

**SOUND TRANSIT
STAFF REPORT**

RESOLUTION NOS. R2009-15, R2009-16, R2009-17, and R2009-18

Sales Tax Bonds to be issued in a series to finance a portion of the Authority's regional transit system plan

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	8/20/09	Discussion	Brian McCartan, Executive Director, FIT	206-398-5100
Finance Committee	9/03/09	Discussion/Possible Action to Recommend Board Approval of Resolution Nos. R2009-15 and R2009-16	Tracy Butler, Treasurer	206-398-5146
Board	9/10/09	Action on Resolution Nos. R2009-15 and R2009-16		
Board	9/16/09	Action on Resolution Nos. R2009-17 and R2009-18		

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	
Agreement with Other Jurisdiction(s)		Budget Amendment Required	✓
Real Estate			

PROPOSED ACTIONS

- Authorizes the issuance of Series 2009P (R2009-15) and Series 2009S (R2009-16) Bonds as fixed rate tax exempt bonds and/or fixed rate taxable Build America Bonds. The bonds are subject to bond sale Resolution Nos. R2009-17, and R2009-18 to be presented to the Board on the day of the bond pricing.
- Resolution 2009-15 establishes the basic covenants for 2009P and future bonds issued with the repayment pledge of MVET (through February 1, 2028), sales and rental car taxes. Sound Transit bonds backed by all three of these taxes are referred to below as "Prior Bonds."
- Resolution No. R2009-16 establishes the basic covenants for 2009S and future bonds issued with the repayment pledge of only sales and rental car taxes. Sound Transit bonds backed by these two taxes, and not the MVET, are referred to below as "Subordinate Bonds."

KEY FEATURES of ACTIONS

- Issues Prior Bonds 2009P having a pledge of pledged taxes and pledged accounts equal to that of the Series 1999, with the final maturity not longer than 2028.
- Issues Subordinate Bonds 2009S having a pledge of pledged taxes and pledged accounts equal to that of the Series 2005A, and 2007A.
- Authorizes the issuance of up to \$400 million in fixed rate tax exempt bonds and up to \$400 million in fixed rate taxable Build America Bonds (as Prior Bonds and/or as Subordinate Bonds), in the total principal amount of not to exceed \$400 million.
- Requires Sound Transit to impose MVET tax, sales tax and rental car taxes while any of the authorized bonds are outstanding (MVET only through 2028).
- Requires pledged taxes to be used in the following order:
 - first, to make principal and interest payments on Series 1999 Bonds and 2009P bonds authorized under the Resolution (e.g., on the Prior Bonds);
 - second, to make all required payments for reserve accounts for the Prior Bonds;
 - third, to make principal and interest payments on Series 2005 Bonds, 2007A Bonds and 2009S bonds authorized under the Resolution (e.g., the Subordinate Bonds);
 - fourth, to make all required payments for Subordinate Bonds reserve accounts;

- fifth, to make all payments required to be made for junior bonds (e.g., bonds junior to both the Prior Bonds and the Subordinate Bonds);
- sixth, to pay the costs of operating and maintaining Sound Transit and its facilities; and
- seventh, for any lawful purpose of the Authority.
- Pledges Sound Transit's collection of voter-approved MVET (until 2028), sales, use, and rental car taxes toward repayment of Prior Bonds.
- Funds the Prior Bonds Reserve Account at the required level (i.e., the lesser of 50% of maximum annual debt service on all Prior Bonds or 125% of average annual debt service).
- Pledges Sound Transit's collection of voter-approved sales, use, and rental car taxes toward repayment of Subordinate Bonds and more junior obligations of Sound Transit.
- 2009S bonds (Subordinate Bonds) issued under the Resolution would be subordinate to the Sound Transit 1999 Bonds and 2009P bonds (Prior Bonds) authorized under the Resolution.
- Prevents Sound Transit from issuing additional Subordinate Bonds unless:
 - It can generate enough sales tax, MVET and rental car taxes to pay 1.5x times the maximum debt service on the Prior Bonds;
 - It can generate enough sales tax and rental car taxes to pay 1.5x times maximum debt service coverage on Subordinate Bonds.
- Allows for the Authority to pledge additional taxes to Subordinate Bonds, such as MVET and additional voter-approved sales tax, if legally available and if the Board elects to do so.
- Authorizes the execution of interest rate and interest rate swap agreements to hedge risk, although such instruments are not contemplated at the present time.
- Provides for the appointment of a bondowners' trustee if the Authority defaults in payment.
- Authorizes the issuance of fixed rate and variable rate bonds and the execution of any liquidity or credit facilities necessary to market the variable rate bonds.
- Authorizes the refunding of outstanding bonds if favorable market conditions exist.
- Authorizes the issuance of bonds with a pledge of revenue junior to the Subordinate Bonds.
- The final terms of the tax exempt and/or taxable fixed rate bonds (amounts, maturity, interest rates, and redemption provisions) would be adopted by the Board by future resolutions at the time of a bond sale.
- Permits sales tax rollback from a total of 0.9 percent to 0.8 percent if certain coverage tests are met. The normal coverage test would be: (i) the MVET taxes, sales taxes and rental car taxes received during a 12-month test period must be at least twice the annual debt service on the Prior Bonds in each subsequent year, and (ii) the sales taxes plus the rental car taxes received during a 12-month test period, after deducting any of those taxes necessary to pay Prior Bond debt service, must be at least 1.5 times maximum annual debt service on the Subordinate Bonds). Further rollbacks would be permitted only upon the retirement of all outstanding bonds.
- Payments from the federal government under the Build America Bond program are treated as "Payment Agreement Payments" and reduce annual debt service requirements for calculation of coverage under the bond resolutions.

BUDGET IMPACT SUMMARY

Action Outside of Adopted Budget:	Y/N	Y Requires Comment
This Line of Business	N/A	
This Project	N/A	
This Phase	N/A	
This Task	N/A	
Budget amendment required	Y	Proceed with a bond sale, interest earnings and debt service will be higher than budgeted
Key Financial Indicators:	Y/N	Y Requires Comment
Contingency funds required	N/A	
Subarea impacts	N/A	
Funding required from other parties other than what is already assumed in financial plan	N/A	

N = Action is assumed in current Board-adopted budget. Requires no budget action or adjustment to financial plan

BUDGET DISCUSSION

The Adopted 2009 Budget did not assume the issuance of bonds in 2009. If the Authority were to proceed with a bond sale, debt service would be higher than what was included in the Adopted 2009 Budget. The 2009 Budget may need to be amended to reflect this change. The budget amendment may be part of the sale Resolution Nos. R2009-17 and R2009-18 to be adopted by the Board at the time of a bond sale.

REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS

The Authority’s long-term financial plan forecasts the sale of up to an additional \$7.5 billion in bonds to finance a portion of the Regional Transit System Plan. Board action to issue and sell the bonds will be subject to existing bond covenants and pledges for bonds to be issued as a part of the funding for capital projects and is consistent with the Authority’s current financial planning assumptions.

BUDGET TABLE

N/A

SMALL BUSINESS PARTICIPATION

Sound Transit’s investment banking team includes a women/minority-owned firm that will serve as a co-manager of the bond sales.

PROJECT DESCRIPTION and BACKGROUND FOR PROPOSED ACTION

Finance staff has briefed and received guidance from the Finance Committee several times during the year on the Asset Liability Management performance and objectives, and the funding needs of the capital projects.

Board action would authorize the issuance of Series 2009P and Series 2009S Bonds as fixed rate tax exempt bonds and/or fixed rate taxable Build America Bonds. The bonds are subject to a bond sale resolution to be presented to the Board after the bond pricing. Build America Bonds are not tax-exempt, but 35% of the interest cost would be reimbursed to Sound Transit by the federal government in semi-annual payments. The payments from the federal government must be used directly for debt service on the bonds that are Build America Bonds. Receipt of semi-annual payments from the federal government is subject to Congressional appropriation, but a federal failure to make those payments would be the equivalent of a breach of contract by the United States government.

PRIOR BOARD/COMMITTEE ACTIONS

Motion/Resolution Number and Date	Summary of Action
R82 2/13/97	Imposed 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)
R98-47 11/12/98	Authorized 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.
R98-48 11/12/98	Authorized 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.
R2005-02 2/10/05	Authorized 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 of such bonds.
R2005-07 3/2/05	Authorized 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 the sale of the 2005A Bonds.
R2007-22 11/8/07	Authorizing the issuance of sales tax bonds of the Authority in the principal amount of not to exceed \$450,000,000 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 of such bonds.
R2007-27 11/29/2007	Providing for the sale and issuance of the Central Puget Sound Regional Transit Authority sales tax bonds, Series 2007A, Series 2007B and Series 2007C; specifying the amount, maturities, interest rates or provision therefore and other terms of the bonds; providing for conditions and covenants relating to bond insurance; ratifying, confirming and approving the purchase contract for certain of the bonds and actions of the chief financial officer relating to the sale of the bonds; and amending the Adopted 2007 Budget and the Proposed 2008 Budget in connection therewith.
R2008-15 12/11/08	Fixing and imposing an additional five-tenths of one percent sales and use tax; applying existing approved taxes to implement the Sound Transit 2 Regional Transit System Plan "A Mass Transit Guide" and the Sound Move Regional Transit System Plan as authorized by a vote of the electorate; and authorizing the chief executive officer to contract with the State of Washington for tax collection and administration.

FUNDING

Any bonds issued under Resolution No. R2009-15 will be repaid from MVET (until 2028), sales and rental car tax revenues during the term of the bonds.

Any bonds issued under Resolution No. R2009-16 will be repaid from sales and rental car tax revenues during the term of the bonds.

CONSEQUENCES OF DELAY

If the Board does not authorize the sale of a new series of bonds, the Authority could not issue additional bonds at this time. The Authority has sufficient cash at this point to fund the projects through December 2009 according to the financial plan and the ALM model. But if the Authority does not issue additional bonds in 2009, it risks not incurring sufficient funds to cover capital and operating expenditures, and the legislation authorizing the use of Build America Bonds may expire.

LEGAL REVIEW

The Executive Director, General Counsel, the Authority's Bond Counsel (Foster Pepper), and counsel for the underwriters (Orrick) will have authored and/or reviewed all bond related documents.

MASTER PRIOR BOND RESOLUTION CERTIFICATE

I, Marcia A. Walker, Board Administrator of The Central Puget Sound Regional Transit Authority (the "Authority"), do hereby certify:

1. That the attached Resolution No. R2009-15 (the "Master Prior Bond Resolution") adopted at the regular meeting of the Authority on September 10, 2009, is a true and correct copy of the resolution of the Authority that is on file in the office of the Authority.

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 was present throughout the meeting and a legally sufficient number of Board members voted in the proper manner for the adoption of the Master Prior Bond Resolution; that all other requirements incident to the proper adoption or passage of the Master Prior Bond Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

Dated this 14th day of September, 2009.

THE CENTRAL PUGET SOUND REGIONAL
TRANSIT AUTHORITY



Marcia A. Walker
Board Administrator

MASTER PRIOR BOND RESOLUTION

SOUND TRANSIT

RESOLUTION NO. R2009-15

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AMENDING AND RESTATING MASTER RESOLUTION NO. R98-47 AND AUTHORIZING SALES TAX AND MOTOR VEHICLE EXCISE TAX BONDS OF THE AUTHORITY TO BE ISSUED IN ONE OR MORE SERIES TO FINANCE A PORTION OF THE AUTHORITY'S REGIONAL TRANSIT SYSTEM PLAN.

ADOPTED: September 10, 2009

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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. R2009-15

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AMENDING AND RESTATING MASTER RESOLUTION NO. R98-47 AND AUTHORIZING SALES TAX AND MOTOR VEHICLE EXCISE TAX BONDS OF THE AUTHORITY TO BE ISSUED IN ONE OR MORE SERIES TO FINANCE A PORTION OF THE AUTHORITY'S REGIONAL TRANSIT SYSTEM PLAN.

WHEREAS, the Board of Directors (the "Board") 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 (as defined herein, the "Sound Move Plan"); and

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

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

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution No. R98-47, as amended by Resolution No. R99-4 (together, the "Original Master Resolution") and Resolution No. R98-48, the Authority on January 6, 1999, issued its Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999 (the "1999 Prior Bonds"), secured by a pledge of the Local Option Taxes (defined herein), to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolutions Nos. R2005-02 and R2005-07, the Authority on March 31, 2005, issued its Sales Tax Bonds, Series 2005A (the "2005A Parity Bonds"), secured by a pledge of the Pledged Taxes (defined herein) subordinate to the pledge securing the 1999 Prior Bonds, to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolutions Nos. R2007-22 and R2007-27, the Authority on December 18, 2007, issued its Sales Tax Bonds, Series 2007A, secured by a pledge of the Pledged Taxes subordinate to the pledge of Local Option Taxes securing the 1999 Prior Bonds and on a parity with the pledge of Pledged Taxes securing the 2005A Parity Bonds, to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, the Board, by Resolution No. R2008-10, authorized and adopted Sound Transit 2, A Mass Transit Guide, The Regional Transit System Plan for Central Puget Sound (the "Sound Transit 2 Plan") as a regional transit system plan to provide additional high capacity transportation services in the central Puget Sound region; and

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

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

WHEREAS, the Authority desires to issue additional obligations to finance improvements for the purpose of providing high capacity transportation service consistent with the resolutions authorizing the issuance of the 1999 Prior Bonds, such obligations to be secured by a pledge of the Local Option Taxes on a parity with the pledge securing the 1999 Prior Bonds; and

WHEREAS, the Authority desires to amend and restate the Original Master Resolution consistent with the resolutions authorizing the issuance of the 1999 Prior Bonds; and

WHEREAS, pursuant to the first sentence of Section 13(b) of the Original Master Resolution, the Original Master Resolution may be amended from time to time by a Supplemental Resolution approved by the Owners of a majority in aggregate principal amount of the Prior Bonds then Outstanding; and

WHEREAS, pursuant to Section 11 of Resolution No. R98-48, the consent of the insurer of the 1999 Prior Bonds is deemed to constitute consent of the Owners of the 1999 Prior Bonds for purposes of the first sentence of Section 13(b) of the Original Master Resolution; and

WHEREAS, the Authority has received the consent on behalf of the insurer of the 1999 Prior Bonds to the adoption of this Resolution;

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 Prior 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 Capital Appreciation Prior 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 Capital Appreciation Prior Bonds.

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

Additional Taxes has the meaning assigned that term in Resolution No. R2009-16.

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

(i) in the case of Variable Rate Prior Bonds, the interest rate thereon shall be calculated on the assumption that such Prior Bonds will bear interest during such period at a rate equal to the maximum rate permitted by the Series Resolution authorizing such Prior Bonds; provided, that if a Payment Agreement is executed in connection with a Series of Prior 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 Prior Bond Debt Service, the assumed interest rate for such Prior Bonds shall be the synthetic fixed rate 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 Prior Bonds that has the effect of converting the fixed rate of interest thereon to a synthetic Variable Rate and the Authority receives written confirmation that such execution in and of itself will not cause any rating then maintained by any Rating Agency on any Outstanding Prior Bonds to be downgraded, suspended or withdrawn, then for purposes of calculating Annual Prior Bond Debt Service, the assumed interest rate for such Prior 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 Authority does not receive such written confirmation, then the assumed interest rate for the Series of Prior 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 Prior 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 Prior Bonds are subject to a put or, if the put for the Variable Rate Prior Bonds are credit enhanced, then in accordance with the longest amortization permitted under the contract for credit enhancement;

(iv) if a Prior Payment Agreement is executed in connection with a Series of Prior Bonds, the Annual Prior Bond Debt Service shall be adjusted as provided in Section 9;

(v) in the case of Balloon Maturity Prior Bonds, it shall be assumed that the principal of such Balloon Maturity Prior Bonds, together with interest thereon at the rate applicable to such Balloon Maturity Prior 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 Prior Bonds;

(vi) the interest on Balloon Maturity Prior Bonds or Variable Rate Prior Bonds shall be determined at the maximum rate applicable to such Balloon Maturity Prior Bonds or Variable Rate Prior Bonds, but if there is no applicable maximum rate, then at 12% per annum;

(vii) in the case of Capital Appreciation Prior 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 Prior Bonds;

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

(ix) if the reimbursement obligation with respect to a liquidity facility for a Variable Rate Prior Bond or Balloon Maturity Prior Bond is secured by a pledge of Local Option Taxes subordinate to the pledge securing the Prior 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 Prior Bond Certificate means a certificate dated no earlier than 30 days before the delivery of any series of Future Prior Bonds, executed by a Designated Authority Representative and stating that Local Option Taxes received during the Base Prior Period (as shown in the audited or unaudited financial statements of the Authority) were not less than two times ~~Maximum Annual Prior Bond Debt Service on all Prior Bonds that will be Outstanding~~ upon the issuance of such series of Future Prior Bonds; provided, that in preparing such certificate, the Designated Authority Representative shall take into account any Adopted Prior Rate Adjustment as if such new rate had been in effect during the entire Base Prior Period.

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

Balloon Maturity Prior Bonds means any Prior Bonds which are so designated in the Series Resolution pursuant to which such Prior 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 Prior Bonds.

Base Prior 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 Prior Bonds.

Board means the Board of Directors of the Authority.

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

Bond Insurance has the meaning assigned that term in Resolution No. R2009-16.

Bond Register means the registration books on which are maintained the names and addresses of the Owners of the Prior Bonds.

Bond 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 Prior Bonds.

Build America Prior Bonds means the Prior Bonds of any Series to which the Authority irrevocably elects to have Section 54AA of the Code apply.

Capital Appreciation Prior Bonds means Prior 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 Prior Bonds; provided, that if so provided in the Series Resolution authorizing their issuance, Prior Bonds may be deemed to be Capital Appreciation Prior Bonds for only a portion of their term. On the date on which Prior Bonds no longer are Capital Appreciation Prior Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

Chief Financial Officer means the chief financial officer of the Authority, and any successor to substantially the same duties.

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 Prior Insurance, Qualified Prior Letter of Credit, standby purchase agreement or other financial instrument which obligates a party, other than the Authority, to make payments relating to the Prior Bonds, including but not limited to the payment of the principal of, interest on or purchase price of Prior Bonds or meeting all or a portion of the Prior Reserve Account Requirement.

Default means any of the events specified in Section 14.

Designated Authority Representative means the Chair of the Board, the Chief Executive Officer or the Chief Financial Officer of the Authority or such other person as may be designated from time to time by resolution of the Board.

DTC means The Depository Trust Company, New York, New York.

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

Future Parity Bonds means bonds, notes or other obligations of the Authority issued after the issuance of the 2009 Parity Bonds pursuant to a Series Resolution (as defined in Resolution No. R2009-16), which are expressly stated to be secured by a pledge of Pledged Taxes on an equal and ratable basis with the Pledged Taxes required to be paid into the Parity Bond Account to pay and secure the payment of the principal of and interest on the 2005A Parity Bonds, the 2007A Parity Bonds and the 2009 Parity Bonds.

Future Prior Bonds means any bonds, notes or other obligations of the Authority secured by a pledge of Local Option Taxes on a parity with the pledge securing the 1999 Prior Bonds.

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

Junior Obligations means bonds, notes or other obligations identified as "Junior Obligations" in the resolution authorizing such obligations and secured by a pledge of Pledged Taxes (which may include some or all of those taxes) subordinate to the Parity Bonds.

Local Option Tax Accounts means the revenue accounts established by the Authority in the Authority's Proprietary Fund ("Enterprise Fund") for the deposit of Local Option Taxes.

Local Option Taxes means the special motor vehicle excise tax and rental car sales and use tax authorized by RCW 81.104.160 and the sales and use tax authorized by RCW 81.104.170, initially approved at an election held on November 5, 1996, together with the additional sales and use tax approved at an election held on November 4, 2008, as such taxes may be levied from time to time by the Authority.

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

Motor Vehicle Tax means the motor vehicle excise tax authorized by RCW 81.104.160.

MSRB means the Municipal Securities Rulemaking Board.

1999 Prior Bonds means the Authority's Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999, authorized by Resolution No. 98-47, as amended by Resolution No. R99-4, and by Resolution No. 98-48.

Original Master Resolution means Resolution No. R98-47, as amended by Resolution No. R99-4.

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

Owner means the registered owner of any Prior Bond.

Paired Prior Obligations means any two Series of Prior Bonds (or portions thereof) designated as Paired Prior 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 Prior Bonds for the term of such Prior Bonds.

Parity Bond Account means the Subordinate Reserve Account created pursuant to Section 19(a) of Resolution No. R2005-02 and renamed the "Parity Bond Account" in Section 19(a) of Resolution No. R2009-16.

Parity Bonds means the 2005A Parity Bonds, the 2007A Parity Bonds, the 2009 Parity Bonds and any Future Parity Bonds.

Parity Payment Agreement has the meaning assigned that term in Resolution No. R2009-16.

Parity Reserve Account means the Subordinate Reserve Account created pursuant to Section 19(b) of Resolution No. R2005-02 and renamed the "Parity Reserve Account" in Section 19(b) of Resolution No. R2009-16.

Parity Reserve Account Requirement has the meaning assigned that term in Resolution No. R2009-16.

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 Prior Bonds.

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

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

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

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

Plan means Sound Move-The Ten-Year Regional Transit System Plan adopted May 31, 1996 (the "Sound Move Plan"), together with Sound Transit 2, A Mass Transit Guide, The Regional Transit System Plan for Central Puget Sound (the "Sound Transit 2 Plan") adopted July 24, 2008, to provide high-capacity transportation services in the central Puget Sound

region, as the Sound Move Plan and Sound Transit 2 Plan have been and may hereafter be updated, amended or supplemented.

Pledged Taxes means the rental car sales and use tax authorized by RCW 81.104.160 and the sales and use tax authorized by RCW 81.104.170, initially approved at an election held on November 5, 1996, together with the additional sales and use tax approved at an election held on November 4, 2008, as such taxes may be levied from time to time by the Authority, together with Additional Taxes and/or the Motor Vehicle Tax if pledged to the Parity Bonds pursuant to a resolution authorizing the issuance of Parity Bonds.

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

Prior Bonds means the 1999 Prior Bonds and any Future Prior Bonds.

Prior 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 Local Option Taxes on an equal and ratable basis with the Local Option Taxes required to be paid into the Prior Bond Account to pay and secure the payment of the principal of and interest on Prior Bonds.

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

Prior Reserve Account Requirement means the lesser of (i) 125% of Average Annual Prior Bond Debt Service with respect to all Outstanding Prior Bonds or (ii) the sum of (A) 100% of the Annual Prior Bond Debt Service with respect to the Outstanding 1999 Prior Bonds and (B) 50% of the Annual Prior Bond Debt Service with respect to all other Outstanding Prior Bonds, in each case in the Fiscal Year in which Maximum Annual Prior Bond Debt Service with respect to all Outstanding Prior Bonds occurs; provided, that at the time of issuance of any Series of Prior Bonds, the Prior Reserve Account Requirement allocable to a Series of Prior Bonds shall not exceed 10% of the initial principal amount of that Series of Prior Bonds. Notwithstanding the

foregoing, so long as the municipal bond insurance policy or the municipal bond debt service reserve fund policy for the 1999 Prior Bonds is in effect, if in any Fiscal Year the Local Option Taxes received are less than 2.5 times Maximum Annual Prior Bond Debt Service, the foregoing clause (ii) above shall be adjusted to read "100% of Maximum Annual Prior Bond Debt Service with respect to all Outstanding Prior Bonds," and any additional amount required to be on deposit in the Prior Reserve Account shall be provided within one year by 12 approximately equal monthly installments; and provided further, that the foregoing clause (ii) shall be so adjusted until after two consecutive Fiscal Years in which Local Option Taxes received are not less than 2.5 times Maximum Annual Prior Bond Debt Service.

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 Prior 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 Prior Bonds, issued to satisfy all or any portion of the Prior 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 Prior 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 the Prior Bonds, issued to satisfy all or any portion of the Prior 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 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 Prior Bonds, or any portion thereof, which Rating Agency, as of the applicable date, shall have assigned a rating to any Series of Prior 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.

Record Date means, unless otherwise specified in the Series Resolution, the 15th day of the month preceding an interest payment date for the Prior Bonds.

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

Resolution means this Resolution No. R2009-15.

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

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

SEC means the United States Securities and Exchange Commission.

Series means any series of Prior Bonds.

Series Resolution means a resolution or resolutions authorizing the issuance of one or more Series of Prior Bonds, as such resolution may be amended or supplemented in accordance with the provisions of such resolution and this Resolution.

State means the State of Washington.

Subordinate Obligations means the Parity Bonds, the Junior Obligations and any other bonds, notes or other obligations identified as "Subordinate Obligations" or "Subordinate Lien Obligations" in the resolution authorizing such obligations and secured by a pledge of Local Option Taxes subordinate to the pledge securing the Prior Bonds.

Sufficiency Test means that the ratio of Local Option Taxes collected to Annual Prior Bond 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 Prior Bond Debt Service in such Fiscal Year.

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

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

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

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

2005A Parity Bonds means the Authority's Sales Tax Bonds, Series 2005A, authorized by Resolution Nos. R2005-02 and R2005-07.

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

2009 Parity Bonds has the meaning assigned that term in Resolution No. R2009-16.

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

Variable Rate Prior Bonds means Prior Bonds that bear interest at a Variable Rate; provided, that Prior Bonds the interest rate on which shall have been fixed for the remainder of their term to maturity shall no longer be Variable Rate Prior 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 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 Prior Bond Account in the following order:

- (1) to pay the interest when due on the Prior Bonds (including regularly scheduled Payments under Prior Payment Agreements); and
- (2) to pay the maturing principal (including sinking fund redemptions) of the Prior Bonds;

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

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

- (1) to pay the interest when due on Parity Bonds (including regularly scheduled payment obligations under Parity Payment Agreements for Parity Bonds);
- (2) to pay the maturing principal (including sinking fund redemptions) of Parity Bonds; and
- (3) to reimburse the provider of any Bond Insurance (other than Bond Insurance obtained to satisfy all or a part of the Parity Reserve Account Requirement, and other than the provider of a letter of credit, standby bond purchase agreement or other liquidity facility) for payments of the principal and/or interest on Parity Bonds; provided, that if there is not sufficient money to make all payments under all reimbursement agreements the payments will be made to the providers on a pro rata basis;

Fourth, to make all payments required to be made into the Parity Reserve Account required under any resolution authorizing the issuance of Parity Bonds to meet the Parity Reserve Account Requirement and to make all payments required to be made pursuant

to a reimbursement obligation in connection with Bond Insurance with respect to the Parity 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;

Fifth, 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 Junior Obligations (to the extent any such obligations are issued with a pledge of Pledged Taxes superior 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 any specified order of priority;

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

Seventh, for any lawful purpose of the Authority; provided, that the Authority may determine that items in this "Seventh" 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 Prior Bonds are rated by the Rating Agencies, the Authority will invest amounts in the Prior Bond Account and the Prior 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 Prior Bonds given by the Rating Agencies.

c. *Pledge of Local Option Taxes and Certain Accounts.* So long as any Prior Bonds remain Outstanding, the Authority hereby irrevocably obligates and binds itself to deposit all Local Option Taxes into the Local Option Tax Accounts. All Prior 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, that any Series of Prior Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that Series

of Prior Bonds. The Authority hereby designates the additional sales and use tax approved at an election held on November 4, 2008, and imposed by Resolution No. R2008-15, as an Adopted Prior Rate Adjustment and a component of Local Option Taxes pledged to the payment of the Prior Bonds.

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

There is hereby pledged for the payment of the Prior Bonds the Local Option Taxes and amounts in the Local Option Tax Accounts, the Prior Bond Account, the Prior Reserve Account, and any project account created for the deposit of Prior Bond proceeds, and such pledge is hereby declared to be a prior 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 Prior 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 Prior 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 Prior Bonds;
- b. the general purpose or purposes for which such Series of Prior Bonds is being issued, and the deposit and application of the proceeds of the sale of the Prior Bonds;
- c. the currency or currencies in which the Prior Bonds of such Series are payable if other than U.S. dollars;

d. the Bond Registrar, Paying Agent, remarketing agent and tender agent, if any, for the Prior Bonds and the duties and obligations thereof;

e. the place or places of payment of such Prior Bonds;

f. the form of the Prior Bonds of such Series and the methods for the registration, transfer and exchange of the Prior Bonds of such Series;

g. the terms and conditions, if any, for the redemption of the Prior Bonds of such Series prior to maturity;

h. the terms and conditions, if any, for the purchase of the Prior Bonds of such Series upon any optional or mandatory tender for purchase prior to maturity;

i. the manner of sale of the Prior 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 Prior Bonds;

k. the authorization to designate one or more Series of Prior Bonds as Build America Prior Bonds, and to further designate whether the applicable federal credit payments in respect of such Build America Prior Bonds are to be tax credits or direct payments; and

l. any other provisions which the Authority deems necessary or desirable in connection with the Prior Bonds of such Series.

The Designated Authority Representative may provide for the sale of a Series of Prior Bonds by competitive sale or by a negotiated sale with purchasers, as identified in the Series Resolution, that have been chosen through a competitive selection process by a Designated Authority Representative after the evaluation of responses to the requests for proposals. The Designated Authority Representative is authorized to specify a date and time of sale of a Series of Prior Bonds, to prepare and deem final a preliminary official statement for a Series of Prior Bonds, to publish a notice of sale or to negotiate the terms of a proposed purchase contract with the purchasers of a Series of Prior Bonds, and to specify other matters in his or her determination necessary, appropriate, or desirable to carry out the sale of a Series of Prior

Bonds. The terms of that sale shall be consistent with this Resolution and the Series Resolution. A Series of Prior Bonds shall be delivered to the purchasers as provided in the Series Resolution immediately upon payment to the Authority of the purchase price plus any accrued interest to the date of closing in immediately available federal funds.

If a Series of Prior Bonds is to be sold and issued as Build America Prior Bonds, the Designated Authority Representative is hereby authorized and directed on behalf of the Authority to take such actions and to enter into such agreements as are necessary or appropriate for the Authority to cause to be received from the United States Treasury the applicable federal credit payments in respect of such Build America Prior Bonds.

Section 4. Future Prior Bonds. The Authority may issue Prior Bonds only upon compliance with the following conditions as certified by a Designated Authority Representative:

- a. there is no deficiency in the Prior Bond Account and an amount equal to the Prior Reserve Account Requirement (including for the Future Prior Bonds to be issued) shall be on deposit in the Prior Reserve Account;
- b. no Default (as defined in Section 14) has occurred and is continuing; and
- c. an Authority Prior Bond Certificate is delivered on or prior to the date of issuance of such Future Prior Bonds.

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

- a. Refunding Prior Bonds may be issued at any time upon delivery of an Authority Prior Bond Certificate for the purpose of refunding (including by purchase) Prior Bonds, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase), making future Prior Reserve Account deposits, paying for a Credit Facility, making any settlement payment in connection with the termination of a hedging instrument relating to the Refunding Prior Bonds, paying the expenses of issuing the Refunding Prior Bonds and of effecting such refunding. Refunding Prior Bonds also may be

issued without regard to the requirements of clauses (a), (b) and (c) of Section 4; provided, that the issuance of such Refunding Prior Bonds shall require the delivery of an Authority Prior Bond Certificate if the Annual Prior Bond Debt Service on such Refunding Prior Bonds in any Fiscal Year shall exceed the Annual Prior Bond Debt Service by more than \$5,000 on the Prior Bonds to be refunded were such refunding not to occur.

b. Refunding Prior Bonds may be issued without the requirement of an Authority Prior Bond Certificate for the purpose of refunding (including by purchase) any Prior Bonds for the payment of which sufficient Local Option Taxes are not available.

Section 6. Subordinate Obligations; Obligations Payable From Revenues. The Authority may issue Subordinate Obligations for any purpose of the Authority. The resolution authorizing a series of Subordinate Obligations shall provide that the maturity date of Subordinate 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 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 Obligations unless all payments required to be made with respect to principal of and interest on Prior Bonds required to be paid into the Prior 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. Prior Bond Account and Prior Reserve Account.

a. *Prior Bond Account.* The special account of the Authority created by the Original Master Resolution for the purpose of paying and securing the payment of the Prior Bonds and designated the "Sales Tax and Motor Vehicle Excise Tax Bond Account" (the "Prior Bond Account") is hereby confirmed. The Prior Bond Account is pledged to the payment of Prior 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 Prior Bonds.

The Authority hereby irrevocably obligates and binds itself for so long as any Prior Bonds remain Outstanding to set aside or cause to be set aside and pay or cause to be paid into the Prior 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 Prior 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 (including sinking fund redemptions) for Prior Bonds; and

(3) regularly scheduled Payments under a Prior Payment Agreement.

b. *Prior Reserve Account.* The special account of the Authority created by the Original Master Resolution for the purpose of paying and securing the payment of the Prior Bonds and designated the "Sales Tax and Motor Vehicle Excise Tax Reserve Account" (the "Prior Reserve Account") is hereby confirmed. The Prior Reserve Account is pledged to the payment of Prior 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 Prior Bonds. The Authority hereby covenants that on the date of issuance of each Series of Prior Bonds, the Authority will assure that the amount on hand in the Prior Reserve Account shall be sufficient to meet the Prior Reserve Account Requirement.

The Prior Reserve Account Requirement shall be maintained by deposits of cash, investments, a Qualified Prior Letter of Credit, or Qualified Prior Insurance, or a combination of the foregoing. So long as the municipal bond insurance policy or the municipal bond debt service reserve fund policy for the 1999 Prior Bonds is in effect and the Prior Reserve Account Requirement for the 1999 Prior Bonds is not fully maintained by deposits of cash and investments, any Qualified Prior Letter of Credit or Qualified Prior Insurance obtained by the Authority to provide for the Prior Reserve Account Requirement must be approved by the

provider of the municipal bond insurance policy and the municipal bond debt service reserve fund policy for the 1999 Prior Bonds, or its successor. To the extent that the Authority obtains a Qualified Prior Letter of Credit or Qualified Prior Insurance in substitution for amounts in the Prior Reserve Account, all or a portion of the money on hand in the Prior Reserve Account shall be transferred to the Prior Bond Account or another account as permitted by the Code. In computing the amount on hand in the Prior Reserve Account, Qualified Prior Insurance and/or a Qualified Prior 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 Prior Reserve Account shall be determined and any deficiency in the Prior 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 Prior Bond Account and the Prior Reserve Account to pay the principal of, premium, if any, and interest on all Outstanding Prior Bonds, the money in the Prior Reserve Account may be used to pay such principal, premium, if any, and interest. Amounts in the Prior Reserve Account in excess of the Prior Reserve Account Requirement may be withdrawn to redeem and retire Outstanding Prior 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 Prior Bonds is refunded in whole or in part, money may be withdrawn from the Prior Reserve Account to pay or provide for the payment of Refunding Prior Bonds; provided, that immediately after such withdrawal there shall remain in or be credited to the Prior Reserve Account an amount equal to the Prior Reserve Account Requirement. The Authority also may transfer out of the Prior Reserve Account any money required in order to prevent any Prior Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in the Prior Bond Account shall occur prior to a principal or interest payment date on the Prior Bonds, such deficiency shall be made up from the Prior Reserve

Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Prior Reserve Account in such amounts as will provide amounts in the Prior Bond Account sufficient to pay when due the principal and interest of the Prior 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 Prior Letter of Credit or Qualified Prior Insurance for the Prior 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 Prior Letter of Credit or such Qualified Prior 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 Prior Letter of Credit or Qualified Prior Insurance, the issuer thereof shall be entitled to exercise all remedies available at law or under this Resolution; provided, that no acceleration of the Prior Bonds shall be permitted, and no remedies which adversely affect Owners of the Prior Bonds shall be permitted. Any deficiency created in the Prior 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 Prior Insurance or a Qualified Prior Letter of Credit or out of Local Option Taxes after making necessary provision for the payments required to be made into the Prior Bond Account within such year.

In making the payments and credits to the Prior Reserve Account required by this Section 7(b), to the extent that the Authority has obtained Qualified Prior Insurance or a Qualified Prior Letter of Credit for specific amounts required pursuant to this section to be paid out of the Prior Reserve Account such amounts so covered by Qualified Prior Insurance or a Qualified Prior Letter of Credit shall be credited against the amounts required to be maintained in the Prior Reserve Account by this Section 7(b). In the event of termination of a Qualified Prior Letter of Credit or if the issuer of the Qualified Prior Insurance or the Qualified Prior Letter of Credit shall no longer meet the requirements for the provider of a Qualified Prior Letter of Credit or Qualified Prior Insurance or be insolvent or no longer in existence, the Prior Reserve Account Requirement shall be satisfied with other Qualified Prior Insurance or another Qualified Prior

Letter of Credit, or in equal monthly payments, within twelve months after the insolvency of the issuer of a Qualified Prior Letter of Credit or Qualified Prior Insurance or termination of a Qualified Prior 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 Prior 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 Prior Bond Account or Prior 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 Prior Bonds for as long as any of the same remain Outstanding:

a. *Tax Levy Covenant.* So long as any Prior Bonds remain Outstanding, the Authority shall levy the Motor Vehicle Tax at a rate of not less than three-tenths of one percent and the Sales Tax at a rate of not less than nine-tenths of one percent; provided, that the Authority may levy the Sales Tax at a rate of not less than eight-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 Resolution or a Supplemental Resolution, pledge to the payment of the Prior Bonds the Motor Vehicle Tax in excess of three-tenths of one percent and the Sales Tax in excess of nine-tenths of one percent.

If the Authority is levying the Sales Tax at a rate less than nine-tenths of one percent and the Sufficiency Test is not met for a Fiscal Year, within 90 days after the end of that Fiscal Year the Authority shall take all action required on its part to increase the rate of the Sales Tax levied, but not to exceed nine-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 payment of the Prior 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. Prior Payment Agreements. A Payment made under a Payment Agreement may be secured by a pledge of Local Option Taxes on a parity with the pledge securing the Prior Bonds if the Payment Agreement satisfies the requirements for Future Prior 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 Prior 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 either the exemption from federal income taxation of the interest on any Outstanding Tax-Exempt Prior Bonds or the entitlement to receive from the United States Treasury the applicable federal credit payments in respect of any Outstanding Build America Prior 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 Prior Payment Agreement, Payments shall be made from the Prior Bond Account and Annual Prior Bond Debt Service shall include any regularly scheduled Payments adjusted by any regularly scheduled Receipts during a Fiscal Year or Base Year, as applicable. Receipts shall be paid directly into the Prior Bond Account. Obligations to make unscheduled payments, such as termination payments, may not be entered into on a parity with the Prior 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 Prior Bonds. Furthermore, nothing in this section shall preclude the Authority from entering into obligations on a parity with the Prior 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.

The Series Resolution may provide for the designation of the federal credit payments in respect of any Build America Prior Bonds as Receipts under a Payment Agreement.

Section 10. Defeasance.

a. *Defeased Bonds.* If the Authority deposits irrevocably with an escrow agent money and/or noncallable Government Obligations which, together with the earnings thereon and without any reinvestment thereof, are sufficient to pay the principal of and premium, if any, on any particular Prior Bonds or portions thereof (the "Defeased Bonds") as the same shall become due, together with all interest accruing thereon to the maturity date or redemption date, and, in the case of Defeased Bonds to be redeemed prior to maturity, irrevocably calls the Defeased Bonds for redemption on the redemption date, and pays or makes provision for payment of all fees, costs and expenses of that escrow agent due or to become due with respect to the Defeased Bonds, then:

(i) with respect to Defeased Bonds that are Tax-Exempt Prior Bonds, all liability of the Authority with respect to the Defeased Bonds shall cease, the Defeased Bonds shall be deemed not to be Outstanding and the Owners of the Defeased Bonds shall be restricted exclusively to the money or Government Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds;

(ii) with respect to Defeased Bonds that are not Tax-Exempt Prior Bonds for which the escrow agent receives an opinion described in clause (c)(ii) below, all liability of the Authority with respect to the Defeased Bonds shall cease, the Defeased Bonds shall be deemed not to be Outstanding and the Owners of the Defeased Bonds shall be restricted exclusively to the money or Government Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds; and

(iii) with respect to Defeased Bonds that are not Tax-Exempt Prior Bonds for which the escrow agent receives an opinion described in clause (c)(iii) below, the Authority at any time may terminate its obligations under any of its covenants under this Resolution, other than its covenant to maintain its existence and to make payments when due on the Prior Bonds.

b. *Escrow Agent.* The escrow agent shall hold the money, Government Obligations and earnings described in subsection (a) above in trust exclusively for the Owners of the Defeased Bonds, and that money, Government Obligations and earnings shall not secure any other Prior Bonds. In determining the sufficiency of the money and Government Obligations deposited pursuant to this Section, that escrow agent shall receive, at the expense of the Authority, and may rely upon, a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to the Authority and that escrow agent.

c. *Opinions.* In connection with any defeasance under this Section, the escrow agent shall receive, at the expense of the Authority, and may rely upon, an opinion of Bond Counsel to the effect that the defeasance is permitted under the laws of the State and this Resolution and:

(i) with respect to a defeasance described in clause (a)(i) above, an opinion of nationally recognized tax counsel (which may be Bond Counsel) that such defeasance will not, in and of itself, adversely affect the exclusion of interest on the Defeased Bonds from gross income for federal income tax purposes;

(ii) with respect to a defeasance described in clause (a)(ii) above, an opinion of nationally recognized tax counsel (which may be Bond Counsel) confirming that (A) the Authority has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date the Defeased Bonds were issued there has been a change in applicable federal income tax law, in either case to the effect that, and based thereon such opinion will confirm that, the Owners of the Defeased Bonds will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred; and

(iii) with respect to a defeasance described in clause (a)(iii) above, an opinion of nationally recognized tax counsel (which may be Bond Counsel) confirming that the Owners

of the Defeased Bonds will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

d. *Administrative Provisions.* Notwithstanding the foregoing provisions of this Section to the contrary, the provisions of this Resolution relating to the execution, authentication, registration, exchange, transfer and cancellation of the Prior Bonds shall apply to the Defeased Bonds.

e. *Additional Means of Defeasance.* The Authority may provide in the Series Resolution for additional means of defeasing a Series of Prior Bonds.

f. *Notice of Defeasance.* Within 30 days after any defeasance of Prior Bonds, the Authority shall provide notice of the defeasance to the Owners of the Prior Bonds so provided for and, if applicable, any notice required under a continuing disclosure undertaking entered into under Section 16.

Section 11. Lost, Stolen, Mutilated or Destroyed Prior Bonds. In case any Prior Bond or Prior Bonds shall be lost, stolen, mutilated or destroyed, the Bond Registrar may execute and deliver a new Prior Bond or Prior 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 Prior Bond was actually lost, stolen or destroyed (including the presentation of a mutilated Prior Bond) and of ownership thereof, and upon furnishing the Authority with indemnity satisfactory to the Authority.

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

Only such Prior Bonds as shall bear a certificate of authentication manually executed by the Bond 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 Prior 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 Prior Bonds shall cease to be such officer or officers of the Authority before the Prior Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the Authority, such Prior 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 Prior Bond may also be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Prior Bond shall be the proper officers of the Authority although at the original date of such Prior 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 Prior 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 Prior Bonds pursuant to Sections 4 or 5 or to authorize a Prior 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 Prior 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 or any Series Resolution;

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

(iv) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of this Resolution or any Series 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 Prior Bonds created by this Resolution and to make such confirming changes as shall be necessary or desirable in connection therewith;

(vi) To specify the order of priority in which payments are to be made for purposes in the "Fifth" or "Seventh" category of Section 2(b);

(vii) 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 Prior Bonds;

(viii) 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 Prior Bonds;

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

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

(xi) 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 Prior Bond and will not cause any Rating Agency to lower a rating on any Prior Bonds.

b. *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 Prior Bonds then Outstanding. Without the specific consent of the Owner of each Prior Bond, no Supplemental Resolution shall (1) permit the creation of a lien or charge on Local Option Taxes superior to the payment of the Prior Bonds; (2) reduce the percentage of Owners which are required to consent to any Supplemental Resolution; or (3) give to any Prior Bond or Prior Bonds any preference over any other Prior Bond or Prior Bonds. No Supplemental Resolution shall change the date of payment of the principal of any Prior Bond, reduce the principal amount or Accreted Value of any Prior 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 Prior 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 Prior Bond) without the specific consent of the Owner of that Prior Bond; and no such amendment shall change or modify any of the rights or obligations of any Paying Agent or Bond Registrar or other agent or provider of a Credit Facility for a Series of Prior Bonds without its written consent.

c. *Special Amendments.* The Owners from time to time of the Outstanding Prior Bonds, other than the Owners from time to time of Outstanding 1999 Prior Bonds (whose consent shall be required consistent with Section 13(b)), by taking and holding the same, shall be deemed to have consented to the adoption by the Authority of any Supplemental Resolution or Resolutions amendatory or supplemental to this Resolution for any one or more of the following purposes:

(i) After the 1999 Prior Bonds are no longer Outstanding, to delete the Motor Vehicle Tax from the definition of "Local Option Taxes";

(ii) After the 1999 Prior Bonds are no longer Outstanding, to levy the Motor Vehicle Tax at a rate of less than three-tenths of one percent (which rate may be zero);

(iii) To delete Section 14(a) of this Resolution;

(iv) To establish for any one or more Series of Future Prior Bonds a separate reserve account requirement for such Series (which may be zero) and, if applicable, a separate

reserve account or accounts to secure such Series, which Series shall not be secured by the Prior Reserve Account, and which separate reserve account or accounts shall not secure the Prior Bonds secured by the Prior Reserve Account, and in satisfying the conditions to the issuance of Future Prior Bonds that will not be secured by the Prior Reserve Account, to disregard the requirement that an amount equal to the Prior Reserve Account Requirement (including for the Future Prior Bonds to be issued) be on deposit or otherwise provided for in the Prior Reserve Account on or prior to the date of issuance of such Future Prior Bonds;

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

(vi) To permit federal credit payments scheduled to be received in any Fiscal Year in respect of Outstanding Build America Prior Bonds (other than federal credit payments received under a Payment Agreement) to be credited against the amount required in that Fiscal Year to pay for the principal of and interest on all Prior Bonds Outstanding in calculating Annual Prior Bond Debt Service for that Fiscal Year.

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 Prior Bond Account or Prior 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 Prior 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 Prior Bond;

d. If the Authority shall fail to purchase or redeem Term Prior Bonds in an aggregate principal amount at least equal to the sinking fund requirements for the applicable Fiscal Year; 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. *Prior Bondowners' Trustee.* So long as a Default shall not have been remedied, a Prior Bondowners' Trustee may be appointed by the owners of at least 20% in aggregate principal amount of the Prior 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 Prior Bondowners' Trustee and the Authority. Any Prior 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 Prior Bondowners' Trustee may be removed at any time, and a successor Prior Bondowners' Trustee may be appointed, by the Owners of a majority in aggregate principal amount of the Prior Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact duly authorized.

The Prior 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 Prior Bonds and

is empowered to exercise all the rights and powers herein conferred on the Prior Bondowners' Trustee.

b. *Suits at Law or in Equity.* The Prior 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 Prior 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 Prior Bonds shall not be subject to acceleration.

Any action, suit or other proceedings instituted by the Prior 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 Prior Bonds or the provisions of this Resolution may be enforced by the Prior Bondowners' Trustee without the possession of any Prior 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 Prior Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Prior Bondowners' Trustee the true and lawful trustee of the Owners of the Prior 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 Prior 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 Prior Bondowners' Trustee to consent to accept or adopt, on behalf of any Owner of any Prior Bond, any plan or reorganization or adjustment affecting the Prior Bonds or any right of any Owner, or to authorize or empower the Prior 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 Prior 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 or any Series Resolution.

d. *Payment of Funds to Prior Bondowners' Trustee.* The Authority covenants that if a Default shall happen and shall not have been remedied, the Authority, upon demand of the Prior Bondowners' Trustee, shall pay over to the Prior Bondowners' Trustee (i) forthwith, all amounts in the Local Option Tax Accounts, Prior Bond Account, Prior Reserve Account, and any project account created for the deposit of Prior 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 or any Series Resolution.

e. *Application of Funds by Prior Bondowners' Trustee.* During the continuance of a Default, the Local Option Taxes and other funds received by the Prior Bondowners' Trustee pursuant to the provisions of the preceding paragraph shall be applied by the Prior Bondowners' Trustee first, to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Prior 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 Prior Bondowners' Trustee and the Bond Registrar or Paying Agent for the Prior Bonds shall be insufficient for the payment of the principal of, premium, if any, and interest then due on the Prior Bonds, such funds (other than funds held for the payment or redemption of particular Prior 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 Prior Bonds by the Prior 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 Prior 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 Prior 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 Prior Bonds, together with the reasonable and proper charges, expenses and liabilities of the Prior Bondowners' Trustee and the Owners of Prior 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 Prior Bonds which shall then be payable, shall either be paid by or for the account of the Authority, or provision satisfactory to the Prior Bondowners' Trustee shall be made for such payment, and all Defaults under this Resolution or the Prior Bonds shall be made good or secured to the satisfaction of the Prior Bondowners' Trustee or provision deemed by the Prior Bondowners' Trustee to be adequate shall be made therefor, the Prior Bondowners' Trustee shall pay over to the Authority all money and securities then remaining unexpended and held by the Prior 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 Prior 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 Owners.* No Owner shall have any right to institute any action, suit or proceeding at law or in equity unless a Default shall have happened and be continuing and unless no Prior Bondowners' Trustee has been appointed as herein provided, but any remedy herein authorized to be exercised by the Prior 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 Prior Bondowners' Trustee has been appointed, or with the consent of the Prior Bondowners' Trustee if such Prior Bondowners' Trustee has been appointed; provided, that nothing in this Resolution or in the Prior Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Prior 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 Prior Bondowners' Trustee or the Owners of the Prior 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. Continuing Disclosure. The Authority may provide for a continuing disclosure undertaking in a Series Resolution, and the Authority hereby agrees to comply with any such undertaking. The right of any Owner or beneficial owner of Prior Bonds to enforce any such undertaking shall be limited to a right to obtain specific enforcement of the Authority's obligations under such undertaking, and any failure by the Authority to comply with the provisions of any such undertaking shall not be a Default.

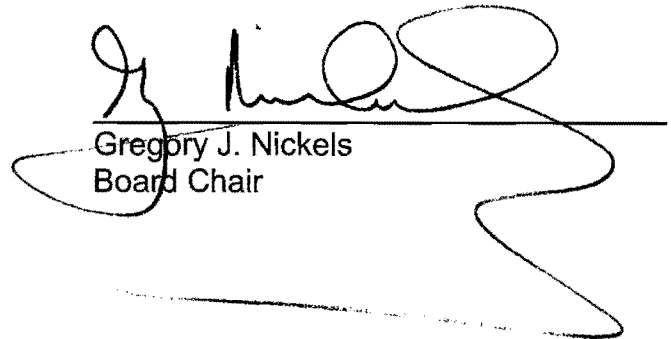
Section 17. Resolution a Contract. This Resolution shall constitute a contract with the Owners of the Prior Bonds.

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 Prior Bonds issued pursuant to the terms hereof.

Section 19. Reaffirmation. This Master Prior Bond Resolution No. R2009-15 amends, restates, replaces and supersedes Resolution No. R98-47, as amended by Resolution No. R99-4. All rights of owners of any Outstanding 1999 Prior Bonds are hereby reaffirmed.

ADOPTED by the Board of Directors of The Central Puget Sound Regional Transit Authority at a regular meeting thereof held on the 10th day of September, 2009.



Gregory J. Nickels
Board Chair

ATTEST:



Marcia Walker
Board Administrator