

## SOUND TRANSIT

### RESOLUTION NO. R98-47 and R98-48

#### Bond Resolutions and Related Documents BACKGROUND AND COMMENTS

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	Nov 5	Recommend Board Approval	Jan Hendrickson	689-3148
Board	Nov 12	Approval		

#### ACTION:

A resolution authorizing the issuance of sales and motor vehicle excise tax bonds by Sound Transit.

#### BACKGROUND:

*Sound Move* assumed the issuance of \$1.1 billion (1995 dollars) in bonds to finance the plan. To take advantage of current low interest rates, Sound Transit staff and the agency's financial advisors are recommending the issuance of \$200 million - \$400 million in bonds before the end of 1998.

In order to issue bonds, the Board must approve a Master Bond Resolution and a Series Bond Resolution. The Master Resolution authorizes the issuance of a series of bonds, possibly over the course of the 10-year Sound Transit program, with the identical pledge of revenues and other bond covenants. The Series Resolution details necessary authorization for the bonds to be sold this year.

In addition, the Series Resolution delegates to the Executive Director the ability to sign a Bond Purchase Agreement with the bond underwriters and to set pricing and terms for the bonds. The Resolution also approves the Preliminary Official Statement as a summary of the bonds and key provisions, to be distributed to bond buyers. The Bond Purchase Contract and Preliminary Official Statement will be mailed separately to the Board.

#### RELEVANT BOARD POLICIES AND PREVIOUS ACTIONS TAKEN:

- ◆ Adoption of *Sound Move*, the Ten-Year Regional Transit System Plan (May 31, 1996)
- ◆ Resolution No. 82, the Board authorized the imposition of the Local Option Taxes and authorized the State of Washington to collect and transfer such taxes to the Authority, beginning on April 1, 1997;
- ◆ Resolution No. R98-49 adopting the 1999 Budget (to be considered November 12, 1998).

## **KEY FEATURES:**

### **Master Resolution**

The Master Resolution authorizes the issuance of one or more series of bonds.

- Authorizes the issuance of bonds by a Series Resolution.
- Requires the Authority to impose motor vehicle tax at 0.3% for the life of the bonds.
- Requires the Authority to impose sales and use tax at 0.4% for the life of the bonds; however, if the Authority can generate enough revenue to pay 2.0 times annual debt service coverage, the Authority may roll back the sales and use tax to 0.3%.
- Pledges motor vehicle excise tax and sales and use tax to the repayment of the bonds.
- Requires motor vehicle excise tax and sales and use tax to be used in the following order:
  1. first, to pay bonds,
  2. second, to replenish any deficit in any reserve account,
  3. third, for junior lien bonds,
  4. fourth, for operations and maintenance, and
  5. fifth, for any lawful purpose of the agency.
- Prevents the Authority from issuing additional bonds unless the Authority can generate enough revenue to pay 2.0 times maximum debt service coverage.
- Establishes accounts including:
  1. the Local Option Tax Accounts, into which the Authority deposits Local Option Taxes;
  2. the Bond Account, from which the Authority will make payments on the bonds;
  3. the Reserve Account, into which the Authority will deposit bond proceeds to use as a reserve for making payments on the bonds (equal to 50% of maximum annual debt service); and
  4. the Tax Stabilization Subaccount, which the Authority may use to save money in anticipation of a sales tax rollback.
- Authorizes the execution of interest rate and currency swap agreements to hedge risk.
- Provides for the appointment of a bondholders' trustee if the Authority defaults in payment.
- Authorizes the bonds to be defeased or refunded.
- Authorizes the issuance of junior lien bonds.

### **Series Resolution**

The Series Resolution authorizes the issuance of a particular series of bonds under the Master Resolution

- Establishes the general purpose for which the series of bonds is issued.
- Establishes the maximum principal amount of not to exceed \$400 million, and establishes maturity of the bonds and interest rate maximum.
- Delegates to the Executive Director the authority to determine within the limits established the principal amount, date of issuance, maturity schedule, interest rates, and redemption provisions.

- Approves the form of and authorizes the Executive Director or Finance Director to execute the Bond Purchase Contract.
- Approves the form of and authorizes the Executive Director or Finance Director to approve the Official Statement.
- Requires the Authority to maintain the tax-exempt status of the bonds.
- Authorizes bond insurance.
- Establishes the bond registrar and paying agent for the series of bonds.
- Establishes the form of the bonds.

### **Bond Purchase Contract**

The Bond Purchase Contract is the agreement between the Authority and the bond underwriters by which the underwriters agree to purchase the bonds prior to closing and to offer those bonds to investors.

- Confirms the terms of the bonds, including principal amounts, maturities, interest rates, and redemption provisions.
- Requires the underwriters to purchase the bonds at closing upon the agreed terms unless external events occur that make the marketing of the bonds impracticable.
- Requires the Authority to certify that the Authority has power to issue the bonds and that the Official Statement is complete and accurate in all material respects.
- Requires the bonds to be rated.
- Requires the Authority's auditors to consent to the use of the financial statements in the Official Statement.

### **Official Statement**

The Official Statement is the document by which underwriters offer bonds to potential investors.

- Describes the bonds, the Master Resolution, and the Series Resolution.
- Describes the Authority's history, plan of finance, operations, personnel, and policies.
- Describes the area's economy.
- Confirms the forms of opinions, certificates, and documents to be provided at closing.

### **FUNDING:**

The bonds will be repaid from sales tax and motor vehicle tax revenues during the term of the bonds.

### **ALTERNATIVES:**

The Board could choose to delay the sale of bonds until the fall of 1999, at which point the agency is projected to begin to run negative cash balances which would require borrowing funds.

**CONSEQUENCES OF DELAY:**

If the Board were not to take action at this point, the sale of bonds would be delayed until 1999. During that period, the agency would be exposed to interest rate risk—as interest rates may go higher or lower during that period.

**LEGAL REVIEW:**

The Legal Department, the agency's Bond Counsel (Preston Gates and Ellis and Aoki & Sakamoto), disclosure counsel (Foster Pepper and Shefelman and Law Offices of Kenneth Burton), and counsel for the underwriters (Chapman and Cutler) have authored and/or reviewed all bond related documents.

**MASTER RESOLUTION**

SOUND TRANSIT

RESOLUTION NO. R98-47

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

ADOPTED: November 12, 1998

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

## **SOUND TRANSIT**

### **RESOLUTION NO. R98-47**

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

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

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

WHEREAS, by Resolution No. 82, the Board authorized the imposition of the Local Option Taxes and contracted with the State of Washington Department of Revenue and Department of Licensing to collect and transfer such taxes to the Authority, beginning on April 1, 1997; and

WHEREAS, RCW 81.112.130 and 81.112.140 authorize the Authority to issue its bonds for Authority purposes, and RCW 81.104.180 authorizes the Authority to pledge the Local Option Taxes to retire bonds issued for the purpose of providing high capacity transportation services;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Central Puget Sound Regional Transit Authority that:

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

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

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

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

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

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



interest rate for such Bonds shall be the synthetic fixed rate of interest or maximum Variable Rate, as applicable, payable by the Authority under the Payment Agreement for the term of the Payment Agreement;

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

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

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

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

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

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

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

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

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

Board means the Board of Directors of the Authority.

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

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

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

Capital Appreciation Bonds means Bonds of any series, all or a portion of the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Bonds; provided, that if so provided in the Series Resolution authorizing their issuance, Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

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

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

Default means any of the events specified in Section 14.

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

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

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

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

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

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

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

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

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

substitution for which other Bonds have been authenticated and delivered pursuant to a Series Resolution.

Owner means the registered owner of any Bond.

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

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

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

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

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

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

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

Plan means Sound Move-The Ten-Year Regional Transit System Plan adopted May 31, 1996 to provide high-capacity transportation services in the central Puget Sound region, and as it has been and may hereafter be updated, amended or supplemented.

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

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

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

rated in one of the two highest Rating Categories for unsecured debt or insurance underwriting or claims paying ability by the Rating Agencies.

Qualified Letter of Credit means any irrevocable letter of credit with a minimum term of the lesser of five years or the final maturity date of Bonds, issued to satisfy all or any portion of the Reserve Account Requirement, issued by a financial institution, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest Rating Categories by the Rating Agencies. If a Qualified Letter of Credit may expire in accordance with its terms prior to the stated maturity of any Bonds to be secured thereby, the letter of credit shall require that (unless the Qualified Letter of Credit is replaced with cash, Qualified Insurance or another Qualified Letter of Credit) it be drawn upon in full prior to its expiration for deposit into the Reserve Account.

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

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

Receipt means any payment (designated as such by a Series Resolution) to be made to, or for the benefit of, the Authority under a Payment Agreement by the Payor.

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

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

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

Reserve Account Requirement means the lesser of (i) 50% of Maximum Annual Debt Service with respect to Outstanding Bonds or (ii) 125% of Average Annual Debt Service with respect to Outstanding Bonds; provided, that at the time of issuance of any Series of Bonds, the Reserve Account Requirement allocable to a Series of Bonds shall not exceed 10% of the initial principal amount of that Series of Bonds.

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

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

State means the State of Washington.

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

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



Local Option Tax Accounts, and there shall be subtracted from Local Option Taxes collected in any Fiscal Year any amount withdrawn from the Local Option Tax Accounts and deposited into the Tax Stabilization Subaccount; provided, that for purposes of the Sufficiency Test the amount withdrawn from the Tax Stabilization Subaccount in any Fiscal Year shall not exceed 0.50 times the Annual Debt Service in such Fiscal Year.

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

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

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

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

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

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

(a) *Local Option Tax Accounts.* The Authority maintains Local Option Tax Accounts into which it shall deposit, promptly upon the receipt thereof, all Local Option Taxes. The Local

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

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

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

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

Second, to make all payments required to be made into the Reserve Account by Section 7(b) to meet the Reserve Account Requirement and to make all payments required to be made pursuant to a reimbursement obligation in connection with a Qualified Letter of Credit or Qualified Insurance with respect to the Reserve Account Requirement; provided, that if there is not sufficient money to make all payments under all reimbursement agreements the payments will be made to the providers on a pro rata basis;

Third, to make all payments required to be made into any other bond redemption account and reserve account created to pay the principal of, premium, if any, and interest on any Subordinate Lien Obligations (to the extent such obligations are issued with a lien on Local Option Taxes superior to the payment of operation and maintenance expenses);

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

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

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

(c) *Pledge of Local Option Tax Accounts and Certain Other Accounts.* From and after the issuance and delivery of the Bonds of each Series and so long as any of the same remain Outstanding, the Authority hereby irrevocably obligates and binds itself to deposit all Local Option Taxes into the Local Option Tax Accounts and to set aside and pay into the Bond Account out of Local Option Taxes, on or prior to the date on which the interest on, principal of, premium, if any, and sinking fund requirements for the Bonds shall become due, the amounts necessary to pay the interest, principal, sinking fund requirements and premium coming due on Bonds. All Local Option Taxes that remain in the Local Option Tax Accounts and have not yet been spent in accordance with this Resolution are hereby pledged to the payment of Bonds. All Bonds now or hereafter Outstanding shall be equally and ratably payable and secured hereunder without priority by reason of date of adoption of the Series Resolution providing for their issuance or by reason of their Series or date of sale or delivery; provided, however, that any Series of Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that Series of Bonds.

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

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

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

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

- (a) the principal amount, dated date, maturity schedule, interest rates or rate (or formula), denominations and designation for such Bonds;
- (b) the general purpose or purposes for which such Series of Bonds is being issued, and the deposit and application of the proceeds of the sale of the Bonds;
- (c) the currency or currencies in which the Bonds of such Series are payable if other than U.S. dollars;
- (d) the Registrar, Paying Agent, remarketing agent and tender agent, if any, for the Bonds and the duties and obligations thereof;

- (e) the place or places of payment of such Bonds;
- (f) the form of the Bonds of such Series and the methods for the registration, transfer and exchange of the Bonds of such Series;
- (g) the terms and conditions, if any, for the redemption of the Bonds of such Series prior to maturity;
- (h) the terms and conditions, if any, for the purchase of the Bonds of such Series upon any optional or mandatory tender for purchase prior to maturity;
- (i) the manner of sale of the Bonds of such Series, with or without a premium or a discount;
- (j) the authorization of and any terms and conditions with respect to any Credit Facility for the Bonds; and
- (k) any other provisions which the Authority deems necessary or desirable in connection with the Bonds of such Series.

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

- (a) there is no deficiency in the Bond Account and an amount equal to the Reserve Account Requirement (including for the Future Bonds to be issued) shall be on deposit in the Reserve Account upon the issuance of the Future Bonds;
- (b) no Default (as defined in Section 14) has occurred and is continuing; and

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

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

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

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

Section 6. Subordinate Lien Obligations; Obligations With Lien on Revenues. The Authority may issue Subordinate Lien Obligations for any purpose of the Authority. The resolution authorizing a series of Subordinate Lien Obligations shall provide that the maturity date of Subordinate Lien Obligations may not be accelerated (not including any indirect acceleration of the maturity thereof through reimbursement obligations to the provider of a credit facility occurring as a result of the mandatory tender for purchase of Subordinate Lien

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

Section 7. Bond Account and Reserve Account.

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

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

(1) approximately equal monthly deposits such that the amounts projected to be on deposit on the next interest payment date will be sufficient to pay the interest scheduled to become due and redemption premium, if any, on Outstanding Bonds; and

(2) approximately equal monthly deposits such that the amounts projected to be on deposit on the next principal payment date will be sufficient to pay maturing principal for Bonds.

(b) *Reserve Account.* A special account of the Authority designated as the “Sales Tax and Motor Vehicle Excise Tax Bond Reserve Account” (the “Reserve Account”) is hereby created for the purpose of securing the payment of the principal of, premium, if any, and interest

on the Bonds. The Reserve Account is pledged to the payment of Bonds, shall be held separate and apart from all other accounts of the Authority and shall be a trust account for the Owners of the Bonds. The Authority hereby covenants that on the date of issuance of each Series of Bonds, the Authority will assure that the amount on hand in the Reserve Account shall be sufficient to meet the Reserve Account Requirement.

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

Whenever there is a sufficient amount in the Bond Account and the Reserve Account to pay the principal of, premium, if any, and interest on all Outstanding Bonds, the money in the Reserve Account may be used to pay such principal, premium, if any, and interest. Amounts in the Reserve Account in excess of the Reserve Account Requirement may be withdrawn to redeem and retire Outstanding Bonds and to pay the interest due to such date of redemption and



premium, or used for any other lawful purposes. When a Series of Bonds is refunded in whole or in part, money may be withdrawn from the Reserve Account to pay or provide for the payment of Refunding Bonds; provided, that immediately after such withdrawal there shall remain in or be credited to the Reserve Account an amount equal to the Reserve Account Requirement. The Authority also may transfer out of the Reserve Account any money required in order to prevent any Bonds from becoming "arbitrage bonds" under the Code.

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

Credit or out of Local Option Taxes after making necessary provision for the payments required to be made into the Bond Account within such year.

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

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

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

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

(a)     *Tax Levy Covenant.* So long as any Bonds remain Outstanding, the Authority shall levy the special motor vehicle excise tax authorized by RCW 81.104.160 at a rate of not less than three-tenths of one percent and the sales and use tax authorized by RCW 81.104.170 at a rate of not less than four-tenths of one percent; provided, that the Authority may levy the sales and use tax at a rate of not less than three-tenths of one percent so long as the Sufficiency Test is met. To the extent permitted by law and approved by the voters (if a vote is required), the Authority may, in a Series or Supplemental Resolution, pledge to the repayment of the Bonds the motor vehicle excise tax in excess of three-tenths of one percent and the sales and use tax in excess of four-tenths of one percent.

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

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

(b)     *Maintenance of its Facilities.* The Authority will at all times keep and maintain or cause to be maintained its transit facilities and equipment and operate the same and the business or businesses in connection therewith in the manner determined by the Board.

(c) *Property and Liability Insurance.* The Authority will maintain insurance or institute a self-insurance program, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Board shall deem prudent for the protection of the Authority.

(d) *Books and Records.* The Authority will keep books of account and accurate records of all of its revenue, including tax receipts, received from any source whatsoever, and of all costs of administration and maintenance and operation of all of its business that are in accordance with applicable accounting principles as in effect from time to time.

Section 9. Parity Payment Agreements. A Payment made under a Payment Agreement may be on a parity with the lien on Local Option Taxes as the Bonds if the Payment Agreement satisfies the requirements for Future Bonds described in Section 4, taking into consideration regularly scheduled Payments and Receipts (if any) under the Payment Agreement. The following shall be conditions precedent to the use of any Payment Agreement on a parity with the Bonds:

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

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

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

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

C. set forth such other matters as the Authority deems necessary or desirable in connection with the management of Payment Agreements as are not clearly inconsistent with the provisions of this Resolution.

The Payment Agreement may obligate the Authority to pay, on one or more scheduled and specified Payment Dates, the Payments in exchange for the Payor's obligation to pay or to cause to be paid to the Authority, on scheduled and specified Payment Dates, the Receipts. The Authority may also enter into Payment Agreements that are not reciprocated by the other party to the agreement.

If the Authority enters into a Parity Payment Agreement, Payments shall be made from the Bond Account and Annual Debt Service shall include any regularly scheduled Authority Payments adjusted by any regularly scheduled Receipts during a Fiscal Year or Base Year, as applicable. Receipts shall be paid directly into the Bond Account. Obligations to make unscheduled payments, such as termination payments, may not be entered into on a parity with the Bonds.

Nothing in this section shall preclude the Authority from entering into Payment Agreements with a claim on Local Option Taxes junior to that of the Bonds. Furthermore, nothing in this section shall preclude the Authority from entering into obligations on a parity with the Bonds in connection with the use of Payment Agreements or similar instruments if the Authority obtains an opinion of Bond Counsel that the obligations of the Authority thereunder are consistent with this Resolution.

Section 10. Defeasance. In the event that cash and/or noncallable Government Obligations, maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire the Bonds or any of them in accordance with their terms are set aside with a trustee or escrow agent in a special account to effect such redemption or retirement and such money and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need to be made into the Bond Account for the payment of the principal of and interest on the Bonds so provided for and such Bonds shall cease to be entitled to any lien, benefit or security of this Resolution except the right to receive the funds so set aside and pledged, and such Bonds shall be deemed not to be Outstanding. Prior to such defeasance the Authority shall obtain a verification from an independent certified public accountant that such Government Obligations and cash are sufficient to pay such Bonds and an opinion of Bond Counsel that such defeasance will not adversely affect the exemption from federal income taxation of interest on any Outstanding Bonds. Within 30 days of any defeasance of Bonds, the Authority shall provide notice of the defeasance to the Owners of the Bonds so provided for and, if applicable, as provided in Exhibit A.

Section 11. Lost, Stolen, Mutilated or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen, mutilated or destroyed, the Registrar may execute and deliver a new Bond or Bonds of like date, number and tenor to the Owner thereof upon the Owner paying the expenses and charges of the Authority in connection therewith and upon the Owner filing with the Authority evidence satisfactory to the Authority that such Bond was actually lost, stolen or destroyed (including the presentation of a mutilated Bond) and of ownership thereof, and upon furnishing the Authority with indemnity satisfactory to the Authority.

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

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

In case either of the officers of the Authority who shall have executed the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed shall have been authenticated or delivered by the Registrar, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the Authority as though those who signed the same had continued to be such officers of the Authority. Any Bond may also be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bond shall be the proper officers of the Authority although at the original date of such Bond any such person shall not have been such officer.

Section 13. Adoption of Supplemental Resolutions.

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

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

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

(iii) To prescribe further limitations and restrictions upon the issuance of Bonds and/or Parity Payment Agreements which are not contrary to or inconsistent with the limitations and restrictions in this Resolution;

(iv) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of this Resolution;

(v) To subject additional property, income or revenues to the pledge of this Resolution or confirm as further assurance any pledge or provision for payment of the Bonds created by this Resolution and to make such conforming changes as shall be necessary or desirable in connection therewith;

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



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

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

(ix) To modify the provisions of this Resolution to obtain from any Rating Agency a rating on any Series of Bonds or any portion thereof which is higher than the rating which would be assigned without such modification; or

(x) To modify any of the provisions of this Resolution in any other respect that does not materially and adversely affect the security for the payment of any Bond and will not cause any Rating Agency to lower a rating on any Bonds.

(b) *Amendments With Owners' Consent.* This Resolution may be amended from time to time by a Supplemental Resolution approved by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding. Without the specific consent of the Owner of each Bond, no Supplemental Resolution shall (1) permit the creation of a lien or charge on Local Option Taxes superior to the payment of the Bonds; (2) reduce the percentage of Bond Owners which are required to consent to any Supplemental Resolution; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds. No Supplemental Resolution shall change the date of payment of the principal of any Bond, reduce the principal amount or Accreted Value of any Bond, change the rate or extend the time of payment of interest thereof, reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any Bond may first be called for redemption prior to its fixed maturity date (except as provided in the Series Resolution authorizing the issuance of such Bond) without the specific consent of the Owner of that Bond; and no such amendment shall change or modify any of the rights or

obligations of any Paying Agent or Registrar or other agent or provider of a Credit Facility for a Series of Bonds without its written consent.

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

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

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

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

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

(e) If the Authority shall default in the observance and performance of any other of the covenants, conditions and agreements on the part of the Authority contained in this Resolution or any Series Resolution and such default or defaults shall have continued for a period of 90 days after discovery by the Authority or written notice to the Authority; provided, that if such failure can be remedied, but not within such 90-day period, and if the Authority has taken all action reasonably possible to remedy such failure within such 90-day period, such failure shall not become a Default for so long as the Authority shall diligently proceed to remedy the Default.

Section 15. Remedies Upon Default. The remedies of the Owners during the continuance of a Default shall, to the extent permitted by law, be governed by this Section.

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

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

(b) *Suits at Law or in Equity.* The Bondowners' Trustee may upon the happening of a Default, and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Owners to collect any amounts due and owing the Authority and pledged to the Bonds, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this Resolution; provided, that upon the occurrence of a Default, payment of the Bonds shall not be subject to acceleration.

Any action, suit or other proceedings instituted by the Bondowners' Trustee shall be brought in its name as trustee for the Owners and all such rights of action upon or under any of

the Bonds or the provisions of this Resolution may be enforced by the Bondowners' Trustee without the possession of any Bonds, and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law, and the Owners of the Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the Owners of the Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of the Bonds; to execute any paper or documents for the receipt of such money, and to do all acts with respect thereto that the Owner might have done in person. Nothing in this section shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any Owner of any Bond, any plan or reorganization or adjustment affecting the Bonds or any right of any Owner, or to authorize or empower the Bondowners' Trustee to vote the claims of the Owners in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the Authority shall be a party.

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

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

(d) *Payment of Funds to Bondowners' Trustee.* The Authority covenants that if a Default shall happen and shall not have been remedied, the Authority, upon demand of the

Bondowners' Trustee, shall pay over to the Bondowners' Trustee (i) forthwith, all amounts in the Local Option Tax Accounts, Bond Account, Reserve Account, and any project account created for the deposit of Bond proceeds, and (ii) as promptly as practicable after receipt thereof, all Local Option Taxes subsequently levied and received by the Authority and pledged under this Resolution.

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

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

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

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

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

(g) *Suits by Individual Bondowners.* No Owner shall have any right to institute any action, suit or proceeding at law or in equity unless a Default shall have happened and be

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

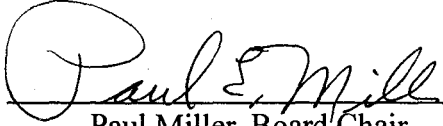
(h) *Remedies Granted in Resolution not Exclusive.* No remedy granted in this Resolution to the Bondowners' Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution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

Section 16. Ongoing Disclosure. Attached as Exhibit A is the Authority's ongoing disclosure undertaking. Except as may be provided in a Series Resolution for a Series of Bonds, the Authority hereby agrees to comply with such undertaking.

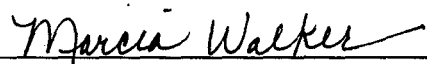
Section 17. Resolution a Contract. This Resolution shall constitute a contract with the Owners of the Bonds.

Section 18. Severability. If any one or more of the provisions of this Resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provision or provisions shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of this Resolution or of the Bonds issued pursuant to the terms hereof.

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

By  Paul Miller, Board Chair

ATTEST:

 Marcia Walker, Board Administrator



CERTIFICATE

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

1. That the attached resolution numbered R98-47 (the "Resolution") is a true and correct copy of a resolution of the Authority, as finally adopted at a meeting of the Board held on the 12th day of November, 1998, 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 this 12<sup>th</sup> day of November, 1998.

Marcia Walker  
Board Administrator

## EXHIBIT A

### UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

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

(b) *Financial Statements/Operating Data.*

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

Submission Date, the Authority shall send to each NRMSIR and to the Municipal Securities Rulemaking Board (“MSRB”) notice of its failure to furnish such report.

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

(A) *Audited financial statements.* Audited financial statements prepared in accordance with regulations prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute), except that if any audited financial statements are not available by the Submission Date, the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the Authority, and the Authority’s audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available.

(B) *Operating and Financial Information.*

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

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

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

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

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority, that have been submitted to each of the NRMSIRs and the SID, if any, or to the SEC. If the document included

by reference is a final official statement, it must be available from the MSRB. The Authority shall identify clearly each document so included by reference.

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

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

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

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

(e) *Owner's and Beneficial Owners' Remedies.* An Owner's or Beneficial Owner's right to enforce the provisions of this Undertaking shall be limited to a right to obtain

specific enforcement of the Authority's obligations hereunder, and any failure by the Authority to comply with the provisions of this undertaking shall not be a Default.

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

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