

SOUND TRANSIT

RESOLUTION NO. R99-4

Amendments to recently adopted Bond Resolutions BACKGROUND AND COMMENTS

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	2/4/99	Discussion/Recommend Board Approval	Jan Hendrickson	689-3148
Board of Directors	2/11/99	Approval		

ACTION:

Make amendments to recently adopted Bond Resolutions (R98-47 and R98-48).

BACKGROUND:

On November 12, 1998 the Board adopted Resolutions 98-47 and 98-48 which authorized Sound Transit to issue up to \$400 million of sales tax and motor vehicle excise tax bonds, Series 1999. On January 6, 1999, Sound Transit sold \$350 million in bonds.

Prior to the bond sale, Sound Transit received comments on the resolutions from the credit rating agencies (Moody's and Standard & Poor's) and from the bond insurer (FGIC). In order to receive the highest possible ratings for the bonds, the rating agencies required that a number of technical changes and one material change be made to the bond resolutions.

With one exception, these changes are purely technical in nature and do not alter the substance of the Board adopted resolutions nor materially impact Sound Transit.

RELEVANT BOARD POLICIES AND PREVIOUS ACTIONS TAKEN:

- ◆ Resolution 98-47 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.
- ◆ Resolution 98-48 authorizing the issuance and sale of sales tax and motor vehicle excise tax bonds, series 1999, in the principal amount of not to exceed \$400,000,000 to pay a portion of the cost of the authority's regional transit system plan; fixing the date, form, and terms of the bonds; and authorizing the sale of the bonds.

KEY FEATURES:

1) Material Amendment

- Increases the reserve requirement to equal 100% of Maximum Annual Debt Service with respect to Outstanding Bonds. The original resolution required that Sound Transit maintain a debt service reserve equal to the one-half of the maximum annual debt service amount. For example, if Sound Transit had annual debt service payments equal to \$100 million, the agency would have to maintain a reserve equal to \$50 million. In order to achieve the highest possible ratings on the bonds, Standard & Poor's required that the agency maintain a

reserve equal to the full maximum annual debt service amount. Again, if the agency had annual debt service payments equal to \$100 million, it would have to maintain a reserve equal to \$100 million. The amendment institutes the requirement for a reserve equal to a full year of debt service. The full debt service reserve is consistent with the original Sound Move financial assumptions and is common practice among public agencies. In addition, the additional costs of maintaining the reserve are more than offset by the lower interest rates that were achieved under the higher ratings.

2) **Technical Amendments**

- Amend the definition of “Annual Debt Service” to make it clear that such definition applies to meeting the Sufficiency Test in a tax rollback scenario.
- Provides that payment agreements related to variable rate bonds must be approved in advance by the Rating Agencies. If such an agreement is not approved in advance by the Rating Agencies, then the highest allowed interest rate will be applied to the bonds for purposes of meeting the coverage tests.
- Amends the language related to debt calculation on variable rate bonds.
- Amends the determination of interest on balloon maturities
- Amends how the calculation related to reimbursement obligations on variable or balloon maturity bonds is performed.
- Amends the definition of “Average Annual Debt Service” regarding bonds due on mandatory redemption date.
- Amends the definition of Rating Agency to insure Standard & Poor’s and Moody’s cannot be substituted by other rating agencies.
- Adds language to make it clear that the Stabilization Account cannot “recycle” previous year’s revenue for purposes of meeting debt service coverage tests.
- Requires that investments in the Reserve Account have a rating at least as high as the rating on the bonds.

CONSEQUENCES OF DELAY:

The Sound Transit Bonds received a credit rating conditioned on Board approval of the amendments. Failure to pass the amendments would seriously compromise the ratings on the outstanding bonds and severely complicate future issues and ongoing disclosure to bond holders.

LEGAL REVIEW:

The Legal Department has reviewed the amendments.

SOUND TRANSIT

RESOLUTION NO. R99-4

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AMENDING RESOLUTION NOS. R98-47 AND R98-48 WHICH AUTHORIZED THE ISSUANCE OF SALES TAX AND MOTOR VEHICLE EXCISE TAX BONDS IN ORDER TO CLARIFY CERTAIN PROVISIONS OF SUCH RESOLUTIONS AND ASSURE THE HIGHEST AVAILABLE RATINGS ON THE BONDS.

WHEREAS, the Board of Directors (the "Board") of the Central Puget Sound Regional Transit Authority (the "Authority"), by Resolution No. R98-47 adopted on November 12, 1998 (the "Master Resolution"), authorized Sales Tax and Motor Vehicle Excise Tax Bonds of the Authority (the "Bonds") to be issued in series to finance a portion of the Authority's Regional Transit Plan; and

WHEREAS, the Board, by Resolution No. R98-48 adopted on November 12, 1998 (the "Series Resolution"), authorized the issuance of the Authority's Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999, in the principal amount of not to exceed \$400,000,000 (the "Series 1999 Bonds"); and

WHEREAS, Section 11 of Resolution No. R98-48 authorized the Director of Finance and Administration (the "Finance Director") to enter into such agreements on behalf of the Authority as shall be necessary in providing municipal bond insurance to support the Series 1999 Bonds if the Finance Director determines that such insurance will be beneficial to marketing the Series 1999 Bonds; and

WHEREAS, in order to secure municipal bond insurance from Financial Guaranty Insurance Company (FGIC) (the "Bond Insurer") and receive an underlying rating on the Series 1999 Bonds of "AA" from Standard & Poor's Ratings Services, the Finance Director entered into an agreement dated as of January 6, 1999 (the "Agreement") on behalf of the Authority with the Bond Insurer and Standard & Poor's Ratings Services to clarify provisions of the Master Resolution and to increase the size of the Reserve Account Requirement (as defined in the Master Resolution) prior to the issuance of additional Bonds; and

WHEREAS, it is in the best interests of the Authority to amend the Master Resolution to reflect clarifications contained in the Agreement and to immediately increase the size of the Reserve Account Requirement as provided herein; and

WHEREAS, Section 13(a) of the Master Resolution permits adoption of a resolution supplemental or amendatory thereto without the consent or concurrence of the owner of any Bond for the purposes, among other things, of adding covenants and agreements of the Authority, prescribing further limitations and restrictions upon the issuance of Bonds and adding provisions clarifying matters arising under the Master Resolution; and

WHEREAS, the provisions of this resolution have been reviewed by the Bond Insurer and each of the Rating Agencies (as defined in the Master Resolution);

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

Section 1. Findings. The Board finds in accordance with Section 13(a) of the Master Resolution that the amendments to the Master Resolution approved herein: (a) add covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds which are not contrary or inconsistent with the covenants and agreements contained in the Master Resolution; (b) prescribe further limitations upon the issuance of Bonds and/or Parity Agreements (as defined in the Master Resolution) which are not contrary to or inconsistent with the limitations and restrictions contained in the Master Resolution; and (c) insert provisions clarifying matters on questions arising under the Master Resolution that are desirable and do not materially and adversely affect the security for the payment of the Bonds.

Section 2. Amendment. Section 1 of Resolution No. R98-47 is hereby amended to read as follows:

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 meeting the Sufficiency Test or 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 approved by the Rating Agencies 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 approved by the Rating Agencies 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, but if the Payment Agreement is not approved by the Rating Agencies then the assumed interest rate for the Series of Bonds shall be the higher of the fixed rate or the maximum Variable Rate provided for in the Payment Agreement;

(iii) the principal of Variable Rate Bonds subject to a put shall be calculated as if it were due in its entirety on the first date on which the Variable Rate Bonds are subject to a put or, if the put or the Bonds are credit enhanced, then in accordance with the longest amortization permitted under the contract for credit enhancement;

(iv) 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;

(v) the interest on Balloon Maturity Bonds or Variable Rate Bonds shall be determined at the maximum rate applicable to such Balloon

Maturity Bonds or Variable Rate Bonds, but if there is no applicable maximum rate, then at 12% per annum;

(vi) 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;

(vi) 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; and

(viii) if the reimbursement obligation with respect to a liquidity facility for a Variable Rate Bond or Balloon Maturity Bond has a lien on Local Option Taxes which is subordinate to the lien of the Bonds, then no calculation of principal and interest amortization with respect to the reimbursement obligation need be considered.

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 interest on Bonds is due and/or 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; provided, that a Payment under a Payment Agreement may be on a parity with the lien of the Bonds only if such Payment Agreement is approved by the Rating Agencies.

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.

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 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 Future 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) 100% 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 3. Amendment. Section 2 of Resolution No. R98-47 is hereby amended to read as follows:

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 collected in such Fiscal Year into that subaccount or withdraw Local Option Taxes on deposit 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 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 (including sinking fund redemptions) 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; provided, that so long as the Bonds are rated by the Rating Agencies, the Authority will invest amounts in the Bond Account and the Reserve Account in (i) cash or (ii) securities that carry a rating by the Rating Agencies not lower than the respective underlying ratings on the Bonds given by the Rating Agencies.

(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 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.

There is hereby pledged for the payment of the Bonds the Local Option Taxes and amounts in the Local Option Tax Accounts, the Bond Account, Reserve Account, and any project account created for the deposit of Bond proceeds and such pledge 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 4. Consent; Notice. So long as the Bonds are rated by the Rating Agencies, the Authority shall provide notice thereto upon any amendment to the Master Resolution and any amendment to a Series Resolution with respect to Bonds to which they have assigned a rating. Any amendment or supplement to the Master Resolution or a Series Resolution shall be subject to the prior written consent of the insurer maintaining insurance on the initial series of Bonds.

Section 5. Notice of Redemption. Notice of redemption of Bonds shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Bonds to be redeemed is on deposit in the applicable fund or account.

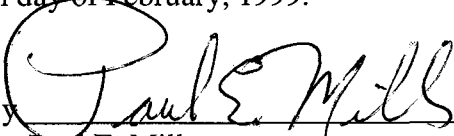
Section 6. Seal. The Board hereby adopts the facsimile seal set forth below for all purposes for which an official seal of the Authority is required or desirable.




Section 7. Reserve Surety. The Finance Director is authorized to increase the amount of the Reserve Account surety policy for the 1999 Bonds to meet the new Reserve Account Requirement approved by this resolution.

Section 8. Ratification. All provisions of Resolution No. R98-47 that are not amended by this resolution, and all actions taken by the Authority, its employees and agents authorized herein but prior to the effective date of this resolution, are hereby ratified and confirmed.

ADOPTED by the Board of Directors of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on the 11th day of February, 1999.

By 
Paul E. Miller
Board Chair

ATTEST:



Marcia Walker
Board Administrator