the purchase of the 2021 Parity Bonds provides that the Underwriters will purchase all the 2021 Parity Bonds if any 2021 Parity Bonds are purchased.

J.P. Morgan Securities LLC ("JPMS"), an Underwriter of the 2021 Parity Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain municipal securities offerings to the retail customers of CS&Co. and LPL at the original issue prices. JPMS expects to invite CS&Co. and LPL to participate in all future offerings of Sound Transit for which JPMS participates as underwriter or selling group member, including the 2021 Parity Bonds. As compensation to CS&Co. and LPL, JPMS will share a portion of the selling concession with CS&Co. and LPL.

Citigroup Global Markets Inc., an Underwriter of the 2021 Parity Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

BofA Securities, Inc., an Underwriter of the 2021 Parity Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the 2021 Parity Bonds.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of Sound Transit. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of Sound Transit.

The Underwriters may offer and sell the 2021 Parity Bonds to certain dealers (including dealers depositing 2021 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.

ADVISORS AND CONSULTANTS

Bond Registrar. Sound Transit has appointed the fiscal agent of the State as the Bond Registrar for the 2021 Parity Bonds. The State fiscal agency contract is bid out by the State Treasurer on a competitive basis for a four-year term. The current contract began on February 1, 2015, and was extended effective November 13, 2018. U.S. Bank National Association currently serves in this capacity. For so long as the 2021 Parity Bonds are held by DTC in the book-entry system, the beneficial owners of the 2021 Parity Bonds must transfer their ownership interests, and will receive payments on the 2021 Parity Bonds, in the manner described in Appendix F – "DTC AND ITS BOOK-ENTRY SYSTEM."

Bond Counsel. Orrick, Herrington & Sutcliffe LLP, Seattle, Washington ("Bond Counsel"), was selected to serve as Sound Transit's bond counsel for the issuance of the 2021 Parity Bonds pursuant to a request for proposal process. Bond Counsel has been retained to provide additional legal services to Sound Transit. Sound Transit does not believe such additional representation of Sound Transit has impeded the ability of Bond Counsel to render independent judgment regarding the 2021 Parity Bonds. From time to time Bond Counsel represents the underwriters on matters unrelated to Sound Transit or to the 2021 Parity Bonds, and in 2009 and 2012 represented underwriters in connection with the issuance of certain Outstanding Parity Bonds and certain Outstanding Prior Bonds including the Refunded Bonds.

Disclosure Counsel. Pacifica Law Group LLP, Seattle, Washington ("Disclosure Counsel"), was selected to serve as Sound Transit's disclosure counsel for the issuance of the 2021 Parity Bonds pursuant to a request for proposal process. Disclosure Counsel has been retained to provide additional legal services to Sound Transit. Sound Transit does not believe such additional representation of Sound Transit impedes the ability of Disclosure Counsel to render independent judgment regarding the adequacy of disclosure for the issuance of the 2021 Parity Bonds. From time to time, Disclosure Counsel represents the underwriters on matters unrelated to Sound Transit or to the 2021 Parity Bonds, and in 2015 and 2016 represented underwriters in connection with the issuance and remarketing of certain Outstanding Parity Bonds.

Municipal Advisor. Piper Sandler & Co. was selected to serve as municipal advisor to Sound Transit in conjunction with the issuance of the 2021 Parity Bonds pursuant to a request for proposal process. The municipal advisor has not audited, authenticated or otherwise verified the information set forth in this 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 municipal advisor respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

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

MISCELLANEOUS

The descriptions herein of the 2021 Parity Bond Resolutions and other documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents and contracts, copies of which are available, upon request and upon payment to Sound Transit of a charge for copying, mailing and handling, from Sound Transit's Department of Finance.

This Official Statement is not to be construed as a contract or agreement between Sound Transit and the Owners of any of the 2021 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.

APPENDIX A

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

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SOUNDTRANSIT

Central Puget Sound Regional Transit Authority

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

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

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

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

The independent auditors, whose report is included herein, were engaged to express an opinion on our 2020 financial statements. Their opinion is based on procedures performed in accordance with generally accepted auditing standards, including examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

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

Peter M. Rogoff	Tracy Butler	Jeff Clark
Chief Executive Officer	*Chief Financial Officer*	*Deputy Executive Director Financial Operations*

MOSSADAMS

Report of Independent Auditors

Finance and Audit Committee
Central Puget Sound Regional Transit Authority

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sound Transit as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Moss Adams LLP

Seattle, Washington
May 28, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2020 and 2019

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of Sound Transit for the years ended December 31, 2020 and 2019. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements and notes to the financial statements as a whole.

Sound Transit is a regional transit authority implementing and operating a high-capacity transportation system throughout parts of King, Pierce and Snohomish counties including commuter rail (Sounder), light rail (Link), a regional express bus system (ST Express) and a bus rapid transit system (Stride). Sound Transit was established by the legislature in 1993, and authorized to collect taxes to fund, build and operate a comprehensive transit system by voter approved plans in 1996 (Sound Move), 2008 (ST2) and 2016 (ST3).

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

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

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

Financial Highlights

- Sound Transit's financial statements reflect an increase in net position of $1.8 billion in 2020. The increase reflects continued progress on the voter approved capital expansion programs. The increase, despite the pandemic, highlights the agency's diversified tax revenues and the positive impact of federal COVID –19 grant programs. The 2019 net position grew by $1.7 billion, also reflecting progress on the voter approved capital expansion programs funded primarily via taxes.

- System expansion continued in all corridors (North, Central, South and East) and across all modes, most significantly light rail in 2020 and 2019. Capital assets increased 15.9% in 2020 as a result of $2,134.1 million of capital project spending related primarily to the East, Lynnwood, Federal Way, Redmond and Northgate Link extension projects, as well as the Operations Maintenance Facility East project. Non-operating revenues, net of expenses, were $1,934.8 million, a 2.4% increase from 2019, primarily due to Coronavirus Aid, Relief, & Economic Security (CARES) Act revenue offset by a slight decrease in sales and use tax revenues due to COVID-19, which negatively impacted the regional economy.

- Capital contributions from federal, state and local funding arrangements were $431.8 million, a net increase from 2019 of $171.4 million or 65.8%, primarily reflecting increased grant revenue associated with Lynnwood and Tacoma Link extension projects.

- Total operating subsidy increased by $78.6 million or 17.8% to $519.8 million primarily due to lower ridership and passenger fare revenues related to the COVID-19 stay at home orders and higher depreciation expense, partially offset by a small decrease in operations and maintenance expenses.

Overview of the Financial Statements

Sound Transit's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The 2020 and 2019 financial statements are presented using the economic resource measurement focus and accrual basis of accounting. As Sound Transit comprises a single proprietary fund, no fund level financial statements are shown.

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

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

Financial Analysis

Net Position

Sound Transit's net position represents the cumulative effect of the excess of revenues over expenses together with the impact of Sound Transit's financing decisions.

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

The table below summarizes Sound Transit's net position:

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

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

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

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

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

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

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

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

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

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

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

Changes in Net Position

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

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

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

Operating Revenues

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

Passenger Fare Revenue

Passenger fares are derived from the sale of Sounder commuter rail and Link light rail tickets at ticket vending machines (TVMs), fare box receipts on ST Express and use of One Regional Card for All (ORCA) products on all modes. Fares are charged on each service, except Tacoma Link. Passenger fare revenue decreased 68.3% and increased 1.1% in 2020 and 2019, respectively. The decrease in 2020 was primarily due to COVID-19, which significantly impacted passenger fare revenue on all modes via temporary suspended fares and reduction in ridership. The increase in 2019 was primarily due to continued boardings growth on Link, growth in the ORCA Business Passport program, and the introduction of the Permit Parking program. In 2020 ST Express contributed 44.5% of total passenger fare revenue, Link contributed 37.0% and Sounder commuter rail contributed 18.5%.

Passenger fare revenue by mode are as follows:

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

Ridership

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

- Link ridership decreased 67.9% from 2019 and increased 1.3% between 2019 and 2018. The decline in ridership in 2020 is attributable to COVID-19 ridership decline as public health measures were implemented to control the virus and more people worked remotely.

- ST Express ridership decreased 64.2% from 2019 and 3.8% between 2019 and 2018. The decline in ridership in 2020 is attributable to COVID-19 ridership decline as public health measures were implemented to control the virus and more people worked remotely.

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

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

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

Average Fare per Boarding (AFB)

The combined AFB decreased by 3.9% in 2020 due to COVID-19. Link's AFB decreased by18.0% in 2020 mainly due to temporary fare suspensions and reduction in ridership, while ST Express and Sounder's increases of 5.0% and 19.7%, respectively, were primarily driven by reduction in ridership.

Average Fare per Boarding

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

Other Operating Revenues

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

Operating Expenses

Operating expenses

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

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

Operations and Maintenance Expenses by Mode

The following table presents operating and maintenance expenses by mode:

Operations and Maintenance Expenses by Mode

(in millions)	2020	2019 (Restated)	2018	% Change 2020-2019	% Change 2019-2018
Link	$ 144.3	$ 138.5	$ 122.4	4.8%	12.6%
ST Express	135.4	142.8	136.1	(5.2)%	5.0
Sounder	52.6	54.3	51.2	(3.3)	6.0
Total	**$ 332.3**	**$ 335.6**	**$ 309.7**	**(1.0)%**	**8.4%**

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

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

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

Agency Administration

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

Fare and Regional Planning

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

Depreciation and Amortization

Depreciation and amortization comprise non-cash expenses that reflect the reduction in the value of capital and intangible assets over time. Depreciation and amortization increased $11.1 million or 5.9% in 2020 ($19.2 million or 11.5% in 2019) reflecting increased expense related to capital assets placed in service during the year and the full year impact of capital assets placed in service in 2019, as well as amortization of right-of-use assets related to leases.

Non-Operating Revenues and Expenses

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

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

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

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

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

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

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

Capital Contributions

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

Capital Contributions

(in millions)				% Change	
	2020	**2019**	**2018**	**2020-2019**	**2019-2018**
Federal	$ 411.5	$ 216.0	$ 156.4	90.6%	38.1%
State and local governments	20.3	44.4	77.9	(54.4)	(42.9)
Total	**$ 431.8**	**$ 260.4**	**$ 234.3**	**65.8%**	**11.2%**

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

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

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

Capital Assets

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

Capital Assets, net

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

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

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

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

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

Long-Term Debt

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

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

The reduction in bonds payable in 2020 and 2019 is due to regular scheduled principal payments. No additional bonds were issued during 2020 or 2019. Under state law, issuance of bonds payable from any type of taxes is subject to statutory debt limitations. Sound Transit is currently authorized to incur debt in an amount equal to 1.5% of the value of taxable property within the service area, without securing additional voter approval. With the approval of 60.0% of the region's voters, Sound Transit may incur aggregate indebtedness of up to 5.0% of the value of taxable property within the service area. Based on the 2019 assessed valuations for collection of 2020 taxes, Sound Transit's current approved remaining debt capacity is $6.6 billion and its additional remaining debt capacity subject to voter approval is $34.8 billion.

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

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

See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(in thousands)

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

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

(in thousands)

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

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS, continued

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

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

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

1. ORGANIZATION AND REPORTING ENTITY

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting— The accounts are maintained and financial statements prepared using the economic resources measurement focus and accrual basis of accounting in accordance with GAAP. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As Sound Transit comprises a single proprietary fund, no fund level financial statements are shown.

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

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

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

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

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

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

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

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

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

Interest costs on funds borrowed through tax-exempt and taxable debt to finance the construction or acquisition of certain capital assets are expensed in the period in which they are incurred. Prior to 2019, interest costs, as described above, were capitalized during the period of construction or acquisition and depreciated over the life of the related assets once placed into service.

Capital Contributions to Other Governments— Pursuant to capital improvement agreements, Sound Transit has provided funding to, or constructed assets for, various governments for transit-related capital improvements. Costs incurred to construct assets for other governments are capitalized and included in CIP until the asset is substantially completed and accepted, at which time the costs are transferred out of CIP and recorded as contributions to other governments.

Cash and Cash Equivalents— Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less at the time of purchase. Restricted cash and cash equivalents contain externally imposed legal and contractual obligations and are classified as current or non-current in accordance with their requirements.

Compensated Absences— The agency has historically had separate programs for Employee Vacation and Sick leave. Effective December 21, 2020 these two programs were combined into one Personal Time Off (PTO) program. The conversion to the PTO program resulted in certain payouts to employees of accrued amounts under the old programs. These payouts were dependent on the employee's tenure and accrued balances. Under the new program, PTO is earned based on tenure and job level. PTO is payable at 50% upon employee termination. Certain accrued balances relating to the legacy programs will continue to be presented as liabilities until utilized or forfeited.

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

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

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

Investment Valuation— Investments are stated at fair value.

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

New Accounting Pronouncements

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

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

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

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

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

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

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

Notes to Financial Statements, continued

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

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

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

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

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

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

Revenue and Expense Classification— Sound Transit distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing passenger services in connection with Sound Transit's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

3. CASH, CASH EQUIVALENTS, INVESTMENTS AND RESTRICTED ASSETS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less at the time of purchase. Cash in the Local Government Investment Pool (LGIP) is managed by the Washington State Treasurer's Office. Investments in the King County Investment Pool (KCIP) are managed by the King County Finance Division. The LGIP and the KCIP represent an interest in a group of securities and have no specific security subject to custodial risk.

Sound Transit's bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All deposits not covered by the FDIC are covered by the PDPC. Cash, cash equivalents, investments and restricted assets consist of the following:

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

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

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

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

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

Unrestricted investments consist of the following:

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

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

Restricted investments consist of the following:

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

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

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

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

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

Notes to Financial Statements, continued

Modified duration

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

Specific identification

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

** Continuously callable from this date forward*

Concentration of Credit Risk— Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issues. The investment policy sets forth maximum concentration guidelines. At both December 31, 2020 and 2019, Sound Transit portfolios were within these guidelines.

Investment Type Per Investment Policy	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 obligation bonds, PDPC financial institution sponsored investment accounts	25%
Deposit bank notes	20%
Certificates of deposit, bankers' acceptances, reverse repurchase agreements and A1/P1 commercial paper	10%

Credit Risk— Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. As of December 31, 2020 and 2019, all Treasury, U.S. Agency, general obligation bonds and commercial paper securities are rated in one of the four highest credit rating categories of a nationally recognized statistical rating organization. After a bond has been purchased, if it is downgraded below one of the three highest ratings, a case-by-case review is conducted to determine the reason for the downgrade and to evaluate whether or not to continue to hold the bond. The LGIP and KCIP are unrated.

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

4. TAXES AND OTHER RECEIVABLES

Taxes and other receivables consist of the following:

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

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

5. LEASES

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

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

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

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

Term – At the time of lease commencement or conversion, the term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal. For extension periods without explicit rent payment amounts in the lease agreement, the agency included an increase of 3% to prior rent payment amounts on an annual basis.

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

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

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

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

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

Total lease related assets consist of the following:

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

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

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

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

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

Total lease obligations consist of the following:

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

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

(in thousands)

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

Lease-Leaseback— In May 2001, Sound Transit entered into a transaction to lease 22 rail passenger cab and coach cars and 5 locomotives (the head lease) to an investor and simultaneously sublease the vehicles back from the investor (the sublease). Under these transactions, Sound Transit maintains the right to continued use and control of the assets through the end of the leases and is required to insure and maintain the assets. The current lease expires on September 17, 2040.

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

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

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

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

The lease documentation established minimum credit levels by AIG for the equity and debt defeasance accounts. At the time these transactions closed, AIG was rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s Investment Service. However, starting in March 2005, AIG suffered a series of credit rating downgrades and as of December 31, 2020 was rated “BBB+” by Standard & Poor’s and “Baa1” by Moody’s Investment Service. As of December 31, 2020 and 2019, the defeasance accounts were unrated.

Because of credit rating downgrades under the lease transaction, Sound Transit is required to replace AIG for its undertaking agreements and credit enhancements provision in the transaction and AIG is required to post collateral for the debt defeasance accounts. However, in January 2009, Sound Transit entered into a waiver agreement and temporary waiver of delivery of required items letter with the Owner Participant, Lessor, Lender, and Debt Payment Undertaker waiving any existing default or event of default based on a failure to comply with the ratings downgrade provisions of the Participation Agreement, Loan Agreement, Debt Payment Agreement, and Debt Payment Guarantee until March 1, 2009. Under the Fifth Extension Amendment to the waiver agreement and Fifth Temporary Waiver of Delivery of Required Items letter with the transaction participants, Sound Transit may request successive six-month extensions of the waiver agreements until September 30, 2020, unless extended by agreement of the parties. Sound Transit requested and has been granted an extension of the wavier agreements through September 30, 2021. If the default is not cured and the extension is not granted, the investor could demand a termination payment from Sound Transit of approximately $10.7 million.

6. CAPITAL ASSETS

Capital assets are summarized as follows:

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

Notes to Financial Statements, continued

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

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

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

8. LONG-TERM DEBT

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

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

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

Bonds Payable (Prior and Parity)

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

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

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

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

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

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

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

* Estimated using quoted market prices

Sound Transit is also required, by covenant, to maintain a common debt service reserve account for all Prior Bonds. The common debt service reserve requirement for these bonds is met by a surety policy in the amount of $31.7 million purchased in 1999, a $7.9 million cash reserve, funded at the time the 2009P-2T bonds were issued, and an $11.5 million cash reserve, funded at the time the 2012P-1 bonds were issued (see also note 3). Sound Transit is required to value, at market, the investments held in debt service reserve accounts annually and to make up any deficiency within six months after the date of the valuation. As of December 31, 2020, and 2019, the market value of the Prior debt service reserve exceeded the required reserve amount. Reserve account proceeds are invested in municipal bonds.

Additionally, Sound Transit has created a Bond Account to pay and secure the payment of the Bonds. The Bond Account is pledged to the payment of Bonds and is a trust account for the Owners of the Bonds. For as long as any Bonds remain outstanding, the agency has pledged to pay into the Bond Account from Local Option Taxes: (i) approximately equal monthly deposits such that the amounts projected to be on deposit on the next interest payment date will be sufficient to pay the interest scheduled to become due and redemption premium, if any, on Outstanding Bonds; and (ii) approximately equal monthly deposits such that the amounts projected to be on deposit on the next principal payment date will be sufficient to pay maturing principal for Bonds.

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

* Estimated using quoted market prices

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

Sound Transit makes monthly deposits into a Parity Bond Account from pledged taxes so that the balance therein will be sufficient to pay: (i) the interest, or principal and interest, next coming due on the Parity Bonds and (ii) regularly scheduled payments under Parity Payment Agreements.

Long-term Bond Requirements

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

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

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

The American Recovery and Reinvestment Act of 2009 created the Build America Bond (BAB) program, which authorized state and local governments to issue BABs as taxable bonds in 2009 and 2010 to finance any capital expenditures for which they otherwise could issue tax-exempt municipal bonds. Issuers receive a direct federal subsidy payment for a portion of their borrowing costs paid to investors of BABs. The direct federal subsidy, once earned, is considered a non-exchange transaction, separate from the interest payments made, and is recorded in other non-operating revenue when Sound Transit makes its interest payment. Sound Transit received subsidies of $6.7 million and $6.7 million, in 2020 and 2019, respectively. The 2009P-2T bonds and the 2009S-2T bonds are Build America Bonds.

Second Tier Junior Obligations (TIFIA Loans)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Major coverages under these programs are as follows:

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

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

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

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

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

Major coverages under these programs are as follows:

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

Sound Transit has deposited $1.0 million for the University Link OCIP and an additional $0.7 million for the North Link OCIP with the insurer, in an interest-bearing account with Wells Fargo Bank as collateral, to ensure Sound Transit's financial obligation for payment of any general liability claims resulting from these projects. While Sound Transit is directly responsible for payment of the deductible to the insurers, it has further transferred its risk of loss through its construction contracts, requiring contractors covered by these programs to be responsible for 100% of the deductible on general liability and pollution liability claims ($100 thousand and $250 thousand respectively) and the first $250 thousand of any builders risk loss.

Self-insured liabilities are recorded when probable that a loss has occurred and the amount can be reasonably estimated and includes estimates for claims that have been incurred but not yet reported. As actual liabilities depend on a number of complex factors the process used in estimating the claims liability does not necessarily result in an exact amount. Annually, Sound Transit engages an actuary to prepare an independent actuarial analysis and to prepare an actuarial report in order to estimate its total insurance claim exposure under all of its insurance and risk management programs. The insurance claim amount estimated to be paid within the next year is included in other claims and short-term obligations.

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

10. RESTRICTED NET POSITION

Restricted net position consists of the following:

(in thousands)	2020	2019
Debt service	$ 65,230	$ 58,044
Contractual arrangements	11,650	17,298
	$ 76,880	**$ 75,342**

11. EMPLOYEE BENEFITS

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

Eligible employees are required to participate in the plan on the first day of employment. The amount of covered payroll during 2020 and 2019 was $126.7 million and $111.8 million, respectively, and total payroll was $127.2 million and $112.2 million, respectively. The required contribution rates, expressed as a percentage of covered payroll, and required Sound Transit contributions during 2020 and 2019 were as follows:

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

12. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

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

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

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

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

> ***Downtown Seattle Transit Tunnel (DSTT) Agreement***— This agreement with King County and City of Seattle provides for cost sharing with regard to the maintenance and operation in the DSTT in exchange for the right to use the tunnel for light rail operations. Sound Transit's ongoing obligations include reimbursement of maintenance costs and cost-sharing for future capital repairs or replacements as they arise. Sound Transit has entered into negotiations to transfer ownership of the tunnel from King County to Sound Transit.
>
> ***Light Rail Agreements***— Sound Transit has entered into a variety of agreements to secure the permanent right to operate light rail in the right of way (under, upon and over streets and property) owned by the City of Seattle, Tukwila, SeaTac, the Port of Seattle, Bellevue, Lynnwood, Shoreline, Mountlake Terrace, Federal Way, Kent, Des Moines and Tacoma. The cost of public right of way improvements have been capitalized to rail access rights and include those costs necessary to operate light rail service, such as costs to acquire real property and relocate existing residents and businesses, as well as certain improvements to the right of way required under those agreements.

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

> ***South Line***— Service between Seattle and Lakewood is provided by BNSF under a 40-year service agreement for the operation of 26 daily one-way (13 round-way) commuter rail trips that expires in 2040. The agreement establishes the compensation paid to BNSF for train crews, maintenance of way and other expensed incurred in the operation of the Sounder Service and is based on actual cost of crew, dispatch and management, as well as cost for performance incentives. Upon expiration of the service agreement, Sound Transit's use of BNSF track will be bound by a dormant Joint Use Agreement for BNSF's Seattle-Tacoma corridor.
>
> ***North Line***— BNSF operates 4 daily commuter rail round trips between Seattle and Everett for Sound Transit under a service agreement. The service agreement expires in December 2030. Upon expiration of the service agreement, Sound Transit's use of BNSF track will be bound by a dormant Joint Use Agreement for BNSF's Seattle-Everett corridor.
>
> ***Rolling Stock***— In 2000, Sound Transit leased the initial portion of its rolling stock to Amtrak for $1. Under the agreement, Amtrak is obligated to repair, maintain and service the rolling stock at Amtrak's maintenance facility in return for payment by Sound Transit. By separate agreement, Amtrak subleased this rolling stock to BNSF for operation of Sounder Service. Both lease agreements are for a 40-year term, expiring in 2040.
>
> ***Maintenance Service Agreement***— In 2016 Sound Transit entered into an amended agreement with Amtrak, under which Sound Transit pays a flat monthly fixed price dependent upon the number of one-way trips and train sets in operation for a baseline set of operating assumptions. A negotiated rate is also established for additional service above the baseline operating plan. This agreement is renewed from time to time.

First Hill Streetcar—In October 2010, Sound Transit agreed to fully fund $132.8 million of the costs necessary to design, construct and operate the First Hill Streetcar that was established in the November 2009 Funding and Cooperative Agreement, of which $5.0 million is payable annually through 2023 for annual operations and maintenance expenses. The City of Seattle owns and operates the First Hill Streetcar facilities and vehicles.

Land Bank Agreement— Sound Transit entered into an agreement called the Land Bank Agreement with WSDOT in July 2000 which was restated in December 2003. The purpose of the agreement is to establish a framework within which WSDOT can, from time to time, convey portions of WSDOT property through lease or sale to Sound Transit for non-highway use in consideration for Sound Transit's funding of highway purpose improvements. In August 2010, as part of the Umbrella Agreement with WSDOT to complete the R8A Project, the land bank agreement was extended to 2080. Sound Transit will continue to earn land bank credits for constructing projects containing highway improvements and use credits on projects that are located within the public highway right of way through July, 2080.

Sound Transit has light rail guideways located on WSDOT property governed under multiple 20-year and 40-year airspace leases issued under the Land Bank Agreement. These airspace leases have options to renew for an additional 20 to 35 years. Should Sound Transit and WSDOT not enter into a new agreement at the end of the leases, property interests revert to WSDOT. At December 31, 2020, the value of the unused land bank credits that have not been conveyed by WSDOT to Sound Transit was $96.5 million. This value is not recorded in the financial statements as there is not sufficient certainty that the credit will be utilized.

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

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

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

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

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

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

Grants— Sound Transit participates in several federal, state and local grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that Sound Transit has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2020 and 2019 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to noncompliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

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

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

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APPENDIX B

FORM OF THE PARITY BOND MASTER RESOLUTION

SOUND TRANSIT

RESOLUTION NO. R2016-34

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY RESTATING AS A PARITY BOND MASTER RESOLUTION, RESOLUTION NO. R2015-16, AS AMENDED BY RESOLUTION NO. R2016-32; PROVIDING FOR THE ISSUANCE FROM TIME TO TIME PURSUANT TO SERIES RESOLUTIONS OF FUTURE PARITY BONDS OF THE AUTHORITY TO FINANCE OR REFINANCE PORTIONS OF THE AUTHORITY'S REGIONAL TRANSIT SYSTEM; PROVIDING FOR THE PAYMENT OF SUCH PARITY BONDS; AND PROVIDING AN EFFECTIVE DATE

ADOPTED: NOVEMBER 29, 2016

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SOUND TRANSIT

RESOLUTION NO. R2016-34

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY RESTATING AS A PARITY BOND MASTER RESOLUTION, RESOLUTION NO. R2015-16, AS AMENDED BY RESOLUTION NO. R2016-32; PROVIDING FOR THE ISSUANCE FROM TIME TO TIME PURSUANT TO SERIES RESOLUTIONS OF FUTURE PARITY BONDS OF THE AUTHORITY TO FINANCE OR REFINANCE PORTIONS OF THE AUTHORITY'S REGIONAL TRANSIT SYSTEM; PROVIDING FOR THE PAYMENT OF SUCH PARITY BONDS; AND PROVIDING AN EFFECTIVE DATE

BE IT RESOLVED by the Board of Directors of The Central Puget Sound Regional Transit Authority that Resolution No. R2015-16, as amended by Resolution No. R2016-32, shall be restated as follows:

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

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

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

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

"Adopted Parity Rate Adjustment" means any reduction or increase in the rate of the imposition of Pledged Taxes if the Authority has taken all actions and received all approvals required, as applicable, to adjust such Pledged Taxes and, in the case of an increase, to pledge such increased taxes to the payment of Parity Bonds and Second Tier Junior Obligations and to the payment of First Tier Junior Obligations if the Authority so determines in a Supplemental Resolution.

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

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

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

(3) if a Parity Payment Agreement is executed in connection with a Series of Parity Bonds, the Annual Parity Bond Debt Service shall include regularly scheduled Payments adjusted to take into account regularly scheduled Receipts as provided in Section 13(d);

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

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

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

"Assumed Variable Rate" means, as of the date of calculation, the lower of (A) the maximum rate set forth in such Variable Rate Parity Bonds or in the Series Resolution for such Variable Rate Parity Bonds; or (B)(i) with respect to Parity Bonds that bear interest at a tax-exempt Variable Rate, a rate equal to the highest 12-month rolling average of the SIFMA Index over the preceding 10 years or (ii) with respect to Parity Bonds that bear interest at a taxable Variable Rate, a rate equal to the highest 12-month rolling average of One-Month LIBOR over the preceding 10 years.

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

"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. R2012-16 and provided for in Section 10(b) of this Parity Bond Master Resolution.

"Parity Reserve Account Requirement" means (A) for the 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds, zero; (B) for Future Parity Bonds designated in a Series Resolution as "Covered Parity Bonds," the lesser of: (1) Maximum Annual Parity Bond Debt Service or (2) 125% of Average Annual Parity Bond Debt Service; provided, that upon the issuance of any Series of Future Parity Bonds, the Parity Reserve Account Requirement shall not be required to be funded or increased by an amount greater than 10% of the proceeds of the Parity Bonds of that Series; and (C) for Future Parity Bonds that are not Covered Parity Bonds, the amount (which may be zero) specified in a Series Resolution as the Parity Reserve

Account Requirement for the Parity Bonds of such Series. For purposes of calculating the Parity Reserve Account Requirement or any other reserve account requirement, the initial issue price of Capital Appreciation Parity Bonds shall be deemed to be the sale proceeds of such Capital Appreciation Parity Bonds.

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

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

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

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

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

"Pledged Taxes" means (i) the rental car sales and use tax levied by the Authority as of the date of this Parity Bond Master Resolution at the rate of 0.8%, as authorized by RCW 81.104.160, (ii) the sales and use tax authorized by RCW 81.104.170, initially approved at an election held on November 5, 1996 and levied by the Authority as of the date of this Parity Bond Master Resolution at the rate of 0.4%, together with the additional sales and use tax approved at an election held on November 4, 2008 and levied by the Authority as of the date of this Parity Bond Master Resolution at the rate of 0.5%, together with the additional sales and use tax approved at an election held on November 8, 2016 and levied by the Authority at the rate of 0.5%, (iii) the motor vehicle excise tax authorized by RCW 81.104.160, initially approved at an election held on November 5, 1996 and levied by the Authority at the rate of 0.3%, together with the additional motor vehicle excise tax approved at an election held on November 8, 2016 and levied by the Authority at the rate of 0.8% and (iv) Additional Taxes if pledged to the payment of the Parity Bonds and Second Tier Junior Obligations pursuant to a Series Resolution or Supplemental Resolution and to payment of First Tier Junior Obligations if the Authority so determines in a Supplemental Resolution, as such taxes may be levied from time to time by the Authority.

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

"Prior Bond Resolution" means Resolution No. R98-47 adopted November 12, 1998, as amended, supplemented or restated from time to time, including as amended and restated by

Resolution No. R2009-15 adopted on September 10, 2009 and by Resolution No. R2012-14 adopted on June 28, 2012.

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

"Prior Bonds Coverage Requirement," with respect to an Authority Parity Bond Certificate, has the meaning assigned that term in Section 7(d)(i), and with respect to an Authority Pledged Taxes Sufficiency Certificate, has the meaning assigned that term in Section 12(a).

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

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

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

"Project Fund" means the fund created pursuant to Section 11.

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

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

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

"Rating Agencies" means Moody's Investors Service, or its successors and assigns, Standard & Poor's Ratings Services, or its successors and assigns, Fitch Ratings or its successors and assigns, and/or such other securities rating agency if such other rating agency is selected by the Authority to provide a rating with respect to a Series of Parity Bonds or any portion thereof and which other rating agency as of the applicable date shall have assigned a rating to any Series of Parity Bonds or any portion thereof.

"Rating Categories" means the generic rating categories of the Rating Agencies, without regard to any refinement or gradation of such rating categories by a numerical modifier or otherwise.

"Receipt" means any payment to be made to, or for the benefit of, the Authority under a Payment Agreement by the Payor.

"Record Date" means for outstanding Parity Bonds, the date or dates on the 15th day of the month preceding an interest payment date for the Parity Bonds of such Series and for

Future Parity Bonds of any Series, "Record Date" means the date set forth in the Series Resolution as the Record Date (or Dates) for the Parity Bonds of such Series.

"Refunding Parity Bonds" means Future Parity Bonds the proceeds of which will be used to refund Authority obligations as provided in Section 8.

"Revenue Sharing Account" has the meaning set forth in the TIFIA Loan Agreement.

"Revenue Sharing Trigger Event" means the occurrence and continuation of the following events: the ST2 Capital Program has been completed, stopped or abandoned and (ii) the ST3 Capital Program or other capital programs to build the regional transit system have not been approved by the voters and are not under active development."

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

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

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

"Second Tier Junior Obligations" means the TIFIA Bond and any other obligations of the Authority secured by a pledge of, or payable from, the Pledged Taxes on a parity with the pledge that secures payment of the TIFIA Bond as described under "Seventh" and "Eighth" in Section 5(b).

"Series" means any separate series of Parity Bonds issued in accordance with Section 7 or Section 8 of this Parity Bond Master Resolution and pursuant to a Series Resolution.

"Series Resolution" means Resolutions Nos. R2012-16, R2009-16 and R2009-18, R2007-22 and R2007-27 and for Future Parity Bonds, a resolution or resolutions authorizing the issuance and sale of one or more Series of Parity Bonds, as such resolution may be amended or supplemented in accordance with the provisions of such resolution and this Parity Bond Master Resolution.

"SIFMA" means The Securities Industry & Financial Markets Association (formerly the Bond Market Association).

"SIFMA Index" means, with respect to any relevant date of determination, the SIFMA Municipal Swap Index as published on such date or, if not published on such date, then as published as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or its successor or as otherwise designated by SIFMA; provided, however, that if such index is no longer produced by Municipal Market Data, Inc. or its successor, then "SIFMA Index" shall mean the S&P Weekly High Grade Index. If the S&P Weekly High Grade Index is no longer published, "SIFMA Index" shall mean such other reasonably comparable index selected by the Authority for tax-exempt state and local government bonds meeting the then-current SIFMA criteria or criteria used by SIFMA to determine the SIFMA Index immediately prior to the date on which such index and the S&P Weekly High Grade Index are no longer published.

"ST2 Capital Program" means the Sound Transit 2 Plan passed by the applicable voters of the State on November 4, 2008, which program provides for, among other things, the capital expenditures for the Authority over a period of 15 years and funded, in part or in whole, by the Local Option Taxes.

"ST3 Capital Program" means a future capital improvement program for the public transportation system of the Authority passed by the applicable voters of the State, from time to time, which program may provide for, among other things, the capital expenditures for the Authority over a period of time and is funded, in part or in whole, by taxes that are authorized to be levied from time to time by the Authority, including, but not limited to, Local Option Taxes and Pledged Taxes.

"State" means the State of Washington.

"Supplemental Resolution" means a resolution adopted by the Authority pursuant to Section 16, including Resolution No. R2015-15 adopted on July 23, 2015.

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

"Tax Stabilization Subaccount" means the subaccount of that name authorized to be created pursuant to Section 3 of the Prior Bond Resolution, Section 14 of Resolution No. R2007-22, Section 14 of Resolution No. R2009-16, Section 18 of Resolution No. R2012-16 and Section 5(a) of this Parity Bond Master Resolution.

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

"TIFIA Bond" means the Sales Tax Bond, Series 2015T-1 (East Link Light Rail Project: TIFIA 2014-1007A) delivered by the Authority to the TIFIA Lender pursuant to the TIFIA Loan Agreement. The TIFIA Bond is a Second Tier Junior Obligation.

"TIFIA Lender" means the United States Department of Transportation acting by and through the Federal Highway Administrator.

"TIFIA Loan Agreement" means the TIFIA Loan Agreement, dated as of January 16, 2015, between the Authority and the TIFIA Lender, as amended from time to time.

"2007A Parity Bonds" means the Authority's Sales Tax Bonds, Series 2007A, authorized by Resolution Nos. R2007-22 as amended and R2007-27.

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

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

"2012 Parity Bonds" means the Authority's Sales Tax Refunding Bonds, Series 2012S-1, authorized by Resolution No. R2012-16 as amended and restated by this Parity Bond Master Resolution, including Appendix A hereof.

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

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

"Variable Rate Parity Bonds" means Parity Bonds that bear interest at a Variable Rate, except that Parity Bonds (or portion thereof) the interest rate on which shall have been fixed for the remainder of their term to maturity shall no longer be Variable Rate Parity Bonds.

Section 2. Findings and Determinations. The Board makes the following findings and determinations.

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

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

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

(d) Pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution Nos. 98-47 and 98-48, the Authority on January 6, 1999, issued the 1999 Prior Bonds, secured by a pledge of the Local Option Taxes, to finance improvements for the purpose of providing high capacity transportation service.

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

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

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

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

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

(j) Pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution Nos. R2009-15 and R2009-17, the Authority on September 29, 2009, issued the 2009 Prior Bonds, secured by a pledge of the Local Option Taxes, on a parity with the pledge that secures payment of the 1999 Prior Bonds, to finance improvements for the purpose of providing high capacity transportation service.

(k) Pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution Nos. R2009-16 and R2009-18, the Authority on September 29, 2009, issued the 2009 Parity Bonds, secured by a pledge of the Pledged Taxes subordinate to the pledge of Local Option Taxes securing payment of the Prior Bonds and on a parity with the pledge of Pledged Taxes securing payment of the 2005A Parity Bonds and the 2007A Parity Bonds to finance improvements for the purpose of providing high capacity transportation service.

(l) Pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and the 2012 Parity Resolution, the Authority on August 22, 2012 issued the 2012 Parity Bonds, secured by a pledge of the Pledged Taxes subordinate to the pledge of Local Option Taxes securing payment of the Prior Bonds and on a parity with the pledge of Pledged Taxes securing payment of the 2007A Parity Bonds and 2009 Parity Bonds, to refund a portion of the 2005A Parity Bonds then outstanding.

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

(n) On January 16, 2015, pursuant to the 2014 TIFIA Resolution, the Authority entered into the TIFIA Loan Agreement with the TIFIA Lender, and issued to the TIFIA Lender the TIFIA Bond to evidence the Authority's obligation under the TIFIA Loan Agreement to pay the lesser of (i) $1,330,000,000 (excluding capitalized interest) and (ii) the Outstanding Principal Sum as defined in the TIFIA Bond, together with accrued and unpaid interest on the Outstanding Principal Sum, and all fees, costs and other amounts payable in connection therewith, all as described in the TIFIA Loan Agreement.

(o) As provided in the 2014 TIFIA Resolution, the Authority's obligations under the TIFIA Loan Agreement and under the TIFIA Bond are Second Tier Junior Obligations payable from and secured by a pledge of Pledged Taxes available after the transfers and deposits required to be made as provided in the 2014 TIFIA Resolution and in Section 5 of this Parity Bond Master Resolution.

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

(q) On July 23, 2015, the Board adopted Resolution No. R2015-13 to amend and clarify certain provisions of each of Resolution Nos. R2007-22, R2009-16 and R2012-16.

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

Section 3. Registration and Transfer or Exchange of Parity Bonds.

(a) Parity Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the Owner of each Parity Bond and the principal amount and number of each of the Parity Bonds held by each Owner.

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

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

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

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

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

Section 4. Payment of Parity Bonds. The principal or Accreted Value of and premium, if any, and interest on the Parity Bonds shall be payable in lawful money of the United States of America. Except as otherwise provided in a Series Resolution for Parity Bonds of that Series, interest on the Parity Bonds shall be paid by checks or drafts of the Bond Registrar, or, if requested in writing prior to the Record Date by the Owner of $1,000,000 or more in principal amount of Parity Bonds, by wire, mailed or transferred on the interest payment date to Owners of the Parity Bonds as those Owners and their addresses and accounts appear on the Bond Register on the Record Date. Unless otherwise provided in a Series Resolution, interest on fixed-rate Parity Bonds of a Series shall be calculated on the basis of a 360-day year of twelve 30-day months and interest on Variable Rate Parity Bonds of a Series shall be calculated on the basis of a 365- or 366-day year, as applicable, and the number of days elapsed. Principal of and premium, if any, on the Parity Bonds shall be payable at maturity or on such date as may be specified for prior redemption upon presentation and surrender of the Parity Bonds by the Owners at the designated office or offices of the Bond Registrar. Notwithstanding the foregoing, payment of any Parity Bonds registered in the name of DTC or its nominee shall be made in accordance with the Letter of Representations.

Section 5. Local Option Tax Accounts; Flow of Funds.

(a) Local Option Tax Accounts; Tax Stabilization Subaccount; and Additional Taxes Accounts. The Authority maintains Local Option Tax Accounts into which it promptly deposits Pledged Taxes upon the receipt thereof. The Authority may create a Tax Stabilization Subaccount in the Local Option Tax Accounts and deposit Pledged Taxes collected in any Fiscal Year into that subaccount or withdraw Pledged Taxes deposited therein from such subaccount and use amounts in such subaccount for any lawful purposes in accordance with the flow of funds set forth in Section 5(b), including for the purposes set forth in Section 12(a), and subject to the requirements set forth in the Prior Bond Resolution, in Resolution Nos. R2007-22 and R2009-16 and in this Parity Bond Master Resolution. The Tax Stabilization Subaccount may be the same subaccount of that name established under Section 2(a) of the Prior Bond Resolution. Notwithstanding the foregoing, the Authority may provide that Additional Taxes shall be deposited into Additional Taxes Accounts, including a separate tax stabilization subaccount therein.

(b) Flow of Funds. Pledged Taxes deposited in the Local Option Tax Accounts shall be used by the Authority only for the following purposes and in the following order of priority. Additional Taxes deposited in the Additional Taxes Accounts shall be applied by the Authority for the purposes and in the order of priority set forth below, beginning with paragraph "Third." Notwithstanding the foregoing, the provisions and order of paragraphs "Fifth" through "Thirteenth" may be amended or (other than paragraphs "Tenth" and "Thirteenth") deleted by the Authority without the consent of the Owners of Parity Bonds.

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

(i) to pay the interest when due on the Prior Bonds (including regularly scheduled Payments under Prior Payment Agreements); and

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

Second, to make all payments required to be made into the Prior Reserve Account by Section 7(b) of the Prior Bond Resolution to meet the Prior Reserve Account Requirement and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Qualified Prior Letter of Credit or Qualified Prior Insurance with respect to the Prior Reserve Account Requirement; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made to the providers on a pro rata basis;

Third, to make all payments required to be made into the Parity Bond Account, including the monthly deposits required by Section 19(a) of Resolution Nos. R2007-22 and R2009-16 and Section 10(a) of this Parity Bond Master Resolution, in the following order:

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

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

(iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of the Parity Reserve Account Requirement, and other than the provider of a Liquidity Facility), for payments of the principal and/or interest on Parity Bonds; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made to the providers on a pro rata basis;

Fourth, to make all payments required to be made (i) into the Parity Reserve Account under any Series Resolution authorizing the issuance of Parity Bonds that are Covered Parity Bonds to meet the Parity Reserve Account Requirement for Covered Parity Bonds and (ii) into a separate reserve account or into a subaccount within the Parity Reserve Account established in a Series Resolution for one or more Series of Parity Bonds that are not Covered Parity Bonds; and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to the Parity Reserve Account Requirement; provided, that if there is not sufficient money to make all payments under all such Parity Bond reserve account reimbursement agreements the payments will be made to the providers on a pro rata basis;

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

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

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

(iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of any reserve account requirement for First Tier Junior Obligations, and other than the provider of a Liquidity Facility) for payments of the principal and/or interest on First Tier Junior Obligations; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made to the providers on a pro rata basis;

Sixth, to make all payments required to be made to meet any reserve account requirement for First Tier Junior Obligations and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to such reserve account requirement; provided, that if there is not sufficient money to make all payments under all such reserve account reimbursement agreements, the payments will be made to the providers on a pro rata basis;

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

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

(ii) to pay the maturing principal (including sinking fund redemptions) of the TIFIA Bond and any other Second Tier Junior Obligations; and

(iii) to reimburse the provider of any Credit Facility (other than a Credit Facility obtained to satisfy all or a part of any reserve account requirement for Second Tier Junior Obligations, and other than the provider of a Liquidity Facility) for payments of the principal and/or interest on Second Tier Junior Obligations; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made to the providers on a pro rata basis;

Eighth, to make all payments required to be made to meet any reserve account requirement for Second Tier Junior Obligations (including the payments required to be made into the TIFIA Reserve Account pursuant to Section 15(m) of the TIFIA Loan Agreement to meet the TIFIA Reserve Requirement) and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Credit Facility, if any, with respect to such reserve requirement; provided, that if there is not sufficient money to make all payments under all such reimbursement agreements the payments will be made on a pro rata basis;

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

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

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

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

Thirteenth, for any lawful purpose of the Authority; provided, that the Authority may determine that items in this Thirteenth category shall be paid in a specified order of priority.

Section 6. Pledge of Pledged Taxes; Additional Pledges and Covenants.

(a) So long as any of the Parity Bonds remain Outstanding, the Authority irrevocably obligates and binds itself to impose, collect and deposit all Pledged Taxes into the Local Option Tax Accounts and the Additional Taxes Accounts, as applicable. All Parity Bonds now or hereafter Outstanding shall be equally and ratably payable and secured hereunder and under each Series Resolution without priority by reason of date of adoption of any Series Resolution providing for their issuance or by reason of their Series or date of sale or delivery; provided, that all or any portion of Parity Bonds of any Series also may be payable from and secured by a Credit Facility specifically pledged to or provided for those Parity Bonds. The Authority may also, at its sole option, apply amounts legally available from any other source to the payment of Parity Bonds or to make the deposits required hereunder.

(b) The Authority expressly reserves the right (but is not obligated) to include and pledge Additional Taxes and/or receipts resulting from an Adopted Parity Rate Adjustment as "Pledged Taxes." The Board has determined that any future inclusion of such Additional Taxes and/or receipts *resulting* from an Adopted Parity Rate Adjustment as Pledged Taxes will benefit the Authority and the Owners of Parity Bonds. The inclusion of Additional Taxes as Pledged Taxes will not constitute a pledge of those Additional Taxes to the payment of Prior Bonds unless the Authority expressly provides therefor. The Authority has designated the additional sales and use tax approved at an election held on November 4, 2008, and imposed by Resolution No. R2008-15, as an Adopted Parity Rate Adjustment and a component of Pledged Taxes pledged to the payment of the Parity Bonds. The Authority has included the 1996 Motor Vehicle Tax as a component of Pledged Taxes pledged to the payment of the Parity Bonds. The Authority has designated the additional motor vehicle excise tax and the additional sales and use tax approved at an election held on November 8, 2016, and imposed by Resolution No. R2016-17, as an Adopted Parity Rate Adjustment and a component of Pledged Taxes pledged to the payment of the Parity Bonds.

(c) All Parity Bonds are special limited obligations of the Authority payable from and secured solely by a pledge of (1) the Pledged Taxes and the amounts, if any, in the Parity Bond Account, the Parity Reserve Account (except as otherwise provided in Section 19(b) of Resolution Nos. R2007-22 and R2009-16 and in Section 10(b) of this Parity Bond Master Resolution); (2) amounts in the Local Option Tax Accounts, the Additional Taxes Accounts, the Tax Stabilization Subaccount, subject to the prior pledge of money in the Local Option Tax Accounts and the Tax Stabilization Subaccount that has been made in favor of the Prior Bonds; and (3) amounts in any proceeds account created pursuant to a Series Resolution (except as provided in Section 15 of Resolution Nos. R2007-22 and R2009-16 and Section 23(b) of Resolution No. R2012-16 and except as provided in any Series Resolution or in Section 10(c) or Section 14 of this Parity Bond Master Resolution) and any project account created in the Project Fund for the deposit of proceeds of the Parity Bonds of a Series, including in each case the amounts in the accounts created pursuant to Section 15 of Resolution Nos. R2007-22 and

R2009-16 and Section 19 of Resolution No. R2012-16. The Parity Bonds of each Series are "Subordinate Obligations" as that term is defined by and under the Prior Bond Resolution.

(d) There are hereby pledged for the payment of the Parity Bonds (1) amounts in the Parity Bond Account, the Additional Taxes Accounts, the Parity Reserve Account (to the extent provided in Section 10(b) and/or 10(c) and except as provided in a Series Resolution or in Section 10(c) or Section 14 of this Parity Bond Master Resolution, the proceeds of the Parity Bonds deposited in any proceeds account and/or in any account created in the Project Fund for the deposit of Parity Bond proceeds; and such pledge is hereby declared to be a charge on the amounts in such accounts equal to the charge of any other Parity Bonds thereon, and superior to all other charges of any kind or nature, and (2) the Pledged Taxes and amounts in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount and earnings thereon, to the extent amounts and earnings in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount represent revenues from Pledged Taxes, and such pledge is hereby declared to be a prior charge upon the Pledged Taxes and the accounts described in this paragraph superior to all other charges of any kind or nature except the charge of the Prior Bonds on Local Option Taxes, and equal to the charge of any other Parity Bonds.

(e) Following the occurrence of a "Default" within the meaning of Section 14 of the Prior Bond Resolution, Pledged Taxes may not be used to pay the principal of or interest on Parity Bonds unless all deposits and payments required to be made with respect to the Prior Bonds have been fully made or paid.

(f) The Authority also covenants that no Parity Bonds, including Future Parity Bonds, will be subject to acceleration (not including any indirect acceleration of the maturity thereof (i) through reimbursement obligations to the provider of a Credit Facility occurring as a result of the mandatory tender for purchase thereof or (ii) as a result of revised amortization requirements and/or increased interest rates following an optional or mandatory tender for purchase thereof).

(g) The Parity Bonds are not obligations of the State of Washington or any political subdivision thereof other than the Authority. The Parity Bonds do not constitute a lien or charge upon any general fund or upon any money or other property of the Authority not specifically pledged thereto.

Section 7. Issuance of Future Parity Bonds and Future Prior Bonds. Except as provided in Section 8, the Authority may issue Future Parity Bonds only upon compliance with the following conditions as certified by a Designated Authority Representative:

(a) there is no deficiency in the Parity Bond Account;

(b) an amount equal to the Parity Reserve Account Requirement, if any, for the Future Parity Bonds to be issued shall be on deposit or shall be otherwise provided for on or prior to the date of issuance of such Future Parity Bonds, all in accordance with Section 10(b);

(c) no Default (as defined in Section 17) has occurred and is continuing; and

(d) an Authority Parity Bond Certificate is delivered upon the issuance of such Future Parity Bonds, which shall state that:

(i) Prior Bonds Coverage Test. Local Option Taxes received during the Base Parity Period were not less than 1.5 times Maximum Annual Prior Bond Debt Service on all Prior Bonds that will be outstanding upon the issuance of such series of Future Parity Bonds (the "Prior Bonds Coverage Requirement"); and

(ii) Parity Bond Coverage Test. Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement, were not less than 1.5 times Maximum Annual Parity Bond Debt Service.

In preparing such certificate: (A) the Local Option Taxes and/or Pledged Taxes during the Base Parity Period may be only those shown in audited or unaudited financial statements of the Authority; provided, that (B) the Designated Authority Representative shall take into account in calculating amounts received during the Base Parity Period any Adopted Parity Rate Adjustment, Additional Taxes and Motor Vehicle Tax included as Pledged Taxes pursuant to Section 6, and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Parity Period; (C) the Motor Vehicle Tax and/or Additional Taxes may not be taken into account to meet the requirements of clause (iii) above unless the Authority receives an opinion of Bond Counsel to the effect that the pledge of such Motor Vehicle Tax and/or Additional Taxes to such Future Parity Bonds is in full force and effect for the period in which they are included as Pledged Taxes; (D) any Adopted Parity Rate Adjustment, Additional Taxes and/or extension of an existing tax included as part of Pledged Taxes shall be taken into account only if a certified public accountant, economic consultant or financial advisor experienced with state or local taxation or municipal bonds certifies that it is reasonable to expect that such adjusted, new or extended taxes will be received in the amounts assumed for purposes of the Authority Parity Bond Certificate; and (E) deposits into and withdrawals from the Tax Stabilization Subaccount during the Base Parity Period may not be taken into account.

The Authority covenants that it will not issue additional series of Prior Bonds unless it delivers an Authority Parity Bond Certificate as set forth in this Section in addition to any certificates that may be required under the Prior Bond Resolution. The Authority further covenants that it will not issue any obligations that are secured by a pledge of any or all of the Pledged Taxes subordinate to the pledge of any such taxes to the Prior Bonds but senior to the pledge of such taxes to the Parity Bonds.

Section 8. Refunding Parity Bonds. The Authority, by means of a Series Resolution and in compliance with the provisions of Section 7 (except as otherwise provided below), may issue Refunding Parity Bonds as follows:

(a) Refunding Parity Bonds may be issued at any time, consistent with applicable law and upon delivery of an Authority Parity Bond Certificate, for the purpose of refunding (including by purchase) Authority obligations, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase), providing for the Parity Reserve Account Requirement, if any, making payment to a provider of a Credit Facility and/or Liquidity Facility, making any settlement payment in connection with the termination of a hedging instrument relating to the Refunding Parity Bonds or the Authority obligations to be refunded and paying the expenses of issuing the Refunding Parity Bonds and of effecting such refunding.

(b) Refunding Parity Bonds also may be issued for the purpose of refunding Parity Bonds without regard to the requirements of Section 7(d), if a Designated Authority Representative certifies that the Annual Parity Bond Debt Service on such Refunding Parity Bonds in any Fiscal Year will not exceed the Annual Parity Bond Debt Service by more than $5,000 on the Parity Bonds to be refunded were such refunding not to occur.

(c) Refunding Parity Bonds also may be issued, consistent with applicable law, without regard to the requirements of Section 7, for the purpose of refunding (including by purchase) any Authority obligations (other than Junior Obligations) for the payment of which sufficient funds are not available, or are forecasted by a Designated Authority Representative to be unavailable, in the future.

Section 9. Junior Obligations; Obligations with Pledge of Revenues Other Than Pledged Taxes.

(a) The Authority may issue Junior Obligations for any lawful purpose of the Authority. The resolution authorizing a series of Junior Obligations shall provide that the maturity date of Junior Obligations may not be accelerated (not including any indirect acceleration of the maturity thereof (i) through reimbursement obligations to the provider of a Credit Facility occurring as a result of the mandatory tender for purchase of Junior Obligations or (ii) as a result of revised amortization requirements and/or increased interest rates following an optional or mandatory tender for purchase thereof) and shall further provide that following the occurrence of a Default, Pledged Taxes may not be used to pay the principal of or interest on Junior Obligations unless all deposits and payments required to be made with respect to the Prior Bonds and the Parity Bonds have been fully made or paid.

(b) In addition to Junior Obligations, the Authority reserves the right to issue obligations payable from revenues of the Authority other than Pledged Taxes.

Section 10. Monthly Deposits; Parity Bond Account; and Parity Reserve Account.

(a) Parity Bond Account. The Subordinate Bond Account was created as a special account of the Authority for the purpose of providing for and securing the payment of Parity Bonds and the payment of Parity Payment Agreements meeting the requirements of Section 13 and was renamed the "Parity Bond Account" by Resolution No. R2009-16. The Parity Bond Account is pledged to the payment of Parity Bonds and Parity Payment Agreements meeting the requirements of Section 13, and shall be separate and apart from all other accounts of the Authority. Notwithstanding the foregoing, only regularly scheduled Payments made under a Parity Payment Agreement are secured by this Section.

Subject to the requirements of Section 6(b), the Authority hereby irrevocably obligates and binds itself for so long as any Parity Bonds remain Outstanding to set aside or cause to be set aside and pay or cause to be paid into the Parity Bond Account from Pledged Taxes:

(i) approximately equal monthly deposits such that the amounts projected to be on deposit on the next interest payment date will be sufficient to pay the interest scheduled to become due and redemption premium, if any, on Outstanding Parity Bonds; and

(ii) approximately equal monthly deposits such that the amounts projected to be on deposit on the next principal payment date will be sufficient to pay maturing principal (including sinking fund redemptions) for Parity Bonds; and

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

(b) Parity Reserve Account for Covered Parity Bonds. The Subordinate Reserve Account has been created as a special account of the Authority for the purpose of securing the payment of the principal of, premium, if any, and interest on Parity Bonds to be secured by such Account and was renamed the "Parity Bond Account" in Resolution No. R2009-16. The 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds and except as provided in Section 10(c), any Future Parity Bonds that are not Covered Parity Bonds, are not secured by amounts in the Parity Reserve Account or by any Credit Facility providing any portion of the Parity Reserve Account Requirement for Covered Parity Bonds. Only Covered Parity Bonds shall be provided with rights and protections under this Section 10(b). The debt service on the 2007A Parity Bonds, the 2009 Parity Bonds and the 2012 Parity Bonds and on any Future Parity Bonds that are not Covered Parity Bonds shall not be included in the calculation of the Parity Reserve Account Requirement for Parity Bonds that are Covered Parity Bonds. The Parity Reserve Account Requirement or other reserve requirement, if any, for Future Parity Bonds of a Series that are not Covered Bonds shall be determined in a Series Resolution as provided in Section 10(c).

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

Each Credit Facility to satisfy all or any portion of the Parity Reserve Account Requirement for Covered Parity Bonds shall be issued by an insurance company or financial institution authorized to conduct business in any state of the United States as of the time of issuance of such Credit Facility, and which, as of the time of issuance of such Credit Facility, is rated by the Rating Agencies in one of the two highest Rating Categories for unsecured debt or insurance underwriting or claims-paying ability.

Whenever there is a sufficient amount in the Parity Bond Account and the Parity Reserve Account to pay the principal of, premium, if any, and interest on all Outstanding Covered Parity Bonds, the money in the Parity Reserve Account may be used to pay such principal, premium, if any, and interest. Amounts in the Parity Reserve Account in excess of the Parity Reserve Account Requirement for such Covered Parity Bonds may, at the Authority's discretion, be withdrawn to redeem and retire Outstanding Covered Parity Bonds and to pay the interest due to such date of redemption and premium, or used for any other lawful purposes. When a Series of Covered Parity Bonds is refunded in whole or in part, money may be withdrawn from the Parity Reserve Account to pay or provide for the payment of Refunding Parity Bonds; provided, that immediately after such withdrawal there shall remain in or be credited to the Parity Reserve Account an amount at least equal to the Parity Reserve Account Requirement for the Covered Parity Bonds. The Authority also may transfer out of the Parity Reserve Account any money required to prevent any Covered Parity Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in the Parity Bond Account shall occur prior to a principal or interest payment date for Covered Parity Bonds, such deficiency shall be made up from the Parity Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Parity Reserve Account in such amounts as will provide amounts in the Parity Bond Account sufficient to pay when due the principal and interest of the Covered Parity Bonds, and if a deficiency still exists immediately prior to a payment date and after the withdrawal of cash, the Authority shall then draw upon any Credit Facility for the Covered Parity Bonds, on a pro rata basis, in an amount sufficient to make up the deficiency. Such draw shall be made at such times and under such conditions as such Credit Facility shall provide. If the Authority fails to make any payment required to be made under a reimbursement agreement with the issuer of a Credit Facility, the issuer thereof shall be entitled to exercise all remedies available at law or under this Parity Bond Master Resolution; provided, that no acceleration of any Parity Bonds shall be permitted, and no remedies that adversely affect Owners of Parity Bonds shall be permitted. Any deficiency created in the Parity Reserve Account by reason of any such withdrawal shall be made up from the next available Pledged Taxes (after required deposits and payments with respect to the Parity Bonds and Prior Bonds have been made under Section 5(b), paragraphs "First," "Second" and "Third"), or from a Credit Facility, but in no event later than within one year after the date such deficiency occurs.

In making the payments and credits to the Parity Reserve Account required by this Section 10(b) for Covered Parity Bonds, to the extent that the Authority has obtained a Credit Facility for specific amounts required pursuant to this Section to be paid out of the Parity Reserve Account such amounts so covered by a Credit Facility shall be credited against the amounts required to be maintained in the Parity Reserve Account by this Section 10(b). In the event the provider of the Credit Facility no longer meets the requirements for the provider of a Credit Facility or is insolvent or no longer in existence, the Parity Reserve Account Requirement for Covered Parity Bonds shall be satisfied with another Credit Facility, or in equal monthly payments, within twelve months after the insolvency of the provider of a Credit Facility or after the date the provider no longer meets the requirements or is no longer in existence, out of Pledged Taxes (or out of other money on hand and legally available for such purpose) after making necessary provisions for the payments required to be made with respect to the Prior Bonds or into the Parity Bond Account.

(c) Parity Reserve Account and/or Alternate Reserve Accounts for Parity Bonds that Are Not Covered Parity Bonds. The Authority may create one or more subaccounts in the Parity Reserve Account and/or create alternate reserve accounts for Parity Reserve Account Requirement deposits (or alternate reserve requirement deposits) for Parity Bonds that are not Covered Parity Bonds to secure the payment of Parity Bonds that are not Covered Parity Bonds, if and to the extent the Authority so provides in a Series Resolution or Supplemental Resolution. Unless otherwise provided in a Series Resolution, amounts deposited in one or more such subaccounts or accounts shall be invested and shall be applied to the payment of the related Parity Bonds as provided in Section 10(b) for Covered Parity Bonds.

(d) Deposits into Accounts. For purposes of this Parity Bond Master Resolution, the Authority shall be considered to have paid or deposited amounts into any account when it records, allocates, restricts or debits the Authority's records. The Authority shall be considered to have withdrawn amounts from any account when it records, unrestricts or credits the Authority's records.

(e) Investment of Amounts in Accounts. Amounts in the Local Option Tax Accounts, the Additional Taxes Accounts, the Parity Bond Account, the Parity Reserve Account and any alternate reserve account shall be invested by the Authority in any legal investment for funds of regional transit authorities of the State.

Section 11. Project Fund. A special fund is hereby created and designated the "Project Fund," to the credit of which such deposits shall be made as are required by the provisions of any Series Resolution or Supplemental Resolution. The Project Fund shall be held by the Authority and may contain one or more accounts and subaccounts as determined by the Designated Authority Representative.

Section 12. Covenants. The Authority makes the following covenants with the Owners of the Parity Bonds so long as any of the same remain Outstanding:

(a) Pledged Taxes. The Authority shall fix, levy and impose the rental car sales and use tax authorized by RCW 81.104.160 at a rate of not less than eight-tenths of one percent and the Sales Tax at a rate of not less than one and four-tenths of one percent; provided, that the Authority may impose the Sales Tax at a rate of less than one and four-tenths of one percent but not less than one and three-tenths of one percent so long as an Authority Pledged Taxes Sufficiency Certificate is delivered on or prior to the date of that reduction in rate and within 30 days after the end of each Fiscal Year during which the Sales Tax has been so reduced, which Authority Pledged Taxes Sufficiency Certificate shall comply with the requirements set forth below. To the extent permitted by law and approved by the voters (if a vote is required), the Authority may, in a Series or Supplemental Resolution, pledge to the payment of the Parity Bonds the Sales Tax in excess of one and four-tenths of one percent, the rental car sales and use tax authorized by RCW 81.104.160 in excess of eight-tenths of one percent and any other tax authorized by law. Notwithstanding the foregoing, the Authority may at its discretion pledge amounts attributable to any increase of the Sales Tax rate above one and four-tenths of one percent and any increase in the rental car sales and use tax rate above eight-tenths of one percent to any other obligations or to other Authority purposes.

If the Authority desires to impose the Sales Tax at a rate less than one and four-tenths of one percent, an Authority Pledged Taxes Sufficiency Certificate shall be delivered that states that:

(i) Prior Bonds Coverage Test. Local Option Taxes received during the Base Parity Period were not less than 1.5 times Maximum Annual Prior Bond Debt Service on all Prior Bonds outstanding on the date the Authority Pledged Taxes Sufficiency Certificate is given (the "Prior Bonds Coverage Requirement"); and

(ii) Parity Bonds Coverage Test. Pledged Taxes received during the Base Parity Period minus any Pledged Taxes necessary to be taken into account to meet the Prior Bonds Coverage Requirement were not less than 1.5 times

Maximum Annual Parity Bond Debt Service on all Parity Bonds Outstanding on the date the Authority Pledged Taxes Sufficiency Certificate is given.

In preparing such certificate: (A) the Local Option Taxes and/or Pledged Taxes during the Base Parity Period may be only those shown in audited or unaudited financial statements of the Authority; provided, that (B) the Designated Authority Representative shall take into account in calculating amounts received during the Base Parity Period any Adopted Parity Rate Adjustment, Additional Taxes and Motor Vehicle Tax included as Pledged Taxes pursuant to Section 6 and this Section 11(a), and taxes from annexed territory, as if such new rates, additions or the annexation had been in effect during the entire Base Parity Period; (C) the Sales Tax received during the Base Parity Period shall be adjusted to reflect the reduced rate of less than one and four-tenths of one percent; (D) the Motor Vehicle Tax and/or Additional Taxes may not be taken into account to meet the requirements of clause (iii) above unless the Authority receives an opinion of Bond Counsel to the effect that the pledge of such Motor Vehicle Tax and/or Additional Taxes to Parity Bonds is in full force and effect for the period in which they are included as Pledged Taxes; and (E) any Adopted Parity Rate Adjustment, Additional Taxes and/or extension of an existing tax shall be taken into account only if a certified public accountant, economic consultant or financial advisor experienced with state or local taxation or municipal bonds certifies that it is reasonable to expect that such adjusted, new or extended taxes will be received in the amounts assumed for purposes of the Authority Pledged Taxes Sufficiency Certificate.

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

If the Authority is imposing the Sales Tax authorized by RCW 81.104.170 at a rate less than one and four-tenths of one percent and if the Authority is unable to deliver an Authority Pledged Taxes Sufficiency Certificate as described above within 30 days after the end of any Fiscal Year, it shall, within 90 days after the end of that Fiscal Year, take all action required on its part to increase the rate of that Sales Tax imposed, but not to exceed the rate of one and four-tenths of one percent for the purpose of being able to deliver such Authority Pledged Taxes Sufficiency Certificate.

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

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

The Authority shall take all reasonable actions necessary to impose and provide for the continued collection of the Pledged Taxes and the application of those taxes for payment of the Parity Bonds in accordance with this Parity Bond Master Resolution. The Authority shall take all reasonable actions necessary to impose and provide for the continued collection of the Local

Option Taxes and the application of those taxes for the payment of the Prior Bonds in accordance with the Prior Bond Resolution and the application of those Local Option Taxes in accordance with the Prior Bond Resolution and this Parity Bond Master Resolution. Except as expressly permitted under this subsection, the Authority shall not take any action that limits, terminates, reduces or otherwise impairs its authority to impose and collect all Local Option Taxes and Pledged Taxes.

(b) Maintenance of its Facilities. The Authority will at all times keep and maintain or cause to be maintained its transit facilities and equipment and operate the same and the business or businesses in connection therewith in the manner determined by the Board.

(c) Property and Liability Insurance. The Authority will maintain insurance or institute a self-insurance program, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Board shall deem prudent for the protection of the Authority.

(d) Books and Records. The Authority will keep books of account and accurate records of all of its revenue, including tax receipts, received from any source whatsoever, and of all costs of administration and maintenance and operation of all of its business that are in accordance with applicable accounting principles as in effect from time to time.

Section 13. Parity Payment Agreements. A Payment made under a Payment Agreement may be secured by a pledge of Pledged Taxes equal to the pledge securing the Parity Bonds if the Payment Agreement satisfies the requirements for issuing Future Parity Bonds described in Section 6, taking into consideration regularly scheduled Payments and Receipts (if any) under the Payment Agreement. The following shall be conditions precedent to the use of any Payment Agreement on a parity with the Parity Bonds:

(a) The Authority shall obtain an opinion of Bond Counsel with respect to the due authorization, validity and enforceability of such Payment Agreement as to the Authority, and opining that the action proposed to be taken is authorized or permitted by this Parity Bond Master Resolution and the applicable provisions of any Supplemental Resolution or Series Resolution and will not adversely affect either the exemption from federal income taxation of the interest on any Outstanding Tax-Exempt Parity Bonds or the entitlement to receive from the United States Treasury the applicable federal credit payments in respect of any Outstanding Build America Parity Bonds.

(b) Prior to entering into any Payment Agreement including a Parity Payment Agreement, the Authority shall adopt a Series Resolution or Supplemental Resolution that shall:

(i) set forth the manner in which the Payments and Receipts are to be calculated and a schedule of Payment Dates;

(ii) establish general provisions for the rights of parties to Payment Agreements; and

(iii) set forth such other matters as the Authority deems necessary or desirable in connection with the management of Payment Agreements as are not inconsistent with the provisions of this Parity Bond Master Resolution.

(c) The Payment Agreement may obligate the Authority to pay, on one or more scheduled and specified Payment Dates, the Payments in exchange for the Payor's obligation to pay or to cause to be paid to the Authority, on scheduled and specified Payment Dates, the Receipts. The Authority may also enter into Payment Agreements that are not reciprocated by the other party to the agreement.

(d) If the Authority enters into a Parity Payment Agreement, regularly scheduled Payments shall be made from the Parity Bond Account, and Annual Parity Bond Debt Service shall include any regularly scheduled Payments adjusted by any regularly scheduled Receipts during a Fiscal Year or Base Parity Period, as applicable. Receipts shall be paid directly into the Parity Bond Account. Obligations to make unscheduled payments, such as termination payments, may not be entered into on a parity with the Parity Bonds.

(e) Nothing in this Section shall preclude the Authority from entering into Payment Agreements with a claim on Pledged Taxes junior to that of the Parity Bonds. Furthermore, nothing in this Section shall preclude the Authority from entering into obligations on a parity with the Parity Bonds in connection with the use of Payment Agreements or similar instruments if the Authority obtains an opinion of Bond Counsel that the obligations of the Authority thereunder are consistent with the provisions of this Parity Bond Master Resolution.

Section 14. Defeasance.

(a) Defeased Bonds. If the Authority deposits irrevocably with an escrow agent money and/or noncallable Defeasance Obligations which, together with the earnings thereon and without any reinvestment thereof, are sufficient to pay the principal of and premium, if any, on any particular Parity Bonds or portions thereof (the "Defeased Bonds") as the same shall become due, together with all interest accruing thereon to the maturity date or date fixed for redemption, and, in the case of Defeased Bonds to be redeemed prior to maturity, irrevocably calls the Defeased Bonds for redemption or delivers to the escrow agent irrevocable instructions to call such Defeased Bonds for redemption on the date fixed for redemption, and pays or makes provision for payment of all fees, costs and expenses of that escrow agent due or to become due with respect to the Defeased Bonds, then all liability of the Authority with respect to the Defeased Bonds shall cease, the Defeased Bonds shall be deemed not to be Outstanding and the Owners of the Defeased Bonds shall be restricted exclusively to the money or Defeasance Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds.

(b) Escrow Agent. The escrow agent shall hold the money, Defeasance Obligations and earnings described in subsection (a) of this Section in trust exclusively for the Owners of the Defeased Bonds, and that money, Defeasance Obligations and earnings shall not secure any other Parity Bonds. In determining the sufficiency of the money and Defeasance Obligations deposited pursuant to this Section, the escrow agent shall receive, at the expense of the Authority, and may rely upon, a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to the Authority and that escrow agent.

(c) Opinions. In connection with any defeasance under this Section, the escrow agent shall receive, at the expense of the Authority, and may rely upon, an opinion of Bond Counsel to the effect that the defeasance is permitted under the laws of the State and this Parity Bond Master Resolution and in the case of Defeased Bonds that are Tax-Exempt Parity Bonds, an opinion of nationally recognized tax counsel (which may be Bond Counsel) that such

defeasance will not, in and of itself, adversely affect the exclusion of interest on the Defeased Bonds from gross income for federal income tax purposes.

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

Section 15. Lost, Stolen, Mutilated or Destroyed Parity Bonds. In case any Parity Bond shall be lost, stolen, mutilated or destroyed, the Bond Registrar may execute and deliver a new Parity Bond of like series, maturity date, number, interest rate and tenor to the Owner thereof upon the Owner's paying the expenses and charges of the Authority in connection therewith and upon the Owner's filing with the Authority evidence satisfactory to the Authority that such Parity Bond was actually lost, stolen or destroyed (including the presentation of a mutilated Parity Bond) and of ownership thereof, and upon furnishing the Authority with indemnity satisfactory to the Authority.

Section 16. Supplements and Amendments.

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

(i) To authorize the issuance of Future Parity Bonds in accordance with the provisions Section 7 or Section 8 and/or to authorize a Parity Payment Agreement pursuant to Section 13;

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

(iii) To prescribe further limitations and restrictions upon the issuance of Parity Bonds and/or the incurrence of obligations under Parity Payment Agreements that are not contrary to or inconsistent with the limitations and restrictions in the Prior Resolution, this Parity Bond Master Resolution or any Series Resolution or Supplemental Resolution;

(iv) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of this Parity Bond Maser Resolution or by any Series Resolution or Supplemental Resolution;

(v) To subject additional property, Additional Taxes, Motor Vehicle Tax, income or revenues to the pledge of this Parity Bond Master Resolution or to confirm as further assurance any pledge or provision for payment of Parity Bonds and to make such conforming changes as shall be necessary or desirable in connection therewith, in each such case as are not contrary to or inconsistent with the limitations and restrictions in the Prior Resolution, this Parity Bond Master Resolution or any Series Resolution or Supplemental Resolution;

(vi) To specify the order of priority in which payments are to be made for purposes in the "Thirteenth" category of Section 5 or to revise or (other than "Tenth" and Thirteenth") to delete the provisions of paragraphs Fifth through Thirteenth of Section 5(b);

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

(viii) To qualify this Parity Bond Master Resolution under the Trust Indenture Act of 1939, as amended, as long as there is no material adverse effect on the security for the payment of the Prior Bonds or any Parity Bonds;

(ix) To obtain or maintain a rating with respect to any Series of Parity Bonds or to modify the provisions of this Parity Bond Master Resolution to obtain from any Rating Agency a rating on any Series of Parity Bonds or any portion thereof which is higher than the rating that would be assigned without such modification (so long as it does not adversely affect the interests of Owners in a manner that would require Owner consent under Section 16(c)); or

(x) To modify any of the provisions of this Parity Bond Master Resolution or of any Supplemental Resolution or Series Resolution in any other respect that does not materially and adversely affect the security for the payment of the Prior Bonds or any Parity Bonds and will not cause any Rating Agency to lower a rating on any Parity Bonds.

(b) Special Amendments. The Owners from time to time of the Outstanding 2009 Parity Bonds and 2012 Parity Bonds and the Owners of any Future Parity Bonds, by taking and holding the same, shall be deemed to have consented to the adoption by the Authority of any Supplemental Resolution or Resolutions amendatory or supplemental to this Parity Bond Master Resolution for any one or more of the following purposes:

(i) To delete Section 17(b) of this Parity Bond Master Resolution and the corresponding provision of any Existing Parity Bond Resolution (and this deletion shall be effective without further act of the Authority on and after the first date on which no 2007 Parity Bonds are Outstanding);

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

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

against Parity Bond Debt Service in calculating Annual Parity Bond Debt Service for that Fiscal Year; or

(iv) In satisfying the conditions to the issuance of Future Parity Bonds that will not be secured by the Parity Reserve Account, to disregard the requirement that an amount equal to the Parity Reserve Account Requirement (including for the Future Parity Bonds to be issued) be on deposit or otherwise provided for in the Parity Reserve Account on or prior to the date of issuance of such Future Parity Bonds, and this provision shall be effective without further action by the Authority beginning on the first date no 2007 Parity Bonds are Outstanding.

(c) With Owners' Consent. This Parity Bond Master Resolution may be amended from time to time by a Supplemental Resolution approved by the Owners of a majority in aggregate principal amount of the Parity Bonds then Outstanding. Without the specific consent of the Owner of each Parity Bond, however, no Supplemental Resolution shall (1) permit the creation of a charge on Pledged Taxes superior to the payment of the Parity Bonds; (2) reduce the percentage of Bond Owners that are required to consent to any Supplemental Resolution; or (3) give to any Parity Bond or Parity Bonds any preference over any other Parity Bond or Parity Bonds. No Supplemental Resolution shall change the date of payment of the principal or Accreted Value of any Parity Bond, reduce the principal amount or Accreted Value of any Parity Bond, change the rate or extend the time of payment of interest thereof, reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any Parity Bond may first be called for redemption prior to its fixed maturity date without the specific consent of the Owner of that Parity Bond; and no such amendment shall change or modify any of the rights or obligations of the Bond Registrar for the Parity Bonds of any Series without its written consent.

(d) The Authority shall provide notice to the Rating Agencies then rating Parity Bonds and to the providers of Credit Facilities and Liquidity Facilities for the Parity Bonds, upon any amendment to this Parity Bond Master Resolution.

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

Section 17. Defaults. Any one or more of the following events shall constitute a "Default" under this Parity Bond Master Resolution and each Series Resolution:

(a) If any "Default" shall have occurred and be continuing as described in Section 16 of the Prior Bond Resolution;

(b) If the 2007 Parity Bonds are Outstanding and the Authority shall default in the performance of any obligation with respect to payments into the Parity Bond Account or Parity Reserve Account and such default is not remedied;

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

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

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

(f) If the Authority shall materially default in the observance and performance of any other of the covenants, conditions and agreements on the part of the Authority contained in this Parity Bond Master Resolution or any Series Resolution and such default shall have continued for a period of 90 days after discovery by the Authority or written notice to the Authority; provided, that if such failure can be remedied, but not within such 90-day period, and if the Authority has taken all action reasonably possible to remedy such failure within such 90-day period, such failure shall not become a Default for so long as the Authority shall diligently proceed to remedy the Default; or

(g) If during any period in which the TIFIA Bond is outstanding, a Bankruptcy Related Event (as defined in the TIFIA Loan Agreement, including any amendment thereto) occurs with respect to the Authority.

Section 18. Remedies Upon Default. The remedies of the Owners during the continuance of a Default shall, to the extent permitted by law, be governed by this Section.

(a) Parity Bondowners' Trustee. So long as a Default shall not have been remedied, a Parity Bondowners' Trustee may be appointed by the Owners of at least 50 percent in aggregate principal amount or Accreted Value of the Parity Bonds then Outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact duly authorized and delivered to the Parity Bondowners' Trustee and the Authority. Any Parity Bondowners' Trustee appointed under the provisions of this Section shall be a bank or trust company organized under the laws of the State or the State of New York or a national banking association. The bank or trust company acting as Parity Bondowners' Trustee may be removed at any time, and a successor Parity Bondowners' Trustee may be appointed, by the Owners of a majority in aggregate principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact duly authorized.

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

(b) Suits at Law or in Equity. The Parity Bondowners' Trustee may, and at the direction of the Owners of more than 50% in aggregate principal amount of Parity Bonds then Outstanding, shall, upon the happening of a Default, and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Owners to collect any amounts due and owing the Authority and pledged to the Parity Bonds, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this Parity Bond Master Resolution; provided, that upon the occurrence of a Default, payment of the Parity Bonds shall not be subject to acceleration.

Any action, suit or other proceedings instituted by the Parity Bondowners' Trustee shall be brought in its name as trustee for the Owners and all such rights of action upon or under any of the Parity Bonds or the provisions of this Parity Bond Master Resolution may be enforced by

the Parity Bondowners' Trustee without the possession of any Parity Bonds, and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law, and the Owners of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Parity Bondowners' Trustee the true and lawful trustee of the Owners of the Parity Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of the Parity Bonds; to execute any paper or documents for the receipt of such money, and to do all acts with respect thereto that the Owner might have done in person. Nothing in this Section shall be deemed to authorize or empower the Parity Bondowners' Trustee to consent to or to accept or adopt, on behalf of any Owner of any Parity Bond, any plan or reorganization or adjustment affecting the Parity Bonds or any right of any Owner, or to authorize or empower the Parity Bondowners' Trustee to vote the claims of the Owners in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the Authority shall be a party.

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

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

(d) Payment of Funds to Parity Bondowners' Trustee. The Authority covenants that if a Default shall happen and shall not have been remedied, the Authority, upon demand of the Parity Bondowners' Trustee, shall pay over to the Parity Bondowners' Trustee (i) forthwith, all amounts in the Parity Bond Account, Parity Reserve Account (for Outstanding Covered Parity Bonds), any alternate reserve account or subaccount of the Parity Reserve Account (for Outstanding Parity Bonds that are secured by a pledge of such account or subaccount but are not Outstanding Covered Parity Bonds) and any proceeds (other than proceeds of Refunding Parity Bonds) set aside in a proceeds account or in a Project Fund account created for the deposit of Parity Bond proceeds, and (ii) as promptly as practicable after receipt thereof, all Pledged Taxes subsequently received by the Authority and pledged under this Parity Bond Master Resolution, subject to the prior charge thereon in favor of the Owners of the Prior Bonds, and further subject to any deposits and payments required to be made under Section 15 of the Prior Bond Resolution.

(e) Application of Funds by Parity Bondowners' Trustee. During the continuance of a Default, the Pledged Taxes and other funds received by the Parity Bondowners' Trustee pursuant to the provisions of the preceding paragraph shall be applied by the Parity Bondowners' Trustee first, to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Parity Bondowners' Trustee and second, in accordance with the provisions of Section 5(b).

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

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.

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.

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

Section 20. Severability. If any one or more of the provisions of this Parity Bond Master Resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provision or provisions shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of this Parity Bond Master Resolution or of the Parity Bonds issued pursuant to the terms hereof.

Section 21. Ratification of Prior Acts. Any action taken by or on behalf of the Authority and consistent with the intent of this Parity Bond Master Resolution but prior to the effective date of this Parity Bond Master Resolution is hereby ratified, approved, and confirmed.

Section 22. Effective Dates. This Parity Bond Master Resolution shall take effect immediately; provided, however, that the amendments derived from Resolution No. R2015-13 shall take effect at the time such amendments contained in Resolution No. R2015-13 become effective.

ADOPTED by the Board of Directors of The Central Puget Sound Regional Transit Authority at a regular meeting thereof held on November 29, 2016.

Paul Roberts
Board Vice Chair

ATTEST:

Kathryn Flores
Board Administrator

CERTIFICATE

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

1. That the attached resolution numbered R2016-34 (the "Resolution") is a true and correct copy of a resolution of the Authority, as finally adopted at a regular meeting of the Board held on the 29th day of November, 2016, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Board was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out, and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Authority this 29th day of November, 2016.

Kathryn Flores
Board Administrator

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APPENDIX C

CONTINUING DISCLOSURE CERTIFICATE

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Sales Tax and Motor Vehicle Excise Tax Improvement and Refunding Bonds, Series 2021S-1 (Green Bonds)

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

A. Contract/Undertaking

The Authority enters into this undertaking (the "Undertaking") constituting the written undertaking for the benefit of the beneficial owners of the above-referenced bonds (the "2021 Parity Bonds") in order to assist the Underwriters of the 2021 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 2021 Parity Bonds" shall have the meaning intended for such term under Rule 15c2-12.

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

B. Financial Statements/Operating Data

1. *Annual Disclosure Report*. The Authority covenants that not later than nine months after the end of each Fiscal Year (the "Submission Date"), commencing September 30, 2022 for the Fiscal Year ending December 31, 2021, the Authority shall provide or cause to be provided to the MSRB an annual report (the "Annual Disclosure Report") that is consistent with the requirements of part (2) of this subsection (B). The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in part (2) of this subsection (B); provided, that any audited annual financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such audited annual financial statements are not available by the Submission Date. If the Authority's Fiscal Year changes, the Authority shall give notice of such change in the same manner as notice is to be given of the occurrence of an event listed in subsection (C) hereof.

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

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

ii. Operating and Financial Information.

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

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

c. Legal debt capacity;

d. Restricted and unrestricted investments;

e. Revenues, expenses and changes in net position;

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

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

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

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

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

C. Listed Events

The Authority agrees to provide or cause to be provided to the MSRB timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the 2021 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 2021 Parity Bonds;

7. Modifications to rights of the holders of the 2021 Parity Bonds, if material;

8. 2021 Parity Bond calls (other than scheduled mandatory redemptions of Term Parity Bonds), if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing the repayment of the 2021 Parity Bonds, if material;

11. Rating changes;

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

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

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

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

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

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

D. Notice upon Failure to Provide Financial Data

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

This Undertaking is subject to amendment after the primary offering of the 2021 Parity Bonds without the consent of any holder of any 2021 Parity Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The Authority will give notice to the MSRB of the substance (or provide a copy) of any amendment to this Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

If the Authority or any other obligated person fails to comply with this Undertaking, the Authority will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the Authority learns of that failure. No failure by the Authority or any other obligated person to comply with this Undertaking shall constitute a default with respect to the 2021 Parity Bonds. The sole remedy of any holder of a 2021 Parity Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the Authority or any other obligated person to comply with this Undertaking.

E. Termination/Modification

The Authority's obligations under this Undertaking shall terminate upon the legal defeasance of all of the 2021 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 2021 Parity Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the Authority, and the Authority provides timely notice of such termination to the MSRB.

F. Designation of Official Responsible to Administer Undertaking

The Chief Financial Officer of the Authority (or such other officer of the Authority who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out this Undertaking of the Authority in respect of the 2021 Parity Bonds in accordance with Rule 15c2-12, including, without limitation, the following actions:

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

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

3. Determining whether any person other than the Authority is an "obligated person" within the meaning of Rule 15c2-12 with respect to the 2021 Parity Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of certain events for that person in accordance with Rule 15c2-12;

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

5. Effecting any necessary amendment of this Undertaking.

G. Additional Information

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

DATED: November 4, 2021.

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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Tracy Butler, Chief Financial Officer

APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

The boundaries of the District incorporate areas within King, Pierce and Snohomish Counties. A map of the District is set forth on page iv of this Official Statement. King County ranks first, Pierce County ranks second and Snohomish County ranks third in population among the State's 39 counties. The Counties constitute the financial, economic and industrial center of the Pacific Northwest region. The city of Seattle is the center of economic activity in the District.

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

As of December 2020, the Seattle-Bellevue-Everett-Tacoma metropolitan areas (approximately coextensive with the District boundaries) accounted for approximately 56% of the State's total employment. The District economy is diversified in the aerospace, manufacturing, trade, high technology, services, construction, tourism and government sectors.

TABLE D-1
POPULATION IN THE COUNTIES

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

Source: State Office of Financial Management.

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

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

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

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

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

Source: United States Bureau of Economic Analysis.

TABLE D-4
PER CAPITA INCOME IN THE COUNTIES

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

(1) Per capita personal income was computed using Census Bureau midyear population estimates. Estimates reflect county population estimates available as of March 2020.
Source: United States Bureau of Economic Analysis.

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

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

(1) Most data recent available as of April 2021.
Source: United States Census Bureau.

TABLE D-6
MAJOR EMPLOYERS IN THE STATE

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

[(1)] Since the date of this table, Boeing has faced financial stress and has significantly reduced its companywide workforce through a combination of buyouts and layoffs and the shift of 787 production out of State. The State's economic and revenue forecast released in March 2021 expected that aerospace employment in the State (including Boeing and other employers) will be 29,800 lower in December 2021 than January 2020. The State estimates that about 19,000 of these job losses occurred prior to February 2021 and an additional 10,700 jobs will be lost during the remainder of 2021.
[(2)] Amazon reports more than 60,000 employees but does not provide an exact count. As a result of the layoffs described in footnote (1), it is expected that Amazon is currently the largest employer in the State.
Source: Puget Sound Business Journal 2019 Book of Lists, as of June 2020.

TABLE D-7
ANNUAL AVERAGE NONAGRICULTURAL EMPLOYMENT IN THE COUNTIES (1)

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

(1) Not seasonally adjusted.
(2) Annual Average as of April 2021.
(3) Totals may not foot due to rounding.
Source: State Employment Security Department.

TABLE D-8
ANNUAL AVERAGE UNEMPLOYMENT IN THE COUNTIES (1)

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

(1) Not seasonally adjusted.
(2) Average as of August 2021.
Source: State Employment Security Department.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

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November __, 2021

The Central Puget Sound Regional Transit Authority
Seattle, Washington

The Central Puget Sound Regional Transit Authority
Sales Tax and Motor Vehicle Excise Tax Improvement and Refunding Bonds,
Series 2021S-1 (Green Bonds)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to The Central Puget Sound Regional Transit Authority (the "Authority") in connection with the issuance of $ _________ aggregate principal amount of the Authority's Sales Tax and Motor Vehicle Excise Tax Improvement and Refunding Bonds, Series 2021S-1 (Green Bonds) (the "Bonds"). The Bonds are being issued pursuant to Resolution No. R2016-34, adopted by the Board of Directors of the Authority (the "Board") on November 29, 2016 (the "Master Parity Bond Resolution"), and Resolution No. R2021-13, adopted by the Board on September 23, 2021 (the "2021 Series Resolution" and together with the Master Parity Bond Resolution, the "2021 Parity Bond Resolutions"). The Bonds are being issued for the stated purposes of (1) refunding a portion of the Authority's outstanding Sales Tax and Motor Vehicle Excise Tax Refunding Bonds, Series 2012P-1; (2) paying or reimbursing the Authority for the payment of, a portion of the costs of acquiring, designing, constructing, equipping and installing improvements to the Authority's high-capacity transportation facilities; and (3) paying costs of issuing the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the 2021 Parity Bond Resolutions.

In such connection, we have reviewed the 2021 Parity Bond Resolutions; Resolution No. R2021-03 and Resolution No. R2021-04, each adopted by the Board on June 24, 2021 (the "TIFIA Resolutions"); the TIFIA Loan Agreements (as defined in the TIFIA Resolutions); the Tax Certificate of the Authority, dated the date hereof (the "Tax Certificate"); the Certificate of the Designated Authority Representative, dated October __, 2021 (the "Authority Representative Certificate"); the opinion of counsel to the Authority; certificates of the Authority, U.S. Bank National Association, as bond registrar, authenticating agent and paying agent, 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 original delivery of the Bonds on 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 original delivery of the Bonds on 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 provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Master Prior Bond Resolution, the 2021 Parity Bond Resolutions, the TIFIA Resolutions, the TIFIA Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the 2021 Parity Bond Resolutions and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against regional transit authorities and other public agencies in the State of Washington. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the pledge of the 2021 Parity Bond Resolutions or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The 2021 Parity Bond Resolutions have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The 2021 Parity Bond Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of (i) subject to the prior pledge to the payment of the Prior Bonds, the Pledged Taxes and the amounts in the Local Option Tax Accounts, the Additional Taxes Accounts and the Tax Stabilization Subaccount and earnings thereon, and (ii) the amounts in the Parity Bond Account and any project account created in the Project Fund for the deposit of proceeds of Parity Bonds, all subject to the provisions of the 2021 Parity Bond Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

DTC AND ITS BOOK-ENTRY SYSTEM

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SAMPLE OFFERING DOCUMENT LANGUAGE
<u>DESCRIBING BOOK-ENTRY-ONLY ISSUANCE</u>

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

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

APPENDIX G

GREEN BOND PROJECTS

Sound Transit has designed the 2021 Parity Bonds as "Green Bonds" based on the use of the proceeds of the 2021 Parity Bonds.

Use of Proceeds

The 2021 Parity Bonds will provide approximately $950 million of bond proceeds to reimburse Sound Transit's recent capital expenditures. The table below 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 2021 Parity Bond proceeds are fully allocated.

The 2021 Parity Bonds also will refund all or a portion of Sound Transit's Series 2012P-1, which refunded the Series 2005A Bonds. The Series 2005A Bonds were issued to fund part of the cost of financing capital expenditures for construction of improvements and acquisition of rights of way, commuter rail easements, rail lines and stations needed to provide high capacity transportation. This included the financing of such improvements, properties and facilities for Sound Transit's Regional Express, Sounder Commuter Rail and Link Light Rail public transportation systems.

In addition, a portion of the 2021 Parity Bond proceeds will be used to pay costs of issuance of Green Bonds.

Eligible Projects

Project Code	Project Category	Project Name	Project Description	Approximate 2021 Parity Bond Eligible Amount
4X100	Transit Line New Build/Expansion/Extension	Northgate Link Extension	4.3 miles, 3 stations connecting University of Washington Station to Northgate	$142,098,000
4X115	Transit Line New Build/Expansion/Extension	Lynnwood Link Extension	8.5 miles, 4 stations extending Northgate to Lynnwood	$381,657,000
4X600	Transit Line New Build/Expansion/Extension	East Link	14 miles, 10 stations connects downtown Seattle with Bellevue	$752,011,000
4X445	Transit Line New Build/Expansion/Extension	Federal Way Link Extension	7.6 miles, 3 stations from Angle Lake to Federal Way Transit Center	$148,405,000
4X630	Transit Line New Build/Expansion/Extension	Downtown Redmond Link Extension	3.4 miles, 2 stations from Redmond Technology Station to Downtown Redmond	$119,451,000
			Total	$1,543,622,000

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THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY • Sales Tax and Motor Vehicle Excise Tax Improvement and Refunding Bonds, Series 2021S-1 (Green Bonds)

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