

**SOUND TRANSIT
STAFF REPORT**

RESOLUTION NO. R2005-07

Terms And Conditions For The Sale And Issuance Of Sales Tax Bonds, Series 2005A

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee Board	2/18/05 3/2/05	Discussion Discussion/Possible Action	Hugh Simpson , Chief Financial Officer Brian McCartan , Deputy Chief Financial Officer	(206) 398-5182 (206) 398-5100

ACTION

Provides for the sale and issuance of sales tax bonds, series 2005A; specifying the amount, maturities, interest rates and other terms of the 2005A bonds; [providing for bond insurance;] and ratifying, confirming and approving the purchase contract for the 2005A bonds and actions of the Chief Financial Officer relating to the sale of the 2005A bonds. Other terms and covenants of the 2005A bonds are prescribed in Resolution No. R2005-02.

KEY FEATURES

- Approves the sale and delivery of the 2005A bonds;
- Establishes the aggregate principal amount of 2005A bonds to be issued;
- Establishes the maturities of the 2005A term bonds;
- Establishes the principal amount of each 2005A term bond;
- Establishes the interest rate for each 2005A term bond;
- Establishes the dated date of the 2005A bonds;
- Establishes the interest payment dates of the 2005A bonds;
- Establishes terms for optional and mandatory sinking fund redemption of the 2005A bonds;
- Approves the form of the 2005A bonds;
- Delegates to the Chief Financial Officer the authority to approve the Officials Statement for the bonds;
- [Provides for the purchase of bond insurance for the 2005A bonds]; and
- Amends the Adopted 2005 Budget to provide for debt service on the bonds in 2005.

BUDGET DISCUSSION

The Adopted 2005 Budget did not assume the issuance of bonds in 2005 and therefore has insufficient authority for debt service beyond the 1999 bonds already issued by the agency. The resolution amends the Adopted 2005 Budget to increase the budget for agency debt service sufficient to cover the additional 2005 debt service on the 2005A bonds.

REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS

The agency's long-term financial plan forecasts the issuance of an additional \$1.2 billion of additional bonds to finance the agency's Phase 1 Board-approved capital plan. The plan assumes that the agency issue debt at 5.85% interest rates and that bonds are issued when that agency is at a minimum cash position, currently forecast for 2nd Quarter 2006.

This action would authorize the issuance of bonds in March 2005. Bonds issued at this time would have lower interest rates than the assumed 5.85% in the financial plan and achieve substantial savings in debt service over the life of the bonds. However, by issuing at 2005, the agency would incur some "negative arbitrage" on the bonds, because it will not be able to invest funds at a higher rate than the interest rate on the bonds. This negative arbitrage would be more than offset by the long term savings on the bonds.

BUDGET TABLE

Summary for Board Action (Year of Expenditure \$000)

Action Item: Issuance of Series 2005A Sales Tax Bonds

	(A)	(B)	(C)	(D)
	Approved Budget Amount	Spent to Date	Required Budget Amendment	Total
Operating Budget				
Debt Service	17,290,000	-	TBD*	

*To be determined at the final pricing and sizing of the 2005A bonds.

M/W/DBE – SMALL BUSINESS PARTICIPATION

Sound Transit's investment banking team and bond counsel both include a women/minority-owned firm that will participate in the bond transaction.

HISTORY

Several times during the last year, Finance Department staff has briefed and received direction from the Finance Committee on the development of an agency asset-liability management (ALM) approach in managing its cash investments and bonding requirements. As discussed with the Committee, the ALM approach would potentially issue debt prior to the agency reaching its minimum cash position in order to achieve the lowest cost of borrowing for the program.

The Board adopted Resolution R2005-02 authorizing the issuance of sales tax bonds in an amount not to exceed \$500 million. Resolution R2005-02 established the covenants and lien structure for the 2005A bonds.

**Prior Board or Committee Actions
and Relevant Board Policies**

Motion or Resolution Number	Summary of Action	Date of Action
R2005-02	Authorizing the issuance of Sales Tax Bonds of the Authority in the Principal amount of not to exceed \$500,000,000 to finance a portion of the Authority's Regional Transit System Plan; fixing certain provisions and covenants of the bonds, including provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale or such bonds.	2/10/05
R98-48	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.	11/12/98
R98-47	Authorizing Sales Tax and Motor Vehicle Excise Tax Bonds to be issued in a series to finance a portion of the Authority's regional transit system plan.	11/12/98
R-82	Imposing taxes authorized pursuant to a vote of the electorate to implement the Ten-Year Regional Transit Plan; levying, fixing, and imposing a motor vehicle excise tax, a retail sales and use tax, and a sales and use tax on retail rental cars, all for the sole purpose of providing high capacity transportation services through implementation of the Ten-Year Regional Transit Plan; and authorizing the Executive Director to enter into contracts with the state for tax collection and administration. (beginning on 4/1/97)	2/13/97
R-73	Adopting a Ten-Year Regional Transit System Plan, together with related Appendices, and a Regional Transit Authority Long-Range Vision, and rescinding Resolution No. 40.	5/31/96

FUNDING

Any bonds issued under this Resolution will be repaid from sales tax and rental car tax revenues during the term of the bonds and other such taxes as pledged by the Board.

CONSEQUENCES OF DELAY:

If the Board does not authorize the sale of a new series of 2005A bonds, the agency could not issue additional bonds at this time. The agency has sufficient cash at this point to fund the projects through 3rd Quarter 2006. However, if the agency does not issue additional bonds at this time, it risks incurring higher borrowing costs in future years.

LEGAL REVIEW:

The Legal Department, the agency's Bond Counsel (Foster Pepper and Shefelman), and counsel for the underwriters (Preston Gates and Ellis) will have authored and/or reviewed all bond related documents.

SOUND TRANSIT

RESOLUTION NO. R2005-07

A RESOLUTION of the Board of Directors of the Central Puget Sound Regional Transit Authority providing for the sale and issuance of the Central Puget Sound Regional Transit Authority Sales Tax Bonds, Series 2005A; specifying the amount, maturities, interest rates and other terms of the 2005A Bonds; providing for bond insurance; and ratifying, confirming and approving the purchase contract for the 2005A Bonds and actions of the Chief Financial Officer relating to the sale of the 2005A Bonds.

WHEREAS, pursuant to Resolution No. R2005-02 (the "Authorizing Resolution"), The Central Puget Sound Regional Transit Authority (the "Authority") authorized the issuance of not to exceed \$500,000,000 of its Sales Tax Bonds, Series 2005A (the "2005A Bonds") to (1) pay part of the cost of financing improvements for the purpose of providing high capacity transportation service specified in the Authorizing Resolution; (2) pay the costs of issuing and selling the 2005A Bonds and (3) provide for the Subordinate Reserve Account Requirement; and

WHEREAS, the Authorizing Resolution authorized the Chief Financial Officer of the Authority to negotiate the sale of the 2005A Bonds and to recommend to the Board of Directors of the Authority (the "Board"), for its approval by resolution, the interest rates and other terms of and matters relating to the 2005A Bonds consistent with the Authorizing Resolution; and

WHEREAS, pursuant to the Authorizing Resolution, a Preliminary Official Statement dated February 22, 2005, has been prepared, a sale of the 2005A Bonds has been negotiated pursuant to a proposed Bond Purchase Contract (the "Bond Purchase Contract") between the Authority and Citigroup Global Markets, Inc., on behalf of itself, Banc of America Securities LLC, Lehman Brothers Inc., Merrill Lynch & Co., Siebert Brandford Shank & Co., L.L.C., and UBS Financial Services Inc., with respect to the 2005A Bonds (all such underwriters being collectively referred to herein as the "Underwriters"), and the proposed sale of the 2005A Bonds

to the Underwriters has been recommended to the Board for its approval with the interest rates and other terms of and matters relating to the 2005A Bonds set forth in this resolution; and

WHEREAS, Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company (“Ambac Assurance” or the “Bond Insurer”) has made a commitment to issue an insurance policy (the “Financial Guaranty Insurance Policy”) to insure the payment when due of the principal of and interest on the 2005A Bonds as provided therein and the purchase of the Financial Guaranty Insurance Policy has been recommended to the Board for its approval under the terms and conditions set forth in this resolution;

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

Section 1. Definitions. The meanings of all capitalized terms used and not otherwise defined in this resolution (including the recitals) shall be as set forth in the Resolution No. R2005-02. Resolution No. R2005-02 and this resolution are sometimes collectively referred to herein as the “Bond Resolution.”

Section 2. The 2005A Bonds. The 2005A shall be in the aggregate principal amount of \$422,815,000, shall be dated the date of initial delivery and shall bear interest from their date until the 2005A Bonds bearing such interest have been paid or their payment has been duly provided for, payable semiannually on each May 1 and November 1, commencing November 1, 2005. The 2005A Bonds shall mature on November 1 in years and amounts and bear interest at the rates per annum as follows:

Maturity	Principal Amounts	Interest Rates	Maturity	Principal Amounts	Interest Rates
11/01/2011	\$ 5,810,000	3.300%	11/01/2020	\$ 215,000	4.125%
11/01/2012	2,605,000	3.500	11/01/2020	22,250,000	5.000
11/01/2012	3,410,000	5.000	11/01/2021	160,000	4.200
11/01/2013	820,000	3.625	11/01/2021	18,240,000	5.000
11/01/2013	8,855,000	5.000	11/01/2022	19,315,000	5.000
11/01/2014	75,000	3.750	11/01/2023	20,285,000	5.000
11/01/2014	13,125,000	5.000	11/01/2024	21,300,000	5.000
11/01/2015	315,000	3.875	11/01/2025	40,000	4.375
11/01/2015	12,105,000	5.000	11/01/2025	22,325,000	5.000
11/01/2016	25,000,000	*	11/01/2026	23,480,000	5.000
11/01/2017	875,000	4.000	11/01/2027	24,645,000	5.000
11/01/2017	18,980,000	5.000	11/01/2028	25,875,000	5.000
11/01/2018	270,000	4.000	11/01/2029	47,150,000	5.000
11/01/2018	14,405,000	5.000	11/01/2030	49,290,000	5.000
11/01/2019	425,000	4.125	11/01/2030	50,000	4.500
11/01/2019	21,120,000	5.000			

*Muni-Steps.SM These Bonds bear interest at 3.45% per annum to and including November 1, 2008, at 3.95% per annum to and including November 1, 2011, at 4.40% per annum to and including November 1, 2014, and thereafter at 4.80% per annum. (Muni-Steps is a service mark of Merrill Lynch & Co. Inc.)

Section 3. Optional Redemption. The 2005A Bonds maturing on or before November 1, 2014, shall be issued without the right or option of the Authority to redeem those 2005A Bonds prior to their stated maturity dates. The Authority reserves the right and option to redeem the 2005A Bonds maturing on and after November 1, 2015 (other than the 2005A Bonds maturing on November 1, 2016, bearing interest at the initial rate of 3.45% per annum), prior to their stated maturity dates at any time on and after May 1, 2015, as a whole or in part (within one or more maturities to be selected by the Authority and randomly within a maturity in

such manner as the Bond Registrar shall determine), at a price of par plus accrued interest to the date fixed for redemption. The Authority reserves the right and option to redeem the Series 2005A Bonds maturing on November 1, 2016, bearing interest at the initial rate of 3.45% per annum prior to their stated maturity date on any interest payment date on or after November 1, 2008, as a whole or in part (and randomly within the maturity in such manner as the Bond Registrar shall determine) at a price of par plus accrued interest to the date fixed redemption.

Section 4. Mandatory Redemption. The 2005A Bonds maturing in the year 2016 bearing interest at the initial rate of 3.45% per annum are designated as Term Bonds and, if not redeemed under the optional redemption provisions set forth above or purchased in the open market under the provisions set forth in Section 6(d) of the Bond Resolution, shall be called for redemption in accordance with Section 6(b) of the Bond Resolution at par plus accrued interest on November 1 in year and amounts as follows:

Term Bonds Maturing 2016

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2015	\$ 5,925,000
2016 ⁽¹⁾	19,075,000
(1) maturity	

Section 5. Form of 2005A Bonds. The 2005A Bonds shall be substantially in the form attached hereto as Exhibit A and incorporated herein by this reference.

Section 6. Sale and Delivery of 2005A Bonds. The Authority finds that the sale and delivery of the 2005A Bonds to the Underwriters at the interest rates and under the conditions set forth in the Authorizing Resolution, this resolution and the Bond Purchase Contract is in the Authority's best interest and therefore approves the sale of the 2005A Bonds to the Underwriters pursuant to the Bond Purchase Contract. The Chief Executive Officer or the Chief Financial Officer is authorized and directed to execute on behalf of the Authority, the Bond Purchase Contract in substantially the form on file with the Board Administrator.

Section 7. Authorization of Official Statement. The Chief Financial Officer is authorized and directed to review and approve on behalf of the Authority a final official statement (the "Official Statement") with respect to the 2005A Bonds, substantially in the form of the Preliminary Official Statement and supplemented or amended as he, with the approval of bond counsel, deems necessary, desirable, or appropriate.

Section 8. Provisions Relating to Bond Insurance. The Board finds that it is in the Authority's best interest to purchase, and that a savings will result from purchasing, the Financial Guaranty Insurance Policy from the Bond Insurer pursuant to the Commitment to Issue a Financial Guaranty Insurance Policy (the "Bond Insurance Commitment") on file with the Board Administrator. The Authority shall purchase the Financial Guaranty Insurance Policy from the Bond Insurer and, to the extent consistent with the Bond Resolution, shall comply with the Bond Insurance Commitment.

The following provisions shall apply:

(A) Notices/Information to be given to Bond Insurer. Any notice required to be given to the Bond Insurer shall be sent by certified or registered mail to Ambac Assurance Corporation, One State Street Plaza, New York, New York 10004.

While the Financial Guaranty Insurance Policy is in effect, the Authority or the Bond Registrar shall furnish to the Bond Insurer, upon request, to the attention of the Surveillance Department:

(1) As soon as practicable after the filing thereof, copies of any financial statements, audits and/or annual reports of the Authority;

(2) copies of any notices given to the registered owners of the 2005A Bonds, including, without limitation, notices of any redemption or defeasance of 2005A Bonds, and any certificate rendered pursuant to the Bond Resolution relating to the security for the 2005A Bonds at no cost to the Bond Insurer;

(3) to the extent that the Authority has entered into a continuing disclosure agreement with respect to the 2005A Bonds, the Bond Insurer shall be included as a party to be notified; and

(4) such additional information the Bond Insurer may reasonably request.

The Bond Registrar shall notify the Bond Insurer, to the attention of the General Counsel Office, of any failure of the Authority to provide relevant notices and certificates.

Notwithstanding any other provision of the Bond Resolution, the Bond Registrar shall immediately notify the Bond Insurer, to the attention of the General Counsel Office, if at any time there is insufficient money to make any payment of principal and/or interest as required and immediately upon the occurrence of any event of Default under the Bond Resolution.

The Authority will permit the Bond Insurer to discuss the affairs, finances and accounts of the Authority or any information the Bond Insurer may reasonably request regarding the security for the 2005A Bonds with appropriate officers of the Authority. The Bond Registrar and the Authority will permit the Bond Insurer to have access to and make copies of all books and records relating to the 2005A Bonds at any reasonable time.

The Bond Insurer shall have the right, at any time and at the Authority's expense, to receive such financial records (including, without limitation, information concerning revenues, expenditures and account balances) that it may reasonably request. The Authority's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default under this Section 8; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Owner of the 2005A Bonds.

B. Parties Interested Herein. To the extent that the Bond Resolution confers upon or give or grants to the Bond Insurer any right, remedy or claim under or by reason of such resolution, the Bond Insurer is explicitly recognized as being a third-party beneficiary thereunder and may enforce any such right, remedy or claim conferred, given or granted thereunder. Nothing expressed or implied in the Bond Resolution is intended or shall be construed to confer

upon, or to give or grant to, any person or entity, other than the Authority, the Bond Insurer and the Owners of the 2005A Bonds, any right, remedy or claim under or by reason of the Bond Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in the Bond Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Bond Insurer and the Owners of the 2005A Bonds.

Notwithstanding any other provision of the Bond Resolution, the Authority shall notify the Bond Insurer immediately if at any time there are insufficient funds to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of Default. Anything in the Bond Resolution to the contrary notwithstanding, upon the occurrence and continuance of an event of Default, so long as the Bond Insurer is not in default under the Financial Guaranty Insurance Policy, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the 2005A Bonds or the Bondowners' Trustee for the benefit of such Owners under the Bond Resolution pursuant to state law.

Any provision of the Bond Resolution expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer thereunder without the prior written consent of the Bond Insurer. The Bond Insurer reserves the right to charge the Authority a reasonable fee for any such consent or amendment to the Bond Resolution while the Financial Guaranty Insurance Policy is outstanding. Unless otherwise provided in this section, the Bond Insurer's consent shall be required, in addition to 2005A Bond Owner consent, when required, for the following purposes: (i) execution and delivery of any supplemental resolution, and (ii) initiation or approval of any other action which requires 2005A Bond Owner consent.

Any reorganization or liquidation plan with respect to the Authority must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have

the right to vote on behalf of all 2005A Bond Owners who hold Ambac Assurance-insured bonds absent a default by the Bond Insurer under the applicable Financial Guaranty Insurance Policy insuring such bonds.

Section 9. Payment Procedures Under Financial Guaranty Policy. The Bond Insurer requires that the following sections be included in this resolution:

“As long as the Obligation insurance shall be in full force and effect, the Obligor, the Trustee and any Paying Agent agree to comply with the following provisions”

“(a) At least one (1) business day prior to all Interest Payment Dates the Trustee or Paying Agent [the Bond Registrar], if any, will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Obligations on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds in such Funds or Accounts, the Trustee or Paying Agent, if any, shall so notify Ambac Assurance. Such notice shall specify the amount of the anticipated deficiency, the Obligations to which such deficiency is applicable and whether such Obligations will be deficient as to principal or interest, or both. If the Trustee or Paying Agent, if any, has not so notified Ambac Assurance at least one (1) business day prior to an Interest Payment Date, Ambac Assurance will make payments of principal or interest due on the Obligations on or before the first (1st) business day next following the date on which Ambac Assurance shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

“(b) the Trustee or Paying Agent, if any, shall, after giving notice to Ambac Assurance as provided in (a) above, make available to Ambac Assurance and, at Ambac Assurance's direction, to The Bank of New York, as insurance trustee for Ambac Assurance or any successor insurance trustee (the “Insurance Trustee”), the registration books of the Obligor maintained by the Trustee or Paying Agent, if any, and all records relating to the Funds and Accounts maintained under this resolution.

“(c) the Trustee or Paying Agent, if any, shall provide Ambac Assurance and the Insurance Trustee with a list of registered owners of Obligations entitled to receive principal or interest payments from Ambac Assurance under the terms of the Financial Guaranty Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Obligations entitled to receive full or partial interest payments from Ambac Assurance and (ii) to pay principal upon Obligations surrendered to the Insurance Trustee by the registered owners of Obligations entitled to receive full or partial principal payments from Ambac Assurance.

“(d) the Trustee or Paying Agent, if any, shall, at the time it provides notice to Ambac Assurance pursuant to (a) above, notify registered owners of Obligations entitled to receive the payment of principal or interest thereon from Ambac Assurance (i) as to the fact of such entitlement, (ii) that Ambac Assurance

will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from Ambac Assurance, they must surrender their Obligations (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Obligations to be registered in the name of Ambac Assurance) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from Ambac Assurance, they must surrender their Obligations for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such Obligations the portion of the principal paid by the Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

“(e) in the event that the Trustee or Paying Agent, if any, has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time Ambac Assurance is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to Ambac Assurance its records evidencing the payments of principal of and interest on the Obligations which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.

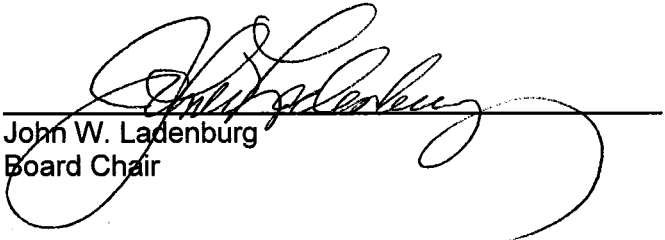
“(f) in addition to those rights granted Ambac Assurance under this resolution, Ambac Assurance shall, to the extent it makes payment of principal of or interest on Obligations, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent, if any, shall note Ambac Assurance's rights as subrogee on the registration books of the Obligor maintained by the Trustee or Paying Agent, if any, upon receipt from Ambac Assurance of proof of the payment of interest thereon to the registered owners of the Obligations, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent, if any, shall note Ambac Assurance's rights as subrogee on the registration books of the Obligor maintained by the Trustee or Paying Agent, if any, upon surrender of the Obligations by the registered owners thereof together with the proof of the payment of principal thereof.”

Section 10. General Authorization. The Designated Authority Representative and the Chief Financial Officer and each of the other appropriate officers of the Authority are each authorized and directed to do everything as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, the Bond Resolution and this resolution.


Section 11. Ratification of Prior Acts. All acts taken pursuant to the authority of this resolution but prior to its effective date are ratified, approved and confirmed.

Section 12. Budget Amendment. The Adopted 2005 Budget is hereby amended to increase debt service and issuance costs from \$17,290,000 to \$33,512,662.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a special meeting thereof held the 2nd day of March 2005.


John W. Ladenburg
Board Chair

ATTEST:



Marcia Walker
Board Administrator

EXHIBIT A

Bond Form

No. R-_____

\$_____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Authority or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF WASHINGTON

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

SALES TAX BONDS, SERIES 2005A

Interest Rate:

Maturity Date:

Cusip No.:

Registered Owner: CEDE & CO.

Principal Amount: [_____]

THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY (the "Authority"), a regional transit authority of the State of Washington, for value received, promises to pay the Registered Owner identified above on the Maturity Date identified above the Principal Amount identified above and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) thereon from the later of the date of this 2005A Bond or from the most recent interest payment date to which interest has been paid at the Interest Rate per annum set forth above, payable semiannually on each May 1 and November 1, commencing November 1, 2005, to the maturity or earlier redemption of this Bond. If this Bond is duly presented for payment and not paid on its maturity or call date, then interest shall continue to accrue at the Interest Rate identified above until this 2005A Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Subordinate Bond Account and this 2005A Bond has been called for payment by giving notice to the Registered Owner.

Principal of and premium, if any, and interest on this 2005A Bond are payable in lawful money of the United States of America. Principal of and premium, if any, are payable only to the

Registered Owner upon presentation and surrender of this 2005A Bond at the principal office of the fiscal agent of the Authority (as the same may be designated by the State of Washington from time to time) (the "Bond Registrar"). Payment of each installment of interest shall be made to the Registered Owner whose name appears on the registration books of the Authority maintained by the Bond Registrar (the "Bond Register") at the close of business on the 15th day of the month next preceding the interest payment date (the "Record Date") and shall be paid by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register or, when requested in writing to the Bond Registrar before the applicable Record Date by the Registered Owner of \$1,000,000 or more in principal amount of the 2005A Bonds, by wire transfer on the interest payment date. Notwithstanding the foregoing, as long as this 2005A Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), payment of principal, premium, if any, and interest shall be made as provided in the Letter of Representations.

This 2005A Bond is one of an authorized issue of bonds designated The Central Puget Sound Regional Transit Authority Sales Tax Bonds, Series 2005A, aggregating \$_____ in principal amount, maturing on November 1 in the years 20__ through 20____, inclusive, and in the years 20__ and 20__, of like date, tenor and effect, except as to maturity dates, interest rates, options of redemption, denominations and numbers. The 2005A Bonds are issued by the Authority pursuant to Resolutions Nos. R2005-02 and R2005-07 (collectively, the "Bond Resolution") for the purpose of providing all or part of the funds to pay part of the cost of providing high-capacity transportation services in the central Puget Sound region, to fund the subordinate reserve account and to pay the costs of issuance and sale of the 2005A Bonds, all as provided in the Bond Resolution. The 2005A Bonds are issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof within a single maturity.

From and after the issuance and delivery of the 2005A Bonds and so long as any of the 2005A Bonds remain Outstanding, the Authority irrevocably obligates and binds itself to record all Pledged Taxes into the Local Option Tax Accounts and the Additional Taxes Accounts, as applicable, and to set aside and pay into the Subordinate Bond Account, from Pledged Taxes, on or prior to the date on which the interest on, principal of, premium, if any, and sinking fund requirements for the 2005A Bonds shall become due, the amounts necessary to pay the interest, principal, sinking fund requirements and premium coming due on 2005A Bonds.

There is hereby pledged for the payment of the 2005A Bonds (a) amounts in the Subordinate Bond Account, the Subordinate Reserve Account, the Additional Taxes Accounts and proceeds of the 2005A Bonds deposited in any account created for the deposit of 2005A Bond proceeds, and such pledge is hereby declared to be a prior charge upon the amounts in such accounts, and (b) the Pledged Taxes and amounts in the Local Option Tax Accounts and the Tax Stabilization Subaccount and interest earnings thereon, to the extent amounts and earnings in the Local Option Tax Accounts and the Tax Stabilization Subaccount represent revenues from Pledged Taxes, and such pledge is hereby declared to be a prior charge upon the Pledged Taxes and the accounts described in this paragraph superior to all other charges of any kind or nature except the charge of the Prior Bonds on Local Option Taxes, and equal to the charge of any Future Parity Bonds.

THE 2005A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE SOURCES IDENTIFIED HEREIN AND IN THE BOND RESOLUTION AND ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY, THE STATE OF WASHINGTON OR ANY OTHER POLITICAL SUBDIVISION THEREOF. THE 2005A BONDS DO NOT CONSTITUTE A LIEN OR CHARGE UPON ANY GENERAL FUND OR UPON ANY

MONEY OR OTHER PROPERTY OF THE AUTHORITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF NOT SPECIFICALLY PLEDGED THERETO BY THE BOND RESOLUTION.

The 2005A Bonds maturing on or before November 1, 2014, are issued without the right or option of the Authority to redeem those 2005A Bonds prior to their stated maturity dates. The Authority reserves the right and option to redeem the 2005A Bonds maturing on and after November 1, 2015 (other than the 2005A Bonds maturing on November 1, 2016, bearing interest at the initial rate of ___% per annum), prior to their stated maturity dates at any time on and after May 1, 2015, as a whole or in part (within one or more maturities to be selected by the Authority and randomly within a maturity in such manner as the Bond Registrar shall determine), at a price of par plus accrued interest to the dated fixed for redemption. The Authority reserves the right and option to redeem the Series 2005A Bonds maturing on November 1, 2016, bearing interest at the initial rate of ___% per annum prior to their stated maturity date at any time on or after November 1, 2008, as a whole or in part (and randomly within the maturity in such manner as the Bond Registrar shall determine) at a price of par plus accrued interest to the date fixed redemption.

The 2005A Bonds maturing in the years 20__ and 20__ are Term Bonds and, if not redeemed under the optional redemption provisions set forth above or purchased in the open market under the provisions set forth below, shall be called for redemption by lot (in such manner as the Bond Registrar shall determine) at par plus accrued interest on November 1 in years and amounts as follows:

Term Bonds Maturing 20__

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
20__	\$,000
20__	,000
20__	,000
20__ ⁽¹⁾	,000

⁽¹⁾ maturity

Term Bonds Maturing 2016*

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2015	\$
2016 ⁽¹⁾	

*Muni-Steps.SM 2005A Bonds maturing on November 1, 2016, bearing interest at the initial rate of ___% per annum. (Muni-Steps is a service mark of Merrill Lynch & Co. Inc.)

⁽¹⁾ maturity

Term Bonds Maturing 20_____

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
20	\$,000
20	,000
20	,000
20 ⁽¹⁾	,000

(1) maturity

The par amount of the Term Bonds previously redeemed by optional call or purchased in the open market (irrespective of their actual redemption prices) shall be credited against one or more scheduled mandatory redemption amounts for those Term Bonds. The Authority shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation at least 60 days prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given.

Any 2005A Bond in the principal amount of greater than \$5,000 may be redeemed partially in any integral multiple of \$5,000. In such event, upon surrender of that 2005A Bond to the Bond Registrar, there shall be issued to the Registered Owner a new 2005A Bond (or 2005A Bonds, at the option of the Registered Owner) of the same maturity and interest rate in any of the denominations authorized by the Bond Resolution in the aggregate principal amount remaining unredeemed, without charge therefor.

Notice of any such intended redemption shall be sent by first-class mail, postage prepaid, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the Registered Owner of each 2005A Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and this requirement shall be deemed to be complied with when notice is so mailed, whether or not it is actually received by the owner of any 2005A Bond. Interest on the 2005A Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the 2005A Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice shall be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., at their offices in New York, New York, or their successors, to Ambac Assurance Corporation at its office in New York, New York, or its successor, to each NRMSIR or the MSRB, and to such other persons and with such additional information as the Chief Financial Officer shall determine, but such mailings shall not be a condition precedent to the redemption of such 2005A Bonds.

Notwithstanding the foregoing, for so long as the 2005A Bonds are registered in the name of Cede & Co., as nominee of DTC, 2005A Bonds shall be selected for redemption and notice of redemption shall be given in accordance with the Letter of Representations.

The Authority has further reserved the right and option to purchase any or all of the 2005A Bonds in the open market at any time at a price acceptable to the Authority plus accrued interest to the date of such purchase.

Reference is made to the Bond Resolution for other covenants and declarations of the Authority and other terms and conditions upon which this 2005A Bond has been issued, which terms and conditions, including, but not limited to, terms pertaining to defeasance, are made a part hereof by this reference. The Authority irrevocably and unconditionally covenants that it will keep

and perform all of the covenants of this 2005A Bond and of the Bond Resolution. Reference also is made to the Bond Resolution for the definitions of the capitalized terms used and not otherwise defined herein.

In the manner and subject to the limitations set forth in the Bond Resolution, this 2005A Bond may be transferred by the Registered Owner or by such Owner's authorized agent at the Bond Registrar on completion of the assignment form appearing hereon and surrender and cancellation of this 2005A Bond. Upon such transfer, a new 2005A Bond (or 2005A Bonds, at the option of the new Registered Owner) of an equal aggregate principal amount and of the same maturity and interest rate in any authorized denomination will be issued to the new Registered Owner, without charge, in exchange therefor. This 2005A Bond and other 2005A Bonds may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of 2005A Bonds of the same maturity and interest rate in any authorized denomination. The Bond Registrar shall not be obligated to transfer or exchange any 2005A Bond during the period between the Record Date and the next succeeding principal or interest payment or redemption date.

The Authority and the Bond Registrar may deem and treat the Registered Owner of this 2005A Bond as its absolute owner for the purpose of receiving payment of principal, premium, if any, and interest and for all other purposes, and neither the Authority nor the Bond Registrar shall be affected by any notice to the contrary other than proper notice of assignment. As used herein, "Registered Owner" means the person or entity named as Registered Owner of this 2005A Bond on the front hereof and on the Bond Register.

This 2005A Bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon has been signed by the Bond Registrar.

The principal of and premium, if any, and interest on this 2005A Bond shall be paid only to the Registered Owner as of the Record Date set forth above and to no other person or entity, and this 2005A Bond may not be assigned except on the Bond Register.

It is certified and declared that all acts, conditions and things required to be done precedent to and in the issuance of this 2005A Bond have been done, have happened and have been performed as required by law, and that the total indebtedness of the Authority, including the 2005A Bonds, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed on behalf of the Authority by the facsimile signatures of the Chair of its Board of Directors and its Chief Executive Officer and a facsimile reproduction of the seal of the Authority to be printed hereon, this ____ day of March, 2005.

THE CENTRAL PUGET SOUND REGIONAL
TRANSIT AUTHORITY

By _____
Chair, Board of Directors

By _____
Chief Executive Officer

Date of Authentication: _____

CERTIFICATE OF AUTHENTICATION

This Bond is one of the fully registered The Central Puget Sound Regional Transit Authority Sales Tax Bonds, Series 2005A, described in the Bond Resolution.

WASHINGTON STATE FISCAL AGENT
Bond Registrar

By: _____
Authorized Signer

STATEMENT OF INSURANCE

Financial Guaranty Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this 2005A Bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this 2005A Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

ASSIGNMENT

For value received, the undersigned Registered Owner does sell, assign and transfer unto:

(Name, address and social security or other identifying number of assignee)

the within-mentioned 2005A Bond and irrevocably constitutes and appoints _____ to transfer the same on the Bond Register with full power of substitution in the premises.

DATED: _____

Registered Owner

(NOTE: The signature above must correspond with the name of the Registered Owner as it appears on the front of this 2005A Bond in every particular, without alteration or enlargement or any change whatsoever.)

Signature Guaranteed:

(NOTE: Signature must be guaranteed pursuant to law.)