

Moody's: "Aa3/VMIG1"  
S&P: "AA-/A-1+"  
Fitch: "AA-/F1+"  
See "RATINGS" herein.

NEW ISSUE—BOOK-ENTRY ONLY

*In the opinion of Bond Counsel, assuming compliance with certain covenants of the Port, interest on the Series 2005 Subordinate Lien Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes under existing law, except with respect to any Series 2005 Subordinate Lien Bond during any period in which such Series 2005 Subordinate Lien Bond is held by a substantial user of the facilities financed or refinanced by such Bonds or a related person. Interest on the Series 2005 Subordinate Lien Bonds is an item of tax preference for purposes of individual and corporate alternative minimum tax. Interest on the Series 2005 Subordinate Lien Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "TAX EXEMPTION" herein for a discussion of the opinion of Bond Counsel.*

PORT OF SEATTLE  
\$62,925,000  
Subordinate Lien Revenue Bonds  
Series 2005  
(AMT)  
Price: 100%

Dated: Date of delivery

Due: September 1, 2035

The Port of Seattle (the "Port") is issuing its Port of Seattle Subordinate Lien Revenue Bonds, Series 2005 (the "Series 2005 Subordinate Lien Bonds") (i) to pay, or to repay commercial paper issued to pay, a portion of the costs of the 2005 Bond Projects described herein, (ii) to pay a portion of the interest to accrue on the Series 2005 Subordinate Lien Bonds during construction and (iii) to pay the costs of issuing the Series 2005 Subordinate Lien Bonds.

The Series 2005 Subordinate Lien Bonds are being issued initially as variable-rate bonds in the Weekly Mode. Interest on the Series 2005 Subordinate Lien Bonds is to be determined by UBS Financial Services Inc. as the initial Remarketing Agent for the Series 2005 Subordinate Lien Bonds. Interest on the Series 2005 Subordinate Lien Bonds during the Weekly Mode is to be payable on the first Wednesday of each month (or the next Business Day, if Wednesday is not a Business Day), commencing September 7, 2005. Upon satisfaction of the conditions described herein, the Series 2005 Subordinate Lien Bonds may be converted from the Weekly Mode to other interest rate modes. Subject to the limitations and conditions described herein, owners of the Series 2005 Subordinate Lien Bonds in the Weekly Mode may tender their Series 2005 Subordinate Lien Bonds or portions thereof for purchase on any Business Day upon seven days' prior notice.

The Series 2005 Subordinate Lien Bonds in the Weekly Mode are subject to mandatory tenders for purchase and to optional redemption prior to their scheduled maturity as described herein.

Beginning on the date of delivery of the Series 2005 Subordinate Lien Bonds, the payment of the principal of and up to \$861,987 of interest on the Series 2005 Subordinate Lien Bonds and payment of the Purchase Price of Series 2005 Subordinate Lien Bonds that are tendered or deemed tendered for purchase but not remarketed are payable from the proceeds to be drawn under an irrevocable, direct-pay letter of credit (the "Letter of Credit") to be issued on the date of delivery of the Series 2005 Subordinate Lien Bonds by Fortis Bank S.A./N.V. acting through its Connecticut branch (the "Bank").



The Letter of Credit permits The Bank of New York as fiscal agent and registrar for the Series 2005 Subordinate Lien Bonds (in such capacity, the "Registrar") to draw funds (in an amount not to exceed the available amount thereunder) sufficient to pay the principal of and the interest on the Series 2005 Subordinate Lien Bonds when due and to pay the purchase price of Series 2005 Subordinate Lien Bonds tendered or deemed tendered for purchase and not remarketed. **So long as the Letter of Credit is in effect, the Port is not obligated to pay the Purchase Price of Series 2005 Subordinate Lien Bonds tendered or deemed tendered for purchase and not remarketed.** The initial term of the Letter of Credit ends on August 17, 2010 unless earlier terminated or extended as described herein. The Letter of Credit may be renewed or replaced with an alternate Credit Facility upon satisfaction of the conditions set forth in the Resolution.

When issued, the Series 2005 Subordinate Lien Bonds will be registered in the name of CEDE & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2005 Subordinate Lien Bonds. Purchases of beneficial interests in the Series 2005 Subordinate Lien Bonds will be made in book-entry form and, while the Series 2005 Subordinate Lien Bonds are in the Weekly Mode, in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. Purchasers will not receive certificates representing their interests in the Series 2005 Subordinate Lien Bonds, except as described herein. So long as DTC or its nominee is the registered owner of the Series 2005 Subordinate Lien Bonds, payments of principal of and interest on the Series 2005 Subordinate Lien Bonds will be made directly to DTC or to such nominee. Disbursements of such payments to DTC's Direct Participants are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of the Direct Participants and the Indirect Participants as more fully described herein.

The Series 2005 Subordinate Lien Bonds are secured on a parity with the Port's Outstanding Subordinate Lien Revenue Bonds and with any future Subordinate Lien Parity Bonds by a pledge of Available Revenues as defined herein. **The Series 2005 Bonds are not general obligations of the Port. Neither the full faith and credit of the Port nor the taxing power of the Port is pledged to the payment of the Series 2005 Subordinate Lien Bonds.**

This Official Statement describes the Series 2005 Subordinate Lien Bonds only during the period until the Series 2005 Subordinate Lien Bonds are converted to a Fixed Rate or Long-Term Rate or the Series 2005 Subordinate Lien Bonds are secured by an instrument other than the Letter of Credit. A new offering document is required to be used to offer or remarket the Series 2005 Subordinate Lien Bonds if interest on the Series 2005 Subordinate Lien Bonds is converted to a Fixed Rate or Long Term Rate or if the Series 2005 Subordinate Lien Bonds are secured by an instrument other than the Letter of Credit.

The Series 2005 Bonds are offered when, as and if issued, subject to receipt of the approving legal opinion of Preston Gates & Ellis LLP, Seattle, Washington, Bond Counsel. Certain legal matters will be passed upon for the Port by the General Counsel of the Port. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP. It is expected that delivery of the Series 2005 Subordinate Lien Bonds will be made by Fast Automated Securities Transfer through DTC in New York, New York, on or about August 17, 2005.

UBS Financial Services Inc.

August 16, 2005.

**PORT OF SEATTLE  
PORT COMMISSION**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Bob Edwards	Chair and President	December 31, 2007
Lawrence Molloy	Vice Chair and Vice President	December 31, 2005
Alec Fiskén	Secretary	December 31, 2007
Patricia Davis	Assistant Secretary	December 31, 2005
Paige Miller	Commissioner	December 31, 2005

**EXECUTIVE STAFF**

M.R. Dinsmore, Chief Executive Officer  
Linda J. Strout, Deputy Chief Executive Officer  
Mark Reis, Managing Director, Aviation Division  
Charlie Sheldon, Managing Director, Seaport Division  
Dan Thomas, Chief Financial Officer and Treasurer  
John Okamoto, Chief Administrative Officer  
Craig Watson, General Counsel

**PORT HEADQUARTERS**

2711 Alaskan Way  
Seattle, Washington 98121  
Telephone (206) 728-3000  
[www.portseattle.org](http://www.portseattle.org)\*

**BOND COUNSEL**

Preston Gates & Ellis LLP  
Seattle, Washington

**FINANCIAL ADVISOR**

Seattle-Northwest Securities Corporation  
Seattle, Washington

**INDEPENDENT CONSULTANT**

Leigh Fisher Associates  
A Division of Jacobs Consultancy Inc.  
Burlingame, California

**INDEPENDENT AUDITORS**

Deloitte & Touche LLP  
Seattle, Washington

---

\* This inactive textual reference to the Port's website is not a hyperlink and the Port's website, by this reference, is not incorporated herein.

## TABLE OF CONTENTS

	<b>Page</b>		<b>Page</b>
INTRODUCTION .....	1	Alternate Credit Facility or Liquidity Facility .....	11
Incorporation by Reference of Certain Sections of the June 23, 2005 Official Statement .....	2	The Reimbursement Agreement .....	11
Miscellaneous .....	2	The Bank .....	13
PLAN OF FINANCE .....	2	Pledge of Available Revenue .....	14
The 2005 Bond Projects .....	2	Flow of Funds .....	16
Estimated Sources and Uses of Funds .....	3	Subordinate Lien Rate Covenant .....	17
DESCRIPTION OF THE SERIES 2005		Other Covenants .....	17
SUBORDINATE LIEN BONDS .....	3	Permitted Prior Lien Bonds .....	17
General .....	3	Future Subordinate Lien Parity Bonds .....	20
Weekly Mode .....	4	Defaults and Remedies; No Acceleration .....	21
Daily Mode .....	5	Debt Payment Record .....	21
Commercial Paper Mode .....	6	THE PORT OF SEATTLE .....	21
Conversions Between Modes .....	6	LITIGATION .....	22
Mandatory Tenders for Purchase .....	7	No Litigation Concerning the Series 2005	
Remarketing and Purchase of Series 2005		Subordinate Lien Bonds .....	22
Subordinate Lien Bonds .....	8	Other Litigation .....	22
Optional Redemption .....	9	TAX EXEMPTION .....	22
Purchase of Bonds for Retirement .....	10	RATINGS .....	23
SECURITY AND SOURCES OF PAYMENT		THE REGISTRAR .....	23
FOR THE SERIES 2005 SUBORDINATE		INDEPENDENT CONSULTANT .....	23
LIEN BONDS .....	10	UNDERWRITING .....	24
The Letter of Credit .....	10	INDEPENDENT AUDITORS .....	24
		MISCELLANEOUS .....	24
APPENDIX 1 — PROPOSED FORM OF BOND COUNSEL OPINION			
APPENDIX 2 — BOOK-ENTRY SYSTEM			
APPENDIX 3 — COPY OF THE RESOLUTION			

No dealer, broker, sales representative or other person has been authorized by the Port to give any information or to make any representations with respect to the Series 2005 Subordinate Lien Bonds, other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Port or the Bank. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2005 Subordinate Lien Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained by the Port from Port records and from other sources that are believed to be reliable, but the Port does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of the Official Statement nor any sale of the Series 2005 Subordinate Lien Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Port or the Bank since the date hereof.

This Official Statement is not to be construed as a contract or agreement between the Port and purchasers or owners of any of the Series 2005 Subordinate Lien Bonds.

Neither the Port's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

**Certain statements contained in this Official Statement, including the appendices, reflect not historical facts but forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.**

## OFFICIAL STATEMENT

### RELATING TO

**\$62,925,000**

**PORT OF SEATTLE**

**Subordinate Lien Revenue Bonds**

**Series 2005**

**(AMT)**

### INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover page, table of contents, appendices and the Incorporated Materials (defined below), is to provide information concerning the issuance by the Port of Seattle (the "Port") of \$62,925,000 aggregate principal amount of Port of Seattle Subordinate Lien Revenue Bonds, Series 2005 (the "Series 2005 Subordinate Lien Bonds"). The fiscal agency of the State of Washington, currently The Bank of New York, is the registrar, authenticating agent and paying agent (the "Registrar") for the Series 2005 Subordinate Lien Bonds.

The Port is issuing the Series 2005 Subordinate Lien Bonds pursuant to Title 53 of the Revised Code of Washington and pursuant to Resolution No. 3544, as amended, adopted by the Port Commission (the "Commission") on June 28, 2005 (the "Resolution"). Capitalized terms used in this Official Statement but not defined have the meanings set forth in the Resolution, a copy of which is included in this Official Statement as Appendix 3.

The Series 2005 Subordinate Lien Bonds are being issued as variable-rate bonds and when issued are to bear interest initially at Weekly Rates. The Series 2005 Subordinate Lien Bonds may be converted to bear interest at Daily Rates, Commercial Paper Rates, Long Term Rates or Fixed Rates upon satisfaction of the conditions set forth in the Resolution. While in the Weekly Mode, owners may tender their Series 2005 Subordinate Lien Bonds (or portions thereof) upon delivery of a notice of tender not later than 4:00 P.M. New York City time on a Business Day not less than seven days prior to the Purchase Date. See "DESCRIPTION OF THE SERIES 2005 SUBORDINATE LIEN BONDS." This Official Statement describes the Series 2005 Subordinate Lien Bonds only during the period until the Series 2005 Subordinate Lien Bonds are converted to a Fixed Rate or Long-Term Rate or the Series 2005 Subordinate Lien Bonds are secured by an instrument other than the Letter of Credit. A new offering document is required to be used to offer or remarket the Series 2005 Subordinate Lien Bonds if interest on the Series 2005 Subordinate Lien Bonds is converted to a Fixed Rate or Long Term Rate or if the Series 2005 Subordinate Lien Bonds are secured by an instrument other than the Letter of Credit.

**So long as the direct-pay letter of credit ("Letter of Credit") to be issued by Fortis Bank S.A./N.V. acting through its Connecticut branch (the "Bank") is in effect, the Port is not obligated to pay the Purchase Price of Series 2005 Subordinate Lien Bonds tendered or deemed tendered for purchase and not remarketed. The purchase price of the Series 2005 Subordinate Lien Bonds is payable only from remarketing proceeds and from proceeds of a draw under the Letter of Credit. The Series 2005 Subordinate Lien Bonds are limited obligations of the Port and do not in any manner or to any extent constitute general obligations of the Port or of the State of Washington or of any political subdivision of the State of Washington, and no tax revenues of the Port may be used to pay the principal of and interest on such Series 2005 Subordinate Lien Bonds. The Series 2005 Subordinate Lien Bonds are not obligations of the State of Washington or any political subdivision of the State of Washington other than the Port.**

## **Incorporation by Reference of Certain Sections of the June 23, 2005 Official Statement**

On June 23, 2005, the Port released its Official Statement (the “June 23 Official Statement”) relating to the issuance of the Port’s \$404,595,000 aggregate principal amount of Intermediate Lien Revenue Bonds, Series 2005A (the “Series 2005A Intermediate Lien Bonds”), \$9,395,000 aggregate principal amount of Intermediate Lien Revenue Bonds, Series 2005B (the “Series 2005B Intermediate Lien Bonds”) and \$40,120,000 aggregate principal amount of Intermediate Lien Revenue Bonds, Series 2005C (the “Series 2005C Intermediate Lien Bonds” and, collectively with the Series 2005A Intermediate Lien Bonds and the Series 2005B Intermediate Lien Bonds, the “Series 2005A/B/C Bonds”). The information in the June 23 Official Statement in Appendices A, B and C and the information under the headings “OUTSTANDING PORT INDEBTEDNESS,” “THE PORT OF SEATTLE,” “AVIATION DIVISION,” “SEAPORT DIVISION,” “CAPITAL PLAN FUNDING,” “PORT FINANCIAL MATTERS,” “OUTSTANDING FIRST LIEN BONDS, SUBORDINATE LIEN PARITY BONDS, SERIES 2005A/B/C BONDS AND SERIES 2005 SUBORDINATE LIEN BONDS,” “OTHER MATTERS” and “INITIATIVES AND REFERENDA” (but excluding all cross-references in the June 23 Official Statement to information in portions of the June 23 Official Statement not set forth above) is incorporated herein by reference and should be considered a part of this Official Statement. Such incorporated materials are referred to in this Official Statement as the “Incorporated Materials.” Copies of the June 23 Official Statement may be obtained from the Port’s website at [www.portseattle.org/business/investorinfo/](http://www.portseattle.org/business/investorinfo/). This inactive textual reference to the Port’s website is not a hyperlink and the Port’s website, by this reference, is not incorporated herein. Only the Incorporated Materials have been incorporated by reference into this Official Statement.

## **Miscellaneous**

Brief descriptions of the Series 2005 Subordinate Lien Bonds, certain sections of the Resolution, the Letter of Credit, the Reimbursement Agreement and certain statutes and agreements are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to such instruments, documents and statutes and to any other documents, statutes, agreements or other instruments described herein are qualified in their entirety by reference to each such document, statute, or other instrument including, but not limited to, the copy of the Resolution in Appendix 3 to this Official Statement.

## **PLAN OF FINANCE**

Proceeds of the Series 2005 Subordinate Lien Bonds are to be applied to pay, or to repay the principal of Subordinate Lien Commercial Paper Notes issued to pay, a portion of the costs of the 2005 Bond Projects described below. Proceeds of the Series 2005 Subordinate Lien Bonds are also to be applied to pay a portion of the interest to accrue on the Series 2005 Subordinate Lien Bonds during construction and the costs of issuing the Series 2005 Subordinate Lien Bonds.

## **The 2005 Bond Projects**

The projects being financed in part with proceeds of the Series 2005 Subordinate Lien Bonds and the Series 2005A Intermediate Lien Bonds and (the “2005 Bond Projects”) are part of the Port’s ongoing capital improvement program at the Airport. The projects being financed with proceeds of the Series 2005 Subordinate Lien Bonds include, among other projects various terminal improvements and airplane parking hardstands. See Section 3 of the Report of the Independent Consultant for descriptions of the 2005 Bond Projects and of the Aviation Division’s capital improvement program and Section 5 of the Report of the Independent Consultant for a description of the Port’s capital improvement program funding plans for 2005 through 2011. Other than a portion of the comprehensive storm water management

program, which has not yet been submitted for review, all of the 2005 Bond Projects have been approved under the Port’s agreements with the airlines.

To pay a portion of the costs of the 2005 Bond Projects, the Port issued the Series 2005A Intermediate Lien Bonds and the Series 2005B Intermediate Lien Bonds on July 20, 2005 and has agreed to issue the Series 2005C Intermediate Lien Bonds on or about June 6, 2006. The Port prepared the June 23 Official Statement in connection with those offerings.

**Estimated Sources and Uses of Funds**

The proceeds of the Series 2005 Subordinate Lien Bonds are expected to be applied as shown in the following table.

<b>Estimated Sources and Uses of Funds</b>	
<b>Series 2005 Subordinate Lien Bonds</b>	
<b>Sources</b>	
Principal Amount of the Series 2005 Subordinate Lien Bonds	\$62,925,000
Total Sources	\$62,925,000
<b>Uses</b>	
Deposit to Construction Fund	\$57,641,179
Deposit to Capitalized Interest Account	4,709,893
Costs of Issuance <sup>(1)</sup>	<u>573,928</u>
Total Uses	\$62,925,000

(1) Represents costs of issuing the Series 2005 Subordinate Lien Bonds, including Underwriter’s discount, legal and auditors’ fees, fees of the Financial Advisor and the Independent Consultant, the cost of obtaining a direct-pay letter of credit and rating agency costs.

**DESCRIPTION OF THE SERIES 2005 SUBORDINATE LIEN BONDS**

**General**

The Series 2005 Subordinate Lien Bonds are being issued as variable-rate bonds and are to mature on the date set forth on the cover page hereof. Initially, the Series 2005 Subordinate Lien Bonds are to bear interest at Weekly Rates as described below. As described under “Conversions Between Modes,” the Series 2005 Subordinate Lien Bonds may be converted to bear interest at Daily Rates, Commercial Paper Rates, Long-Term Rates or Fixed Rates. The interest rates on the Series 2005 Subordinate Lien Bonds may not exceed, on any day, the lesser of (i) 15%, (ii) the maximum interest rate permitted by applicable law, and (iii) the per annum interest rate used under any Credit Facility or any Liquidity Facility for the Series 2005 Subordinate Lien Bonds (the “Maximum Rate”). Each interest rate (other than Commercial Paper Rates and Bank Interest Rates) is to be determined by UBS Financial Services Inc. as remarketing agent (the “Remarketing Agent”) as the rate of interest that in the judgment of the Remarketing Agent would cause the Series 2005 Subordinate Lien Bonds to have a market value as of the date of determination equal to the principal amount thereof (plus accrued interest), taking into account prevailing market conditions. Commercial Paper Rates are to be determined by the Remarketing Agent as described under “Commercial Paper Mode—Commercial Paper Rates” and the rate of interest on Bank Bonds is to be determined as set forth in the Reimbursement Agreement. Only the Bank or the issuer of an alternate Credit Facility or Liquidity Facility is entitled to receive interest at the Bank Interest Rate.

The Series 2005 Subordinate Lien Bonds are being issued in fully registered form in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof and when issued will be registered in the name of Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2005 Subordinate Lien Bonds. Individual purchases may be made only in book-entry form. Purchasers will not receive certificates representing their interest in the Series 2005 Subordinate Lien Bonds purchased. Except as provided in the Resolution, so long as Cede & Co. is the registered owner of the Series 2005 Subordinate Lien Bonds, as nominee of DTC, references herein to “Owners,” “Bondholders” or “Registered Owners” mean Cede & Co. (or such other nominee) and not the Beneficial Owners of the Series 2005 Subordinate Lien Bonds. In this Official Statement, the term “Beneficial Owner” means the person for whom its DTC Participant acquires an interest in the Series 2005 Subordinate Lien Bonds.

So long as Cede & Co. is the registered owner of the Series 2005 Subordinate Lien Bonds, the principal of and premium, if any, and interest on the Series 2005 Subordinate Lien Bonds are payable by wire transfer to Cede & Co., as nominee for DTC which, in turn, is to remit such amounts to the Direct Participants for subsequent disbursement to the Beneficial Owners. See “BOOK-ENTRY SYSTEM” in Appendix 2 to this Official Statement.

### **Weekly Mode**

**Weekly Rates.** When issued, the Series 2005 Subordinate Lien Bonds are to bear interest initially at Weekly Rates (not to exceed the Maximum Rate). The Weekly Rate for each Interest Period in the Weekly Mode is to be determined by the Remarketing Agent no later than 4:00 P.M., New York City time, on the Rate Determination Date. In the Weekly Mode, “Rate Determination Date” means each Tuesday (or, if Tuesday is not a Business Day, the next succeeding day or if such day is not a Business Day, then the Business Day next preceding such Tuesday). The Weekly Rate is to be effective from and including the commencement date of such Interest Period through and including the last day thereof. During the Weekly Mode, an “Interest Period” is from and including the date of issuance of all the Series 2005 Subordinate Lien Bonds to and including the following Tuesday and thereafter from each Wednesday to and including Tuesday of the following week (except that in the case of a conversion from a Weekly Mode to a different Mode, the last Interest Period prior to the conversion will end on the last day immediately preceding the Mode Change Date).

“Business Day” is defined in the Resolution to mean a day (a) other than a day on which banks in Seattle, Washington or New York, New York, DTC, the Remarketing Agent or the Bank are closed and (b) on which the New York Stock Exchange is not closed. The Record Date for the Series 2005 Subordinate Lien Bonds in a Weekly Mode is the close of business on the day (whether or not a Business Day) next preceding each Interest Payment Date.

In the event the Remarketing Agent fails for any reason to determine or to notify the Registrar of the Weekly Rate for any Interest Period during the Weekly Mode, the interest rate then in effect for the Series 2005 Subordinate Lien Bonds is to remain in effect from week to week until the Registrar is notified of a new Weekly Rate determined by the Remarketing Agent.

The amount of interest payable on the Series 2005 Subordinate Lien Bonds in the Weekly Mode is to be computed on the basis of a 365/366 day year for the number of days actually elapsed and is to be payable on the first Wednesday of each month (or the next Business Day if Wednesday is not a Business Day), commencing September 7, 2005, to the registered owners thereof as of the Record Date.

The Series 2005 Subordinate Lien Bonds may be changed from the Weekly Mode to the Daily Mode, the Commercial Paper Mode, the Long Term Mode or the Fixed Mode upon satisfaction of the conditions described below under “Changes in Modes” and are subject to mandatory tender for purchase and to optional redemption prior to maturity as described below under “Mandatory Tenders for Purchase” and “Optional Redemption.”

**Optional and Mandatory Tenders for Purchase.** The Series 2005 Subordinate Lien Bonds in the Weekly Mode (or portions thereof in Authorized Denominations) may be tendered for purchase, at a Purchase Price equal to 100 percent of the principal amount thereof, plus (if the Purchase Date is not an Interest Payment Date) accrued interest to the Purchase Date, upon delivery of a notice of tender by Electronic Means to the Registrar and the Remarketing Agent directly or through the Beneficial Owner's DTC Participant, not later than 4:00 P.M., New York City time on a Business Day not less than seven days prior to the Purchase Date. Except as described below under “Remarketing and Purchase,” each notice of tender must be delivered to the Registrar at its principal corporate trust office and be in form satisfactory to the Registrar and must state (i) the CUSIP number, bond number and the principal amount of the Series 2005 Subordinate Lien Bond (or portion thereof) to which the notice relates, (ii) that the Owner irrevocably demands purchase of such Series 2005 Subordinate Lien Bond or specified portion thereof (provided that a principal amount equal to an Authorized Denomination remains Outstanding), (iii) the date on which such Series 2005 Subordinate Lien Bond or portion thereof is to be purchased and (iv) payment instructions with respect to the Purchase Price. The Resolution provides that each such notice of tender will automatically constitute an irrevocable offer to sell the Series 2005 Subordinate Lien Bond (or portion thereof) to which the notice relates on the Purchase Date and that the determination of the Registrar as to whether a notice of tender has been properly delivered shall be conclusive and binding upon the Registered Owner. See “Remarketing and Purchase of Series 2005 Subordinate Lien Bonds” below.

The Series 2005 Subordinate Lien Bonds in the Weekly Mode are also subject to mandatory tenders for purchase as described below under “Mandatory Tenders for Purchase.”

### **Daily Mode**

**Daily Rates.** Following any conversion to the Daily Mode, the Daily Rate for each Interest Period is to be determined by the Remarketing Agent not later than 10:00 A.M., New York City time, on each Business Day and is to be effective from and including such Business Day, commencing with the Mode Change Date, to but not including the next Business Day. In the event the Remarketing Agent fails for any reason to determine or to notify the Registrar of the Daily Rate for any Interest Period, the Daily Rate then in effect for the Series 2005 Subordinate Lien Bonds is to remain in effect from day to day until the Registrar is notified of a new Daily Rate determined by the Remarketing Agent.

The amount of interest payable on the Series 2005 Subordinate Lien Bonds in the Daily Mode is to be computed on the basis of a 365/366 day year for the number of days actually elapsed, based upon the calendar year in which the Daily Mode commences and is to be payable on the first Business Day of each month, to the registered owners thereof as of the Record Date.

**Optional and Mandatory Tenders for Purchase.** Series 2005 Subordinate Lien Bonds in the Daily Mode (or portions thereof provided that an Authorized Denomination remains outstanding) may be tendered for purchase at a purchase price equal to 100 percent of the principal amount thereof, plus (if the Purchase Date is not an Interest Payment Date) accrued interest, on any Business Day, upon delivery of a notice of tender by Electronic Means or by telephone to the Registrar, directly or through the Beneficial Owner's Participant, not later than 11:00 A.M., New York City time, on such Business Day. Each notice

of tender must include the information described for notices of tender under the heading “Weekly Mode—Optional Tenders for Purchase.”

The Series 2005 Subordinate Lien Bonds in the Daily Mode are also subject to mandatory tenders for purchase as described below under “Mandatory Tenders for Purchase.”

### **Commercial Paper Mode**

**Commercial Paper Rates.** Following any conversion to the Commercial Paper Mode, the Commercial Paper Rate for each Interest Period in the Commercial Paper Mode is to be determined by the Remarketing Agent no later than 1:00 P.M., New York City time, on the Rate Determination Date. In the Commercial Paper Mode, “Rate Determination Date” means the first day of an Interest Period, which is a period determined by the Remarketing Agent of at least one day but not more than 270 days. Each Interest Period shall begin on a Business Day and end on a day immediately preceding a Business Day. Any Series 2005 Subordinate Lien Bond in the Commercial Paper Mode may accrue interest at a Commercial Paper Rate for an Interest Period different from another Series 2005 Subordinate Lien Bond in the Commercial Paper Mode.

The interest rate and the Interest Period for Series 2005 Subordinate Lien Bonds in the Commercial Paper Mode is to be determined by the Remarketing Agent at such rate and for such period as it deems advisable in order to minimize the net interest cost on such Series 2005 Subordinate Lien Bonds, taking into account prevailing market conditions; provided, however, that the Remarketing Agent may establish longer Interest Periods and higher Commercial Paper Interest Rates than are otherwise available at the time of any remarketing if the Remarketing Agent determines that, taking into account prevailing market conditions, a lower net interest cost on such Series 2005 Subordinate Lien Bonds can be achieved over such longer Interest Period.

In the event the Remarketing Agent fails for any reason to determine or to notify the Registrar of the Commercial Paper Rate or Interest Period for any Series 2005 Subordinate Lien Bond during the Commercial Paper Mode, the interest rate then in effect for such Series 2005 Subordinate Lien Bond is to be equal to the BMA Municipal Swap Index and the Interest Period will extend to, but not include, the next Business Day, until the Registrar is notified of a new Commercial Paper Rate and Interest Period for such Series 2005 Subordinate Lien Bond determined by the Remarketing Agent.

The amount of interest payable on each Series 2005 Subordinate Lien Bond in the Commercial Paper Mode is to be computed on the basis of a 365/366 day year for the number of days actually elapsed, based upon the calendar year in which the Commercial Paper Mode commences, and is to be payable on the first day of the next Interest Period for such Series 2005 Subordinate Lien Bond.

**Optional and Mandatory Tenders for Purchase.** The Series 2005 Subordinate Lien Bonds in the Commercial Paper Mode are not subject to optional tender for purchase but are subject to mandatory tenders for purchase as described below under “Mandatory Tenders for Purchase.”

### **Conversions Between Modes**

The Designated Port Representative may elect to convert all of the Series 2005 Subordinate Lien Bonds from one Mode to another by giving notice to the Registrar, the Bank and the Remarketing Agent not fewer than 15 days before the proposed Mode Change Date. In case of a conversion from the Weekly Mode or the Daily Mode, the Mode Change Date must be a Business Day. In case of a conversion from the Commercial Paper Mode, the Mode Change Date must be a day which is the last Purchase Date for all Interest Periods determined by the Remarketing Agent for Series 2005 Subordinate Lien Bonds in the

Commercial Paper Mode. In case of a conversion from the Long Term Mode, the Mode Change Date must be the Purchase Date of the current Interest Period.

The Registrar is required to give notice of a proposed conversion to the Registered Owners of the Series 2005 Subordinate Lien Bonds (DTC, while the Series 2005 Subordinate Lien Bonds are held by DTC in book-entry form) not fewer than (i) 10 days before the proposed Mode Change Date in the case of a conversion from the Weekly Mode, Daily Mode or Commercial Paper Mode and (ii) 30 days before the proposed Mode Change Date in the case of a conversion from the Long Term Mode. Such notice is to state, among other things, the proposed Mode Change Date, that the Series 2005 Subordinate Lien Bonds will be subject to mandatory tender for purchase on the Mode Change Date (except in the case of conversions between the Weekly Mode and the Daily Mode) and the conditions, if any, to the conversion.

The Resolution provides that a change in Mode will not become effective unless, among other things, (i) if the conversion is from the Commercial Paper Mode, the Registrar has received, prior to the date on which notice of conversion is required to be given to the Registered Owners, written confirmation from the Remarketing Agent that it has not established and will not establish any Interest Periods extending beyond the day before the Mode Change Date, (ii) if the conversion is from a Weekly Mode, Daily Mode or Commercial Paper Mode to a Long Term Mode or Fixed Mode, the Registrar has been provided with a Favorable Opinion of Bond Counsel with respect to the conversion, (iii) no conversion to a New Mode other than the Fixed Mode may be made if an Interest Period would extend beyond the Expiration Date of the Letter of Credit or alternate Credit Facility to be in effect for the New Mode, and (iv) in the case of any Mode Change to a Daily Mode, a Weekly Mode, a Commercial Paper Mode or Long Term Mode, prior to the Mode Change Date the Port is required to have appointed a Remarketing Agent and executed and delivered a Remarketing Agreement.

If fewer than all of the Series 2005 Subordinate Lien Bonds are remarketed on the Mode Change Date or if any of the conditions described above are not satisfied by the Mode Change Date, the New Mode will not take effect and all Series 2005 Subordinate Lien Bonds are to be changed to a Commercial Paper Mode on the Mode Change Date.

### **Mandatory Tenders for Purchase**

The Series 2005 Subordinate Lien Bonds in the Weekly Mode, the Daily Mode and the Commercial Paper Mode are subject to mandatory tender for purchase as described below.

**On a Mode Change Date.** Series 2005 Subordinate Lien Bonds to be converted from one Mode to a different Mode (except from the Weekly Mode to the Daily Mode or from the Daily Mode to the Weekly Mode) are subject to mandatory tender for purchase on the Mode Change Date at a Purchase Price equal to 100 percent of the principal amount thereof, plus accrued interest.

**Upon Substitution or Expiration of a Credit Facility or Liquidity Facility.** The Series 2005 Subordinate Lien Bonds are subject to mandatory tender for purchase (i) the date an alternate credit facility or liquidity facility is to be substituted for the Letter of Credit and (ii) unless the term of the existing Letter of Credit or alternate credit facility and/or liquidity facility is being extended, prior to the fifth day next preceding the stated expiration date of the Letter of Credit, alternate credit facility and/or liquidity facility, in each case at a Purchase Price equal to 100 percent of the principal amount thereof.

**Upon an Event of Default under the Reimbursement Agreement.** The Series 2005 Subordinate Lien Bonds are subject to mandatory tender for purchase at a Purchase Price equal to 100 percent of the principal amount thereof on the Business Day that is five Business Days prior to the termination of the Letter of Credit (or an alternate credit facility or liquidity facility) because an event of default has

occurred under the Reimbursement Agreement (or the reimbursement agreement relating to an alternate credit facility or liquidity facility). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 SUBORDINATE LIEN BONDS—The Reimbursement Agreement.”

**Commercial Paper Mode.** Each Series 2005 Subordinate Lien Bond in the Commercial Paper Mode is subject to mandatory tender for purchase on the Business Day after the last day of each Interest Period applicable to such Series 2005 Subordinate Lien Bond at a Purchase Price equal to 100 percent of the principal amount thereof.

**Resolution Tender Date.** The Resolution provides that the Port may elect to effect a mandatory tender of the Series 2005 Subordinate Lien Bonds in connection with a proposed amendment of the Resolution that requires Registered Owner Consent for such amendment on a specified date, which date is required to be an Interest Payment Date on which the Port could have redeemed the Series 2005 Subordinate Lien Bonds at a Purchase Price equal to 100 percent of the principal amount thereof (a “Resolution Tender Date”).

**Notice of Mandatory Tender.** The 2005 Resolution requires that notice of a mandatory tender be given to Registered Owners of the Series 2005 Subordinated Lien Bonds not less than 10 days prior to a Mode Change Date, not less than five days prior to a Substitution Tender Date or an Expiration Tender Date, not less than three days prior to a Mandatory Purchase Date following notice of an Event of Default under the Reimbursement Agreement and not less than three days prior to a Resolution Tender Date. The Resolution does not require that notice of a mandatory tender be given to Registered Owners of the Series 2005 Subordinate Lien Bonds in the Commercial Paper Mode when such mandatory tender is on the occasion of the end of a Commercial Paper Mode Interest Period described under “—Commercial Paper Mode” above.

Each notice of mandatory tender must specify the Mandatory Purchase Date and the procedures for tender and state that if not so tendered the Series 2005 Subordinate Lien Bonds will be deemed tendered and interest thereon shall cease to accrue on the Mandatory Purchase Date. The 2005 Resolution provides that failure to mail such notice with respect to any Series 2005 Subordinate Lien Bond will not affect the validity of the mandatory purchase of any other Series 2005 Subordinate Lien Bond with respect to which notice was so mailed and that any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Owner. Payment of the Purchase Price is to be made in immediately available funds by the Registrar by wire transfer to accounts designated by the Registered Owners by the close of business on the Mandatory Purchase Date.

### **Remarketing and Purchase of Series 2005 Subordinate Lien Bonds**

**Delivery of Tendered Series 2005 Subordinate Lien Bonds; Effect of Failure to Surrender Series 2005 Series Bonds; Remarketing.** All Series 2005 Subordinate Lien Bonds to be purchased on any date must be delivered to the principal office of the Registrar at or before 12:00 noon, New York City time, on the purchase date (1:00 P.M. in the case of Series 2005 Subordinate Lien Bonds in a Commercial Paper Mode or a Daily Mode). So long as DTC is the sole registered owner of the Series 2005 Subordinate Lien Bonds, Beneficial Owners of the Series 2005 Subordinate Lien Bonds are to effect delivery of their Series 2005 Subordinate Lien Bonds by causing the Direct Participants through which they hold such Series 2005 Subordinate Lien Bonds to transfer such Participants' interests in such Series 2005 Subordinate Lien Bonds to the Registrar. If the Owner of any Series 2005 Subordinate Lien Bond (or portion thereof) fails to deliver such Series 2005 Subordinate Lien Bond to the Registrar for purchase on the Purchase Date and if the Registrar is in receipt of the Purchase Price therefor, such Series 2005 Subordinate Lien Bond (or portion thereof) will be deemed purchased on the Purchase Date, and ownership thereof will be transferred to the purchaser thereof as provided in the Resolution. Any Owner

who fails to deliver such Series 2005 Subordinate Lien Bond for purchase will have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of such Series 2005 Subordinate Lien Bond to the Registrar.

The Resolution requires the Remarketing Agent to use best efforts to remarket the Series 2005 Subordinate Lien Bonds or portions thereof for which notice of tender has been received or that are subject to mandatory tender on a Mandatory Purchase Date (other than a mandatory tender following an event of default under the Reimbursement Agreement). The terms of any remarketing by the Remarketing Agent must provide for the payment of the Purchase Price for tendered Series 2005 Subordinate Lien Bonds by the purchaser to the appropriate DTC Participant in immediately available funds on the Purchase Date.

The Purchase Price of Series 2005 Subordinate Lien Bonds that are tendered or deemed tendered for purchase is payable only from remarketing proceeds and from proceeds drawn under the Letter of Credit (or any alternate Credit Facility or Liquidity Facility). The Port is not obligated to pay the Purchase Price of Series 2005 Subordinate Lien Bonds that are not remarketed.

**Remarketing Agreement.** The Remarketing Agent and the Port are entering into a Remarketing Agreement to be dated August 17, 2005 (the “Remarketing Agreement”), pursuant to which the Port is to pay the Remarketing Agent a fee for its services as Remarketing Agent and the Remarketing Agent, among other things, is to perform the duties of the Remarketing Agent under the Resolution so long as the Series 2005 Subordinate Lien Bonds are in the Daily Mode, Weekly Mode or Commercial Paper Mode.

Upon 30 days' prior notice, the Remarketing Agent may be removed or may resign and a successor Remarketing Agent may be appointed, in accordance with the Resolution and the Remarketing Agreement. In addition, under certain circumstances set forth in the Remarketing Agreement, the Remarketing Agent may suspend remarketing the Series 2005 Subordinate Lien Bonds with immediate effect.

### **Optional Redemption**

**Optional Redemption of Series 2005 Subordinate Lien Bonds in the Weekly Mode or the Daily Mode.** Series 2005 Subordinate Lien Bonds in the Weekly Mode or the Daily Mode are subject to redemption at the option of the Port, in whole or in part in principal amounts that permit all remaining Outstanding Series 2005 Subordinate Lien Bonds to continue in Authorized Denominations, on any Interest Payment Date, at a redemption price equal to 100 percent of the principal amount thereof.

**Optional Redemption of Series 2005 Subordinate Lien Bonds in the Commercial Paper Mode.** Series 2005 Subordinate Lien Bonds in the Commercial Paper Mode are not subject to optional redemption prior to their respective Purchase Dates. Series 2005 Subordinate Lien Bonds in the Commercial Paper Mode are subject to redemption at the option of the Port, in whole or in part in principal amounts that permit all remaining Outstanding Series 2005 Subordinate Lien Bonds to continue in Authorized Denominations, on their respective Purchase Dates at a redemption price equal to 100 percent of the principal amount thereof.

**Selection of Series 2005 Subordinate Lien Bonds for Redemption.** Whenever fewer than all the Outstanding Series 2005 Subordinate Lien Bonds are to be redeemed, the Series 2005 Subordinate Lien Bonds to be redeemed are to be selected in accordance with the operational arrangements of DTC, except that Bank Bonds in all cases are to be redeemed first.

**Notice of Redemption.** Notice of redemption is to be provided in accordance with the operational arrangements of DTC, and no additional published or other notice shall be provided unless the Series 2005 Subordinate Lien Bonds are no longer held by DTC. In any event, notice of redemption is to be given by the Registrar to DTC at least 15 days prior to the proposed date of redemption for Series 2005 Subordinate Lien Bonds in the Daily Mode, Weekly Mode and the Commercial Paper Mode.

**Effect of Redemption.** The Resolution provides that if notice of redemption has been duly given and money for the payment of the Redemption Price of the Series 2005 Subordinate Lien Bonds or portions thereof to be redeemed is held by the Registrar, then on the Redemption Date the Series 2005 Subordinate Lien Bonds or portions thereof so called for redemption will become payable at the Redemption Price specified in such notice and that from and after the Redemption Date, interest thereon or on portions thereof so called for redemption will cease to accrue, such Series 2005 Subordinate Lien Bonds or portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security thereunder and that the Owners of such Series 2005 Subordinate Lien Bonds or portions thereof will have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such Series 2005 Subordinate Lien Bonds to the Registrar.

### **Purchase of Bonds for Retirement**

In the Resolution, the Port has reserved the right to purchase any of the Series 2005 Subordinate Lien Bonds offered to it by a Beneficial Owner or the Registered Owner at any time at any price acceptable to the Port.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 SUBORDINATE LIEN BONDS**

### **The Letter of Credit**

The Letter of Credit is to be issued by the Bank concurrently with the issuance of the Series 2005 Subordinate Lien Bonds and is an irrevocable letter of credit of the Bank to pay, in immediately available funds, within a specified period of time after presentation by the Registrar of specified drawing certificates, an aggregate amount not exceeding \$63,786,987 (as increased, reduced or reinstated from time to time, the “Stated Amount”) of which (i) an initial amount not exceeding \$62,925,000 (as reduced or reinstated from time to time, the “Principal Portion”) may be drawn upon with respect to payment of the unpaid principal amount or the portion of the Purchase Price corresponding to the unpaid principal amount of the Series 2005 Subordinate Lien Bonds, and (ii) an initial amount not exceeding \$861,987 (as increased, reduced or reinstated from time to time, the “Interest Portion”) may be drawn upon with respect to payment of interest actually accrued and unpaid, or the portion of the Purchase Price corresponding to interest actually accrued and unpaid with respect to the Series 2005 Subordinate Lien Bonds on or prior to their stated maturity date. The Letter of Credit is only available with respect to Series 2005 Subordinate Lien Bonds outstanding with an Interest Coverage Amount (equal to the product of the principal amount of all outstanding Series 2005 Subordinate Lien Bonds supported by the Letter of Credit times 10 percent, divided by 365 times 50), not in excess of the Interest Portion available under the Letter of Credit. The Letter of Credit is only available with respect to Series 2005 Subordinate Lien Bonds other than Subordinate Lien Bonds in the Long-Term Mode, the Commercial Paper Mode or the Fixed Mode. The Registrar will draw moneys under the Letter of Credit to the extent necessary to make payments of such amounts on the Series 2005 Subordinate Lien Bonds (other than Series 2005 Subordinate Lien Bonds in the Long-Term Mode, Commercial Paper Mode or Fixed Mode), including the Purchase Price of such Series 2005 Subordinate Lien Bonds tendered or deemed tendered for purchase and not remarketed. Drawings by the Registrar under the Letter of Credit will reduce the amounts

available for subsequent drawings, subject to reinstatement as provided in the Letter of Credit. Funds under the Letter of Credit are to be paid with the Bank's own funds.

The Letter of Credit is stated to expire at 4:00 P.M., New York time, on the date (the "Termination Date") which is the earliest of (i) August 17, 2010 (the "Stated Termination Date"), unless extended by the Bank in its sole discretion by delivery of a specified certificate, (ii) the date on which the Bank honors a drawing which when added to all other drawings honored under the Letter of Credit and not subject to reinstatement in the aggregate equals the Stated Amount, (iii) the day which is five days after the date of the Bank's receipt of a specified certificate from the Registrar stating that (A) there are no Series 2005 Subordinate Lien Bonds outstanding under the Resolution, (B) all Series 2005 Subordinate Lien Bonds remaining outstanding under the Resolution have been converted to a Long Term Mode, Commercial Paper Mode or Fixed Mode or (C) an alternate Credit Facility has been substituted for the Letter of Credit pursuant to the Resolution, (iv) the day which is six Business Days following the Registrar's receipt of a specified certificate from the Bank stating that an Event of Default under the Reimbursement Agreement has occurred and that the Letter of Credit will terminate on such sixth Business Day or (v) the date the Registrar surrenders the Letter of Credit to the Bank for cancellation. The Registrar will agree to surrender the Letter of Credit to the Bank, and not to make any drawing, after (A) the Termination Date or (B) the date on which there are no Series 2005 Subordinate Lien Bonds supported by the Letter of Credit outstanding under the Resolution.

**So long as the Letter of Credit is in effect, the Port is not obligated to pay the Purchase Price of Series 2005 Subordinate Lien Bonds tendered or deemed tendered for purchase and not remarketed. The purchase price of the Series 2005 Subordinate Lien Bonds is payable only from remarketing proceeds and from proceeds of a draw under the Letter of Credit. The Series 2005 Subordinate Lien Bonds are limited obligations of the Port and do not in any manner or to any extent constitute general obligations of the Port or of the State of Washington or of any political subdivision of the State of Washington, and no tax revenues of the Port may be used to pay the principal of and interest on such Series 2005 Subordinate Lien Bonds. The Series 2005 Subordinate Lien Bonds are not obligations of the State of Washington or any political subdivision of the State of Washington other than the Port.**

#### **Alternate Credit Facility or Liquidity Facility**

The Resolution provides that the Port may at any time on or prior to the fifth day before the Expiration Date (as defined in the Resolution) provide for the delivery to the Registrar on such date of an alternate Credit Facility and/or a Liquidity Facility that meets the requirements of the Resolution. In the event of the substitution of an alternate Credit Facility and/or a Liquidity Facility for the Letter of Credit or in the event the Port does not provide for an extension of the Letter of Credit or alternate Credit Facility and/or a Liquidity Facility or an alternate Credit Facility and/or Liquidity Facility has not been delivered, the Series 2005 Subordinate Lien Bonds will be subject to mandatory tender for purchase prior to the surrender and termination of the Letter of Credit or alternate Credit Facility or Liquidity Facility then in effect.

#### **The Reimbursement Agreement**

The Bank is entering into the Reimbursement Agreement with the Port. Among other things, the Reimbursement Agreement provides for (a) the repayment to the Bank of all draws made under the Letter of Credit, together with specified interest thereon; (b) the payment or reimbursement to the Bank of certain specified fees, costs and expenses; and (c) certain material affirmative and negative covenants to be observed by the Port.

“Basic Documents” means the Reimbursement Agreement, the Resolution, the Letter of Credit, the Series 2005 Subordinate Lien Bonds, the arbitrage and tax certification with respect to the Series 2005 Subordinate Lien Bonds, the bond purchase contract with respect to the Series 2005 Subordinate Lien Bonds, the First Lien Master Resolution, the Intermediate Lien Master Resolution, the Fiscal Agency Agreement, the remarketing agreement with respect to the Series 2005 Subordinate Lien Bonds and any other documents or certificates delivered in connection therewith.

***Events of Default.*** Each of the following events constitute an “Event of Default” under the Reimbursement Agreement: (a) the Port shall (i) fail to pay certain reimbursements and payments due under the Reimbursement Agreement or under any Series 2005 Subordinate Lien Bonds (other than as a result of the failure of the Bank to honor any conforming draw under the Letter of Credit) when the same shall become due and payable or (ii) fail to pay any other amount payable under the Reimbursement Agreement within three Business Days of the date the same shall become due and payable; (b) any representation, warranty, certification or statement made by the Port in the Reimbursement Agreement or in any other Basic Document or in any certificate, financial statement or other document delivered pursuant to the Reimbursement Agreement or any other Basic Document shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made; (c) the Port shall default in the due performance or observance of certain of the affirmative covenants, or any of the negative covenants, contained in the Reimbursement Agreement; (d) the Port shall default in the due performance or observance of any term, covenant or agreement contained in the Reimbursement Agreement (other than those covered by clause (a) or (c) above) and such default, if capable of being remedied, shall remain unremedied for 30 days after written notice thereof shall have been given to the Port by the Bank; (e) (i) the Reimbursement Agreement, the First Lien Master Resolution, the Intermediate Lien Master Resolution, the Resolution, the Series 2005 Subordinate Lien Bonds or any material provision thereof, at any time after its adoption, issuance or execution and delivery, shall, for any reason, cease to be valid and binding on the Port or in full force and effect or be declared to be null and void by a final non-appealable judgment of a court of competent jurisdiction, or the validity or enforceability of any such document or provision shall be contested by the Port or the Port shall deny that it has any or further liability or obligation under any such document or (ii) any other Basic Document or any material provision thereof, at any time after its execution and delivery shall, for any reason, cease to be valid and binding on the Port or in full force and effect or be declared to be null and void, or the validity or enforceability of any such document or provision shall be contested by any governmental agency or authority having jurisdiction over the Port; unless with respect to this clause (ii), the same is being contested by the Port in good faith and by appropriate proceedings or, under no circumstance could such invalidity or unenforceability have an adverse impact on the ability of the Port to perform its obligations under the Reimbursement Agreement or under the Series 2005 Subordinate Lien Bonds, the Resolution, the First Lien Master Resolution or the Intermediate Lien Master Resolution; (f) the Port shall become insolvent or admit in writing its inability to pay its debts as they mature or shall declare a moratorium on the payment of its debts or apply for, consent to or acquiesce in the appointment of a trustee, custodian, liquidator or receiver for itself or any substantial part of its property, or shall take any action to authorize or effect any of the foregoing; or in the absence of any such application, consent or acquiescence, a trustee, custodian, liquidator or receiver shall be appointed for it or for a substantial part of its property or revenues and shall not be discharged within a period of 60 days; or the State or any other governmental authority having jurisdiction over the Port or its facilities imposes on the Port a debt moratorium, debt restructuring, or comparable restriction on repayment when due and payable of the principal of or interest on any debt by the Port, or the property or facilities of the Port shall be condemned, seized, or otherwise appropriated, if such condemnation, seizure or appropriation could have a material adverse effect on the ability of the Port to perform its obligations under the Reimbursement Agreement or under the Reimbursement Bond or the Bank Bonds, or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against the Port, in respect of the Port (or any action shall be taken to

authorize or effect the institution by it of any of the foregoing) and if instituted against it, shall be consented to or acquiesced in by it, or shall not be dismissed within a period of 60 days; (g) any pledge or security interest created by the Resolution, the First Lien Master Resolution, the Intermediate Lien Master Resolution or the Reimbursement Agreement to secure any amount due under any Permitted Prior Lien Bonds, Subordinate Lien Parity Bonds or the Reimbursement Agreement shall fail to be fully enforceable with the priority required under the Reimbursement Agreement, the First Lien Master Resolution, the Intermediate Lien Master Resolution or any Subordinate Lien Resolution, as the case may be, by reason of a final, non-appealable judgment of a court of competent jurisdiction; (h) the Port shall default in the due performance or observance of any material term, covenant or agreement contained in any Basic Document and the same shall not have been cured within any applicable cure period; (i) the Port shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Subordinate Lien Parity Bonds (other than the Series 2005 Subordinate Lien Bonds), or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning such Subordinate Lien Parity Bonds; (j) a final and non-appealable judgment or court order for the payment of money in excess of \$25 million shall be rendered against the Port, and such judgment or court order shall continue unsatisfied and in effect for a period of 180 consecutive days without being vacated, discharged or satisfied; and (k) any of the funds on deposit in, or otherwise to the credit of, any of the funds or accounts established under the First Lien Master Resolution, the Intermediate Lien Master Resolution, the Resolution or the Fiscal Agency Agreement shall become subject to any writ, warrant or attachment, execution or similar process.

**Remedies.** Upon the occurrence and during the continuance of any Event of Default under the Reimbursement Agreement, the Bank at its option, may, upon notice to the Registrar and the Port, do any one or more of the following: (a) notify the Registrar to effect the mandatory tender and purchase of the Series 2005 Subordinate Lien Bonds pursuant to the Resolution; and (b) exercise any or all rights provided or permitted by law or granted pursuant to the Basic Documents in such order and in such manner as the Bank may, in its sole judgment, determine.

## **The Bank**

Fortis Bank S.A./N.V. (“Fortis Bank”) conducts the banking activities of Fortis, an international financial services provider active in the fields of banking, insurance and investment.

Fortis Bank is a wholly-owned indirect subsidiary of Fortis SA/NV and Fortis N.V., whose principal offices are located in Brussels (Belgium) and Utrecht (the Netherlands) respectively.

Fortis Bank is a commercial bank offering a full range of banking and insurance products and services to a wide range of customers. In its home market, the Benelux countries, Fortis Bank occupies a leading position. Fortis is the largest bank in Belgium, the second-largest in Luxembourg, and the fourth-largest in the Netherlands. The bank had full-time staff of over 36,000 in 2004. Outside its home market, Fortis Bank concentrates on selected market segments. Its business is subject to examination and regulation by the Belgian Banking and Finance Commission.

As of December 31, 2004 Fortis Bank had total assets of EUR 484.2 billion.

Fortis Bank's Connecticut branch (the “Connecticut Branch”) has been licensed by the Connecticut Department of Banking (the “Banking Department”) to conduct a wholesale banking business since October 9, 2002. The Connecticut Branch is subject to examination by the Banking Department and the Federal Reserve Bank of New York. In addition, the Connecticut Branch is required to file periodic and

other reports containing financial information with the Banking Department and the Federal Reserve Bank of New York.

Additional information, including the Fortis Annual Report for 2004, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to Fortis Bank, 301 Tresser Boulevard, Stamford, Connecticut, 06301. This information is also available at [www.Fortis.com](http://www.Fortis.com).

The financial statements appearing in the Fortis Annual Report for 2004 were prepared in accordance with Belgian accounting standards, which differ from generally accepted accounting principles in use in the United States.

The information under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 SUBORDINATE LIEN BONDS—The Bank” has been obtained from Fortis Bank, which is solely responsible for its content. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of Fortis Bank since the date hereof, or that the information contained or referred to under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 SUBORDINATE LIEN BONDS—The Bank” is correct as of any time subsequent to its date.

### **Pledge of Available Revenue**

The Series 2005 Subordinate Lien Bonds are revenue obligations of the Port payable solely from and secured by drawings under the Letter of Credit (or an alternate credit facility if the Letter of Credit is no longer in effect) and a pledge of Available Revenue.

The Series 2005 Subordinate Lien Bonds are secured by a pledge of Available Revenue on a parity with the Port's Subordinate Lien Revenue Notes (Commercial Paper), authorized to be issued from time to time in an aggregate principal amount of not to exceed \$250,000,000 (the “Commercial Paper Notes”), the Port’s Subordinate Lien Revenue Bonds, Series 2003C (the “Series 2003C Bonds”), the Port’s Subordinate Lien Revenue Bonds, Series 1999A and Series 1999B (the “Series 1999 Bonds”), the Port’s Subordinate Lien Refunding Revenue Bonds, Series 1998 (the “Series 1998 Bonds”) and the Port’s Subordinate Lien Revenue Bonds, Series 1997 (the “Series 1997 Bonds”) and any revenue bonds that may be issued by the Port in the future on a parity of lien with the Series 2005 Subordinate Lien Bonds. As of August 10, 2005, \$616,380,000 aggregate principal amount of the Series 2003C Bonds, the Commercial Paper Notes, the Series 1999 Bonds, the Series 1998 Bonds and the Series 1997 Bonds are outstanding. The Series 2003C Bonds, the Commercial Paper Notes, the Series 1999 Bonds, the Series 1998 Bonds and the Series 1997 Bonds are referred to collectively in this Official Statement as the “Outstanding Subordinate Lien Parity Bonds.” The Outstanding Subordinate Lien Parity Bonds together with any revenue bonds that may be issued in the future on a parity of lien with the Outstanding Subordinate Lien Parity Bonds (the “Future Subordinate Lien Parity Bonds”) are referred to collectively in this Official Statement as the “Subordinate Lien Parity Bonds.”

“Available Revenue” means Gross Revenue (defined below) of the Port after payment of (i) all Operating Expenses (defined below) not paid from other sources; (ii) all payments, including sinking fund payments, required to be made into the debt service accounts for First Lien Parity Bonds; (iii) payments required to be made into any reserve accounts maintained for First Lien Parity Bonds; and (iv) all payments required to be made into any other redemption fund and debt service accounts that may be created in the future to pay and secure the payment of the principal of and premium, if any, and interest on any revenue bonds or other revenue obligations of the Port having liens on Net Revenues (defined below) junior and inferior to the lien of the First Lien Parity Bonds but prior to the lien of the Subordinate

Lien Parity Bonds, including without limitation the Intermediate Lien Parity Bonds. The First Lien Parity Bonds, the Intermediate Lien Parity Bonds and any revenue bonds with a lien on Net Revenues that is junior and inferior to the lien of the First Lien Parity Bonds but prior to the lien of the Subordinate Lien Parity Bonds, including without limitation the Intermediate Lien Parity Bonds, are referred to collectively in the Resolution as “Permitted Prior Lien Bonds.”

As used in this Official Statement, “First Lien Parity Bonds” means revenue bonds of the Port that have been or that in the future may be issued by the Port as “Parity Bonds” under Resolution No. 3059, as amended, adopted by the Commission on February 2, 1990, as amended and supplemented from time to time (the “First Lien Master Resolution”). As of August 10, 2005, \$1,345,715,000 aggregate principal amount of First Lien Parity Bonds are outstanding under the First Lien Master Resolution. “Intermediate Lien Parity Bonds” are revenue bonds of the Port that have been or that in the future may be issued by the Port as “Intermediate Lien Parity Bonds” under Resolution No. 3540, as amended, adopted by the Commission on June 14, 2005 (the “Intermediate Lien Master Resolution”). As of August 10, 2005, \$413,990,000 aggregate principal amount of Intermediate Lien Parity Bonds are outstanding under the Intermediate Lien Master Resolution and the Port has entered into an agreement to issue an additional \$40,120,000 of Intermediate Lien Bonds on or about June 6, 2006.

The Resolution provides for the creation of a bond fund (the “Series 2005 Subordinate Lien Bond Fund”) and provides that the Series 2005 Subordinate Lien Bonds are obligations only of the Series 2005 Subordinate Lien Bond Fund. In the Resolution, the Port irrevocably obligates and binds itself for so long as any Series 2005 Subordinate Lien Bonds remain Outstanding to set aside and pay into the Series 2005 Subordinate Lien Bond Fund from Available Revenue or money in the Revenue Fund (defined below), on or prior to the respective dates on which the same become due, the principal of, and premium, if any, and interest on the Outstanding Series 2005 Bonds. See Section 5.01 of the Resolution in Appendix 3 to this Official Statement. The Resolution provides that the Port may adopt a resolution obligating and binding the Port to set aside and to pay any part or parts of, all or a fixed proportion of or a fixed amount of, other receipts (not previously included in Gross Revenue) at any time as additional security for any one or more series of Subordinate Lien Parity Bonds, provided that the Port also obligates and binds itself to set aside and to pay such receipts for the benefit of Permitted Prior Lien Bonds.

As defined in the Resolution, “Gross Revenue” means all income and revenue derived by the Port from any source whatsoever except: (i) the proceeds of any borrowing by the Port and the earnings thereon (other than the earnings on proceeds deposited in reserve funds), (ii) income and revenue which may not legally be pledged for revenue bond debt service (including the Tax Levy, as described in Appendix C to the June 23 Official Statement), (iii) passenger facility charges, head taxes, federal grants or substitutes therefor allocated to capital projects, (iv) payments made under Credit Facilities issued to pay or secure a particular series of bonds, (v) insurance or condemnation proceeds other than business interruption insurance, (vi) income and revenue of the Port separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds of the Port issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, provided that the withdrawal from Gross Revenue of any income or revenue derived or to be derived by the Port from any income-producing facility that was contributing to Gross Revenue prior to the issuance of any Special Revenue Bonds is not permitted, and (vii) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the Port.

The principal of and interest on the Series 2005 Subordinate Lien Bonds are payable from and are secured by a subordinate lien on Net Revenues of the Port, after the payment of Permitted Prior Lien Bonds. As defined in the Resolution, “Net Revenues” means Gross Revenue less any part thereof that must be used to pay Operating Expenses.

“Operating Expenses” means the current expenses incurred for operation or maintenance of the Facilities (other than Special Facilities), as defined under generally accepted accounting principles, in effect from time to time, excluding any allowances for depreciation or amortization or interest on any obligations of the Port incurred in connection with and payable from Gross Revenue.

The Port is permitted but not obligated to pay Operating Expenses (but not revenue bond debt service) with the portion of the Tax Levy remaining after the payment of the Port’s outstanding limited tax general obligation bonds. In calculating debt service coverage on the Port’s Permitted Prior Lien Bonds and Subordinate Lien Parity Bonds, the Port credits against Operating Expenses (for purposes of such debt service calculation only) the remaining amount of Tax Levy funds. See Appendix C to the June 23 Official Statement for information concerning the Tax Levy. No property or property tax revenues secure the repayment of the Subordinate Lien Parity Bonds, including the Series 2005 Subordinate Lien Bonds.

### **Flow of Funds**

Pursuant to the Resolution, all Gross Revenue must be deposited in a fund or funds held by the Treasurer of the Port (the “Revenue Fund”) and held separate and apart from all other funds and accounts of the Port.

As required by the Resolution, Gross Revenue deposited in the Revenue Fund is to be applied by the Port as follows:

*First*, to pay Operating Expenses not paid from other sources (such as the Tax Levy);

*Second*, to make all payments, including sinking fund payments, required to be made into the debt service account(s) of any redemption fund to pay the principal of and premium, if any, and interest on any First Lien Parity Bonds;

*Third*, to make all payments required to be made into any reserve account(s) to secure the payment of any First Lien Parity Bonds;

*Fourth*, to make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of the Port having a lien upon the Net Revenues and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of and interest on any First Lien Parity Bonds but prior to the lien thereon of the Subordinate Lien Parity Bonds, including without limitation the Intermediate Lien Parity Bonds;

*Fifth*, to make payments necessary to be paid into any bond fund or debt service account created to pay the debt service on the Subordinate Lien Parity Bonds, including, but not limited to the Subordinate Lien Bond Fund to pay the principal and interest on Subordinate Lien Parity Bonds;

*Sixth*, to make all payments required to be made into the reserve account(s) securing Subordinate Lien Parity Bonds;

*Seventh*, to make all payments required to be made into the Repair and Renewal Fund pursuant to the terms of the First Lien Master Resolution to maintain any required balance therein; and

*Eighth*, to retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the Port as authorized in the various resolutions of the Commission authorizing

their issuance or to make necessary additions, betterments, improvements and repairs to or extension and replacements of the Facilities or any other lawful Port purposes.

### **Subordinate Lien Rate Covenant**

Under the Resolution and the resolutions for the Outstanding Subordinate Lien Parity Bonds the Port has covenanted with the owners and holders of each of the Subordinate Lien Parity Bonds and the applicable reimbursement bond(s) relating to the letters of credit securing the payment of the Series 2005 Subordinate Lien Bonds, the Commercial Paper Notes and the Series 1997 Bonds that, for so long as any of the Subordinate Lien Parity Bonds remain outstanding, the Port will, at all times, establish, maintain and collect rentals, tariffs, rates, fees and charges in the operation of all of its business that will produce Available Revenue in each fiscal year at least equal to the amounts required to be deposited during such fiscal year from Net Revenues into the Subordinate Lien Bond Fund, any other bond fund established for the benefit of Subordinate Lien Parity Bonds and any fund established or maintained to pay any Port Payments due with respect to any Derivative Product and any other amounts due to the Credit Facility issuers and Liquidity Facility issuers for the Subordinate Lien Parity Bonds or to the extent not otherwise provided for, any Reciprocal Payor, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service or other money irrevocably set aside for such payment (the “Subordinate Lien Rate Covenant”).

Under the Resolution and the resolutions for the Outstanding Subordinate Lien Parity Bonds, the Port covenants that if the Available Revenue in any fiscal year is less than required to fulfill the Subordinate Lien Rate Covenant, the Port will retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges; and that upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commission, on the basis of such recommendations and other available information, will establish rentals, tariffs, rates, fees and charges for services and operations which will be necessary to meet the Subordinate Lien Rate Covenant in the fiscal year during which such adjustments are made. The Resolution and the resolutions for the Outstanding Subordinate Lien Parity Bonds provide that if the Commission has taken such steps and the Available Revenue in the fiscal year in which adjustments are made nevertheless is not sufficient to meet the Subordinate Lien Rate Covenant, there shall be no default during such fiscal year, unless the Port fails to meet the Subordinate Lien Rate Covenant for two consecutive fiscal years.

### **Other Covenants**

The Port has made a number of other covenants in the Resolution for the benefit of the holders and owners from time to time of the Series 2005 Subordinate Lien Bonds. See Sections 5.05 and 5.08 of the Resolution in Appendix 3 to this Official Statement.

### **Permitted Prior Lien Bonds**

**Additional First Lien Parity Bonds.** The First Lien Master Resolution provides that the Port may issue bonds having a lien and charge upon the Net Revenues equal to that of the outstanding First Lien Parity Bonds (the “Additional First Lien Parity Bonds”) if (i) the Port has not been in default of its First Lien Bond rate covenant set forth in the First Lien Master Resolution for the immediately preceding fiscal year and (ii) a certificate prepared by either a Consultant or the Port is filed demonstrating fulfillment of the First Lien Bond Coverage Requirement (defined below) for the first full fiscal year following the earlier of (a) the Date of Commercial Operation of the Facilities to be financed with the proceeds of the Additional First Lien Parity Bonds or (b) the date on which any portion of interest on the Additional First Lien Parity Bonds then being issued will no longer be paid from the proceeds of such Additional First

Lien Parity Bonds, and for the following two fiscal years. As defined in the First Lien Master Resolution, the Coverage Requirement for the First Lien Parity Bonds (the “First Lien Bond Coverage Requirement”) means Net Revenues equal to or greater than 135 percent of Aggregate Annual Debt Service (as defined in the First Lien Master Resolution) for all outstanding First Lien Parity Bonds and all First Lien Parity Bonds authorized but unissued. Net Revenues are to be based upon the financial statements of the Port for the Base Period (defined below), in the case of a certificate filed by the Port, and upon Net Revenues for the Base Period with such adjustments as the Consultant deems reasonable, in the case of a certificate filed by a Consultant. Under the First Lien Master Resolution, “Date of Commercial Operation” means the date on which the Facilities (as defined in the First Lien Master Resolution) are first ready for normal continuous operation, or if portions of the Facilities are placed in normal continuous operation at different times, the midpoint of the dates of continuous operation of all portions of such Facilities, as estimated by the Port, or if used with reference to Facilities to be acquired, the date on which such acquisition is final. “Base Period” means any consecutive 12-month period selected by the Port out of the 30-month period next preceding the date the Additional First Lien Parity Bonds are issued.

Under the First Lien Master Resolution, Additional First Lien Parity Bonds may be issued without satisfying the requirements described above for (i) refunding purposes under certain conditions or (ii) paying Costs of Construction for Facilities for which First Lien Parity Bonds have been issued previously if the principal amount of the Additional First Lien Parity Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15 percent of the principal amount of First Lien Parity Bonds theretofore issued for such Facilities and reasonably allocable to the Facilities to be completed (as shown in a written certificate of a Designated Port Representative) and if a Consultant’s certificate is delivered stating that the nature and purpose of the Facilities has not changed materially. The First Lien Master Resolution also permits the Port to issue refunding First Lien Parity Bonds without satisfying the First Lien Coverage Requirement if the Maximum Annual Debt Service to be outstanding after the issuance of the refunding First Lien Parity Bonds will not be greater than Maximum Annual Debt Service were such refunding not to occur.

The First Lien Master Resolution also provides that if and to the extent specified in a series resolution authorizing Additional First Lien Parity Bonds, the obligation of the Port to reimburse the provider of a Credit Facility (a “Repayment Obligation”) may be secured by a pledge of and a lien on Net Revenues on a parity with any other outstanding First Lien Parity Bonds.

**Additional Intermediate Lien Parity Bonds.** The Intermediate Lien Master Resolution provides that the Port may issue bonds having a lien and charge upon the Net Revenues of the Port equal to that of Outstanding Intermediate Lien Parity Bonds (“Available Intermediate Lien Revenues”) if the Port is not in default under the Intermediate Lien Master Resolution and if the Port meets the conditions described below under “Certificate Required” or “No Certificate Required.” If Intermediate Lien Debt Service Offsets or Prior Lien Debt Service Offsets are or have been used in determining compliance with the Intermediate Lien Rate Covenant, then for purposes of meeting the conditions for the issuance of additional Intermediate Lien Parity Bonds, the Port is required to identify and to pledge irrevocably for a period not less than the duration of the Certificate Period the receipts that constitute such Debt Service Offset.

The Intermediate Lien Master Resolution defines “Intermediate Lien Debt Service Offsets” as receipts of the Port that are not included in Gross Revenue and that are legally available and/or pledged by the Port to pay debt service on Intermediate Lien Parity Bonds, but excluding any receipts that have been designated as Prior Lien Debt Service Offsets. “Prior Lien Debt Service Offsets” are receipts of the Port that are not included in Gross Revenue and that are legally available and/or pledged by the Port to pay debt service on Bonds that are senior to the Intermediate Lien Parity Bonds.

Under the Intermediate Lien Master Resolution, “Certificate Period” means a period commencing with the year of issuance of the proposed series of Intermediate Lien Parity Bonds and ending with the third complete fiscal year following the earlier of (i) the projected Date of Commercial Operation of the facilities to be financed with the proceeds of the proposed Intermediate Lien Parity Bonds; or (ii) the date on which no portion of the interest on the proposed series of Intermediate Lien Parity Bonds will be paid from the proceeds of such Intermediate Lien Parity Bonds (such date to be determined in accordance with the Port’s proposed schedule of expenditures).

***Certificate Required.*** The Port is required to deliver prior to the date of issuance of additional Intermediate Lien Parity Bonds, either (1) a certificate prepared as described below and executed by the Designated Port Representative stating that Available Intermediate Lien Revenues as First Adjusted during any consecutive 12 month period selected by the Designated Port Representative out of the 30 month period next preceding the date of issuance of an additional series of Intermediate Lien Parity Bonds (the “Base Period”) were at least equal to 110 percent of Annual Debt Service in each year of the Certificate Period with respect to all Intermediate Lien Parity Bonds then Outstanding and then proposed to be issued; or (2) a Consultant’s certificate, prepared as described below, stating that projected Available Intermediate Lien Revenues as First Adjusted will be at least equal to 110 percent of Annual Debt Service in each year of the Certificate Period. If Intermediate Lien Debt Service Offsets or Prior Lien Debt Service Offsets are or have been used to comply with the Intermediate Lien Rate Covenant, then for purposes of meeting the conditions described in clause (1) or (2) of this paragraph, the Port is required to identify and irrevocably pledge the receipts that constitute such Intermediate Lien Debt Service Offsets or Prior Lien Debt Service Offsets for a period not less than the duration of the Certificate Period.

The certificate described in clause (1) of the preceding paragraph is required to be based upon the financial statements of the Port for the Base Period, corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor’s office of the State, or by an independent certified public accounting firm for the Base Period. In making the computations of projected Available Intermediate Lien Revenues in connection with the certificate described in clause (2) of the preceding paragraph, the Consultant is required to use as a basis the Available Intermediate Lien Revenues for the Base Period corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor’s office of the State, or by an independent certified public accounting firm for the Base Period. The Intermediate Lien Master Resolution requires the Consultant to make such adjustments to Available Intermediate Lien Revenues (including those described in establishing Available Intermediate Lien Revenues as First Adjusted) to compute projected Available Intermediate Lien Revenues as such Consultant deems reasonable as set forth in writing to the Port.

“Available Intermediate Lien Revenues as First Adjusted” is defined in the Intermediate Lien Master Resolution as Available Intermediate Lien Revenues increased (without duplication) by Prior Lien Debt Service Offsets identified by the Port in a certificate of the Designated Port Representative and subject to further adjustment to reflect the following: (a) the intent of the Port that regularly scheduled net payments under derivative products (interest rate hedges) with respect to Port revenue obligations (regardless of lien position) be reflected in the calculation of debt service obligations with respect to those revenue obligations and not as adjustments to Gross Revenue or Operating Expenses; and (b) Gross Revenue and Operating Expenses may be adjusted, regardless of then applicable generally accepted accounting principles, for certain items (e.g., to omit) in order to more fairly reflect the Port’s annual operating performance.

***No Certificate Required.*** The Port is authorized under the Intermediate Lien Master Resolution to issue Intermediate Lien Parity Bonds without providing either of the certificates described under the heading “Certificate Required” if (i) the Intermediate Lien Parity Bonds are being issued to refund Intermediate

Lien Parity Bonds and either (A) the latest maturity of the Intermediate Lien Parity Bonds to be issued is not later than the latest maturity of the Intermediate Lien Parity bonds to be refunded and the increase in Annual Debt Service as result of such refunding in any year is less than the greater of \$25,000 or five percent of such Annual Debt Service or (B) the latest maturity of the Intermediate Lien Parity Bonds to be issued is later than the latest maturity of the Intermediate Lien Parity Bonds to be refunded and the Maximum Annual Debt Service on all Intermediate Lien Parity Bonds to be Outstanding after the issuance of the refunding Intermediate Lien Parity Bonds is not greater than Maximum Annual Debt Service were such refunding not to occur; (ii) the Intermediate Lien Bonds are being issued to refund Intermediate Lien Parity Bonds or Permitted Prior Lien Bonds within one year prior to maturity or mandatory redemption if sufficient moneys are not expected to be available; or (iii) the Intermediate Lien Parity Bonds are being issued to pay Costs of Construction of Facilities for which indebtedness has been issued previously if the principal amount of such indebtedness being issued for completion purposes does not exceed an amount equal to an aggregate of 15 percent of the principal amount of indebtedness previously issued for such Facilities as shown in a written certificate of the Designated Port Representative stating that the scope, nature and purpose of such Facilities has not materially changed and that the net proceeds of such indebtedness being issued for completion purposes will be sufficient, together with other available funds of the Port, to complete such Facilities.

**Other Permitted Prior Lien Bonds.** The Port reserves the right to issue obligations having lien(s) on Net Revenues junior and inferior to the lien of the First Lien Parity Bonds but prior to the lien of the Intermediate Lien Parity Bonds (“Other Permitted Prior Lien Bonds”), payable from Net Revenues available after payment of the amounts described above in paragraphs “First” through “Third” under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 SUBORDINATE LIEN BONDS—Flow of Funds.” The Port has not issued any Other Permitted Prior Lien Bonds, but the Port at any time could choose to do so and under certain very limited circumstances the Port could in the future be required to do so. See “OUTSTANDING PORT INDEBTEDNESS—Terminal 18 Bonds” in the June 23 Official Statement.

### **Future Subordinate Lien Parity Bonds**

The Resolution and the resolutions for the Outstanding Subordinate Lien Parity Bonds provide that the Port may issue additional revenue bonds that constitute a charge and lien upon the Available Revenue equal to the lien thereon of the Outstanding Subordinate Lien Parity Bonds (“Future Subordinate Lien Parity Bonds”) if the following conditions are satisfied: (i) on the date of issuance of such Future Subordinate Lien Parity Bonds (other than certain Future Subordinate Lien Parity Bonds issued for refunding purposes), the Port is not in default under the Resolution and (ii) a certificate is filed with the Port demonstrating satisfaction of the Subordinate Lien Parity Test (1) commencing with the earlier of (A) the Date of Commercial Operation of the Facilities to be refinanced with the proceeds of the Future Subordinate Lien Parity Bonds or (B) the date on which any portion of the interest on the Future Subordinate Lien Parity Bonds then being issued no longer will be paid from the proceeds of such Bonds, and (2) for each of two following Fiscal Years. The “Subordinate Lien Test” means Available Revenue is equal to or greater than 1.5 times of Aggregate Annual Debt Service (as defined in the Resolution). See Appendix 3 to this Official Statement for definitions of “Aggregate Annual Debt Service” and “Annual Debt Service.”

Future Subordinate Lien Parity Bonds may also be issued under the Resolution without a certificate (i) if the Future Subordinate Lien Parity Bonds are being issued for refunding purposes under certain conditions or (ii) if the Future Subordinate Lien Parity Bonds are being issued to pay Costs of Construction of Facilities for which any indebtedness (junior or senior to or on a parity with the Subordinate Lien Parity Bonds) has been issued previously and if the principal amount of such indebtedness being issued for completion purposes does not exceed an amount equal to an aggregate of 15

percent of the principal amount of indebtedness theretofore issued for such Facilities and reasonably allocable to the Facilities to be completed as shown in a written certificate of the Designated Port Representative, and if a Consultant's certificate is delivered stating that the nature and purpose of such Facilities have not materially changed. See Sections 5.04(b) and (c) of the Resolution in Appendix 3 to this Official Statement for conditions that must be satisfied prior to the issuance by the Port of Future Subordinate Lien Parity Bonds.

For a discussion of the Port's future financing plans and needs, see "CAPITAL PLAN FUNDING" in the June 23 Official Statement and the Report of the Independent Consultant in Appendix B to the June 23 Official Statement.

### **Defaults and Remedies; No Acceleration**

The Resolution provides certain actions registered owners of the Series 2005 Subordinate Lien Bonds may take following the occurrence of a Default under the Resolution. See Section 5.09 of the Resolution in Appendix 3 to this Official Statement. The Resolution also provides that, upon the occurrence and continuation of a Default, the Bank shall be entitled to exercise, on behalf of the Bondowners, any of the remedies provided under the Resolution and, for as long as the Bank is not in default of its obligations under the Credit Facility, the Bank shall be the only party entitled to exercise the remedies provided under this section. See Section 5.09 of the Resolution in Appendix 3 to this Official Statement.

Upon the occurrence and continuance of a Default under the Resolution, payment of the principal of and accrued interest on the Series 2005 Subordinate Lien Bonds, is not subject to acceleration. See Section 5.09 of the Resolution in Appendix 3 to this Official Statement. Payments of debt service on Subordinate Lien Parity Bonds are required to be made only as they become due. In the event of multiple defaults in payment of principal or interest on the Series 2005 Subordinate Lien Bonds, the Series 2005 Subordinate Lien Bond owners could be required to bring a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies.

### **Debt Payment Record**

Since its creation, the Port has not been in default in the payment of principal of or interest on any of its bond indebtedness or in any other material respect, nor have any material agreements or legal proceedings with respect thereto been declared invalid or unenforceable.

## **THE PORT OF SEATTLE**

The Port is a municipal corporation of the State of Washington, organized on September 5, 1911 and governed by a commission of five members elected at large by voters in King County (the "County"). The Port owns and operates Seattle-Tacoma International Airport (the "Airport"), three container shipping terminals and various other facilities in the Seattle Harbor. In 2004, the Aviation and Seaport Divisions accounted for 71 percent and 29 percent, respectively, of the Port's total operating revenues. For more information about the Port, please refer to the Incorporated Materials in the June 23 Official Statement.

Since the release of the June 23 Official Statement, Southwest Airlines has submitted a specific proposal to the County to relocate its operations from the Airport to King County International Airport. In the proposal, Southwest Airlines proposes to fund and build a \$130 million terminal and parking facility; other improvements would be provided by the County. Southwest Airlines represented approximately 7.8% of passenger enplanements at the Airport in 2004. The Port is in the process of reviewing the

implications to the Airport of a relocation of Southwest Airlines' service, including options for delaying certain capital projects. No action has been taken on the Southwest proposal, and it is unclear when any decision will be made. The Port cannot predict the outcome of discussions between the County and Southwest Airlines.

The Port's businesses are subject to a number of risk factors that may adversely affect the Port's revenues. This Official Statement (which includes the Incorporated Materials) describes the Port's businesses and business environments, including risks, but it is impossible for the Port to anticipate all risks associated with its operations.

## **LITIGATION**

### **No Litigation Concerning the Series 2005 Subordinate Lien Bonds**

As of the date of this Official Statement, there is no litigation, to the knowledge of the Port, pending or threatened, challenging the authority of the Port to issue the Series 2005 Subordinate Lien Bonds or seeking to enjoin the issuance of the Series 2005 Subordinate Lien Bonds.

### **Other Litigation**

The Port is a defendant in various legal actions and claims that arise during the normal course of business. Some of these claims may be covered by insurance. As of August 9, 2005 the Port is not aware of any legal actions that, in the opinion of Port management, will have a material adverse effect on the financial position, operations or cash flows of the Port.

## **TAX EXEMPTION**

In the opinion of Preston Gates & Ellis LLP, Seattle, Washington, Bond Counsel, assuming compliance with certain covenants of the Port, interest on the Series 2005 Subordinate Lien Bonds is excluded from gross income for federal income tax purposes under existing law, except for any Series 2005 Subordinate Lien Bond with respect to any period during which such Series 2005 Subordinate Lien Bond is held by a "substantial user" of the facilities being financed or refinanced by the Series 2005 Subordinate Lien Bonds or a "related person" to such substantial user within the meaning of Section 147 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2005 Subordinate Lien Bonds is a preference item for purposes of determining the alternative minimum tax imposed on individuals and corporations. Interest on a Series 2005 Subordinate Lien Bond owned by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the earnings and profits of the corporate owner.

The Code sets forth certain requirements that must be met subsequent to the issuance and delivery of the Series 2005 Subordinate Lien Bonds for interest on the Series 2005 Subordinate Lien Bonds to remain excluded from gross income for federal income tax purposes. The Port has covenanted to comply with such requirements. Noncompliance with such requirements may cause the interest on the Series 2005 Subordinate Lien Bonds to be included in gross income of the owners of the Series 2005 Subordinate Lien Bonds for federal income tax purposes, retroactive to the date of issue of the Series 2005 Subordinate Lien Bonds. Bond Counsel's opinion assumes compliance with these covenants, and Bond Counsel has not undertaken to determine, or to inform any person, whether any actions taken or not taken, or events occurring or not occurring, after the date of issuance of the Series 2005 Subordinate Lien Bonds may affect the tax status of interest on the Series 2005 Subordinate Lien Bonds.

The Series 2005 Subordinate Lien Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.

Interest on a Series 2005 Subordinate Lien Bond owned by a foreign corporation may be subject to the branch profits tax imposed by the Code. Ownership of the Series 2005 Subordinate Lien Bonds may give rise to collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2005 Subordinate Lien Bonds. Bond Counsel expresses no opinion as to any such collateral federal income tax consequences.

The initial public offering price for certain maturities of the Series 2005 Subordinate Lien Bonds are greater than the amount payable with respect to the Series 2005 Subordinate Lien Bonds at maturity. Bond Counsel expresses no opinion with respect to the treatment of this additional amount.

### **RATINGS**

Moody’s Investors Service (“Moody’s”), Standard and Poor’s, a Division of the McGraw-Hill Companies, Inc. (“S&P”) and Fitch Ratings Inc. (“Fitch”) have assigned their ratings of “Aa3/VMIG1,” “AA-/A-1+” and “AA-/F1+” respectively, for the Series 2005 Subordinate Lien Bonds, with the understanding that upon issuance of the Series 2005 Subordinate Lien Bonds, the Letter of Credit will be issued by the Bank. “Aa3,” “AA-” and “AA-” are the long-term ratings on the Series 2005 Subordinate Lien Bonds, and “VMIG1,” “A-1+” and “F1+” are the ratings on the obligations to purchase the Bonds tendered or required to be tendered for purchase. Certain information was supplied by the Port to such rating agencies to be considered in evaluating the Series 2005 Subordinate Lien Bonds.

The foregoing ratings express only the views of the rating agencies and are not recommendations to buy, sell or hold the Series 2005 Subordinate Lien Bonds. An explanation of the significance of each of the ratings may be obtained from the rating agency furnishing the rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, or any of them, if, in their or its judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2005 Subordinate Lien Bonds.

### **THE REGISTRAR**

The principal of, interest on, and redemption premium, if any, of the Series 2005 Bonds are payable by the fiscal agency of the State of Washington, currently The Bank of New York in New York, New York (the “Registrar”). For so long as the Series 2005 Bonds remain in a “book-entry only” transfer system, the Registrar will make such payments to The Depository Trust Company, New York, New York (“DTC”), which, in turn, is obligated to remit such principal payments to the DTC participants for subsequent disbursement to the Beneficial Owners of the Series 2005 Subordinate Lien Bonds. See Appendix 2 to this Official Statement.

### **INDEPENDENT CONSULTANT**

The Report of the Independent Consultant, prepared by Leigh Fisher Associates and dated June 14, 2005, has been included by reference in this Official Statement with the consent of Leigh Fisher and Associates, the Independent Consultant, and its subconsultant, BST Associates, and in reliance upon the Independent Consultant’s and BST Associates’ expertise in airport and seaport matters. From time to time, Leigh

Fisher Associates and BST Associates each prepares studies and projections for the Port for use by the Port in its planning activities. The Report of the Independent Consultant speaks only as of its date and the Independent Consultant has not updated the Report of the Independent Consultant in connection with the release of this Official Statement.

As noted in the Report of the Independent Consultant, Leigh Fisher Associates believes the underlying approach and assumptions utilized in its Report are reasonable as of the date of the Report of the Independent Consultant. Any projection, however, is subject to uncertainties and inevitably some assumptions regarding future trends will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the projected and actual results, and differences may be material. Events have occurred since the date of the Report of the Independent Consultant that were not accounted for in the Report of the Independent Consultant. Leigh Fisher Associates has informed the Port that if such events were incorporated in the analysis conducted to complete the Report of the Independent Consultant, they could affect the assumptions used in Leigh Fisher Associates' analysis, as well as the findings and conclusions described in the Report of the Independent Consultant. See "THE PORT OF SEATTLE" in this Official Statement and Appendix B to the June 23 Official Statement. The Report of the Independent Consultant should be read in its entirety and in conjunction with the rest of this Official Statement.

### **UNDERWRITING**

The Series 2005 Subordinate Lien Bonds are to be purchased from the Port at an aggregate purchase price of \$62,730,561.75 (representing the principal amount of the Series 2005 Subordinate Lien Bonds less Underwriter's discount of \$194,438.25), subject to the terms of a bond purchase contract between the Port and the Underwriter. The bond purchase contract provides that the Underwriter will purchase all of the Series 2005 Subordinate Lien Bonds if any are purchased and that the obligation of the Underwriter to accept and pay for the Series 2005 Subordinate Lien Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters.

### **INDEPENDENT AUDITORS**

The financial statements of the Enterprise Fund and the Pension Trust Fund of the Port of Seattle as of and for the years ended December 31, 2004 and 2003, and for the year ended December 31, 2002 for the Enterprise Fund, and as of and for the period from May 25, 2004 (inception) through December 31, 2004 for the Pension Trust Fund, included by reference in this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in Appendix A to the June 23 Official Statement.

### **MISCELLANEOUS**

The purpose of this Official Statement is to supply information to purchasers of the Series 2005 Subordinate Lien Bonds. The summaries provided in this Official Statement and in the appendices attached hereto of the Series 2005 Subordinate Lien Bonds and the documents referred to herein do not purport to be comprehensive or definitive, and all references to the documents summarized are qualified in their entirety by reference to each such document. All references to the Series 2005 Subordinate Lien Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of the documents referred to herein are available for inspection during the period of the offering at the principal office of the Port.

Certain statements contained in this Official Statement, including the Incorporated Materials, reflect not historical facts but forecasts and "forward-looking statements." No assurance can be given that the future



**(This Page Intentionally Left Blank)**

**APPENDIX 1**

**PROPOSED FORM OF BOND COUNSEL OPINION**

August 17, 2005

Port of Seattle  
Seattle, Washington

UBS Financial Services Inc.  
Seattle, Washington

Fortis Bank S.A./N.V.,  
acting through its Connecticut Branch  
New York, New York

Re: Port of Seattle Subordinate Lien Revenue Bonds, Series 2005

Ladies and Gentlemen:

We have acted as Bond Counsel to the Port of Seattle, Washington (the "Port") and have examined a certified transcript of the proceedings taken in the matter of the issuance by the Port of its Subordinate Lien Revenue Bonds, Series 2005, dated August 17, 2005, in the aggregate principal amount of \$\_\_\_\_\_ (the "Series 2005 Bonds"). The Series 2005 Bonds are issued pursuant to Resolution No. 3544, as amended of the Port (the "Bond Resolution") for the purpose of financing airport capital improvements. Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Bond Resolution.

The Series 2005 Bonds are subject to redemption prior to maturity as provided in the Bond Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the Port contained in the Bond Resolution and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

From such examination it is our opinion, as of this date and under existing law, that:

1. The Bonds have been legally issued and constitute valid special obligations of the Port, both principal thereof and interest thereon being payable solely out of a special fund of the Port known as the "Port of Seattle Subordinate Lien Bond Fund, Series 2005" (the "Bond Fund"), except to the extent that the enforcement of the rights and remedies of such owners of

the Series 2005 Bonds may be limited by laws relating to bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. The Port has obligated and bound itself to set aside and pay into the Bond Fund out of Available Revenue amounts sufficient to pay the principal of and interest on the Bonds as the same become due. The Port has further bound itself to pay into the Revenue Fund, as collected, all Gross Revenue.

3. The Port has pledged in the Bond Resolution that payments to be made out of Available Revenue into the Bond Fund shall be a prior lien and charge upon Gross Revenue superior to all other charges of any kind or nature whatsoever except for Operating Expenses and except for the lien on Gross Revenue of the Permitted Prior Lien Bonds and except that the amounts so pledged are of equal lien to the liens and charges on Gross Revenue of the Port's outstanding Subordinate Lien Revenue Bonds, Series 1997, Subordinate Lien Refunding Revenue Bonds, Series 1998, Subordinate Lien Refunding Revenue Bonds, Series 1999A and Series 1999B, Subordinate Lien Revenue Notes (Commercial Paper) and Subordinate Lien Revenue Bonds, Series 2003C. The Port has reserved the right to issue bonds in the future with a lien against the Available Revenue equivalent to the lien thereon of the Series 2005 Bonds.

4. Interest on the Series 2005 Bonds is excluded from gross income for federal income tax purposes under existing law; except for any Series 2005 Bond held by a "substantial user" of the facilities financed by the Series 2005 Bonds or a "related person" to such "substantial user" within the meaning of Section 147 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2005 Bonds is a preference item for purposes of computing the alternative minimum tax imposed on individuals and corporations. The opinions stated in this paragraph are subject to the condition that the Port comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2005 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Port has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2005 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2005 Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the Port to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

The Port has not designated the Series 2005 Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

Except as stated herein we express no opinion regarding any federal, state or local tax consequences arising with respect to ownership of the Series 2005 Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PRESTON GATES & ELLIS LLP

By  
Cynthia M. Weed

**(This Page Intentionally Left Blank)**

## APPENDIX 2

### BOOK-ENTRY SYSTEM

*The following information has been provided by The Depository Trust Company, New York, New York (“DTC”). The Port makes no representation regarding the accuracy or completeness thereof. Each actual purchaser of a Series 2005 Subordinate Lien Bond (a “Beneficial Owner”) should therefore confirm the following with DTC or the Participants (as hereinafter defined).*

DTC will act as securities depository for the Series 2005 Subordinate Lien Bonds. The Series 2005 Subordinate Lien Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2005 Subordinate Lien Bonds in the principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2005 Subordinate Lien Bonds under the DTC system, in denominations of \$5,000 or any integral multiple thereof, must be made by or through Direct Participants, which will receive a credit for the Series 2005 Subordinate Lien Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2005 Subordinate Lien Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005 Subordinate Lien Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2005 Subordinate Lien Bonds, except in the event that use of the book-entry system for the Series 2005 Subordinate Lien Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005 Subordinate Lien Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2005 Subordinate Lien Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 Subordinate Lien Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005 Subordinate Lien Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

When notices are given, they shall be sent by the Registrar to DTC only. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2005 Subordinate Lien Bonds within a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2005 Subordinate Lien Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Port as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2005 Subordinate Lien Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2005 Subordinate Lien Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Port or the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar, or the Port, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Port or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2005 Subordinate Lien Bonds at any time by giving reasonable notice to the Port and the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2005 Subordinate Lien Bond certificates are required to be printed and delivered.

The Port may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2005 Subordinate Lien Bond certificates will be printed and delivered.

The Series Resolution provides that with respect to Series 2005 Subordinate Lien Bonds registered on the Register in the name of Cede & Co., as nominee of DTC, the Port and the Registrar shall have no

responsibility or obligation to any Participant or to any person on behalf of whom a Participant holds an interest in the Series 2005 Subordinate Lien Bonds with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Series 2005 Subordinate Lien Bonds; (ii) the delivery to any Participant or any other person, other than a bond owner as shown on the Bond Register, of any notice with respect to the Series 2005 Subordinate Lien Bonds, including any notice of redemption; (iii) the payment to any Participant or any other person, other than a bond owner as shown on the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Series 2005 Subordinate Lien Bonds; (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2005 Subordinate Lien Bonds; (v) any consent given or action taken by DTC as registered owner; or (vi) any other matter. The Port and the Registrar may treat and consider Cede & Co., in whose name each Series 2005 Bond is registered on the Bond Register, as the holder and absolute owner of such Series 2005 Bond for the purpose of payment of principal and interest with respect to such Series 2005 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2005 Bond, for the purpose of registering transfers with respect to such Series 2005 Bond, and for all other purposes whatsoever. For the purposes of this Official Statement, the term “Beneficial Owner” shall include the person for whom the Participant acquires an interest in the Series 2005 Subordinate Lien Bonds.

**(This Page Intentionally Left Blank)**

**APPENDIX 3**

**COPY OF THE RESOLUTION**

**RESOLUTION NO. 3544**

A RESOLUTION of the Port Commission of the Port of Seattle, authorizing the issuance and sale of Subordinate Lien Revenue Bonds, Series 2005 in the aggregate principal amount not to exceed \$75,000,000, for the purpose of financing capital improvements; providing the date, form, terms, maturity, and method of determining interest rates of the Bonds; providing the covenants and conditions under which such Bonds will be issued; appointing a remarketing agent; providing for continuing disclosure; approving the forms of certain documents; and providing for the sale of the Bonds to UBS Financial Services.

WHEREAS, the Port of Seattle (the "Port"), a municipal corporation of the State of Washington, owns and operates Seattle-Tacoma International Airport and a system of marine terminals and properties; and

WHEREAS, certain facilities of the Port are in need of capital expansion and improvement; and

WHEREAS, the Port has authorized the issuance of revenue bonds in one or more series pursuant to Resolution No. 3059, as amended, of the Commission adopted on February 2, 1990, as amended by Resolution No. 3214, adopted on March 26, 1996, Resolution No. 3241, adopted on April 8, 1997, and Resolution No. 3436, adopted on July 11, 2000 (collectively, the "First Lien Master Resolution"), each series being payable from the Gross Revenue of the Port after payment of Operating Expenses (as such terms are defined in the First Lien Master Resolution); and

WHEREAS, the Port has issued and currently has outstanding nineteen series of first lien revenue bonds pursuant to the First Lien Master Resolution, as follows:

Resolution Number	Date of Issue		Original Principal Amt.	Currently Outstanding (6/2/05)	Final Maturity Dates
3111	04/01/1992	(A)	\$ 25,450,000	\$ 395,000	11/1/2005
3155	02/01/1994	(A)	27,135,000	17,495,000	12/1/2011
3155	02/01/1994	(C)	51,755,000	17,845,000	07/1/2009
3215	04/01/1996	(A)	31,820,000	31,820,000	09/1/2021
3215	04/01/1996	(B)	74,520,000	53,315,000	09/1/2017
3242	05/01/1997	(A)	120,375,000	120,375,000	10/1/2022
3242	05/01/1997	(B)	19,985,000	2,230,000	10/1/2005
3275	05/01/1998	(A)	73,180,000	32,640,000	06/1/2017
3430	08/10/2000	(A)	130,690,000	130,690,000	02/1/2030
3430	08/10/2000	(B)	221,590,000	210,125,000	02/1/2024
3430	09/06/2000	(D)	28,085,000	13,135,000	02/1/2011
3462/3467	10/17/2001	(A)	176,105,000	176,105,000	04/1/2031
3462/3467	10/17/2001	(B)	251,380,000	251,380,000	04/1/2024
3462/3467	10/17/2001	(C)	12,205,000	12,205,000	12/1/2014
3462/3467	08/07/2002	(D)	68,580,000	65,075,000	11/1/2017
3509	08/20/2003	(A)	190,470,000	190,470,000	07/1/2033
3509	08/20/2003	(B)	164,900,000	164,900,000	07/1/2029
3528	06/30/2004		24,710,000	23,380,000	06/1/2017

(the "Outstanding First Lien Bonds"); and

WHEREAS, each of the resolutions authorizing the issuance of the Outstanding First Lien Bonds permits the Port to issue its revenue bonds having a lien on Net

Revenues (as such term is defined in the First Lien Master Resolution) subordinate to the lien thereon of the Outstanding First Lien Bonds; and

WHEREAS, the Port has authorized the issuance of revenue bonds subordinate to the lien thereon of the Outstanding First Lien Bonds in one or more series pursuant to Resolution No. 3540, as amended, of the Commission adopted on June 14, 2005 (the "Intermediate Lien Master Resolution"); and

WHEREAS, the Port intends to issue its Intermediate Lien Revenue and Refunding Bonds, Series 2005A, its Intermediate Lien Revenue Refunding Bonds, Series 2005B, and its Intermediate Lien Revenue Refunding Bonds, Series 2005C, each series to be dated as of their date of delivery, in the aggregate principal amount of \$454,110,000 (together, the "Outstanding Intermediate Lien Bonds") pursuant to the Intermediate Lien Master Resolution and Resolution No. 3541, as amended, adopted on June 14, 2005 (the "Intermediate Lien Series Resolution"); and

WHEREAS, the First Lien Master Resolution and the Intermediate Lien Master Resolution permits the Port to issue its revenue bonds having a lien on Net Revenues (as such term is defined in the Intermediate Lien Master Resolution) subordinate to the lien thereon of the Intermediate Lien Bonds; and

WHEREAS, the Port has issued and currently has outstanding six series of subordinate lien revenue bonds, as follows:

Authorizing Resolution Number	Date of Original Issue	Original Principal Amt.	Currently Outstanding (6/2/05)	Final Maturity Dates
3238 <sup>1</sup>			\$	
	03/26/1997	\$108,830,000	108,830,000	09/01/2022
3276 <sup>2</sup>	05/01/1998	27,930,000	20,605,000	08/01/2017
3354 <sup>3</sup>	09/01/99 (A)	127,140,000	121,840,000	09/01/2024
3354 <sup>3</sup>	09/01/99 (B)	116,815,000	102,560,000	09/01/2016
3456	(CP)	250,000,000	59,255,000	06/01/2021
3510	08/20/03 (C)	200,000,000	200,000,000	07/01/2033

<sup>1</sup> Amended by Resolution No. 3351, as amended, adopted on August 24, 1999. The Subordinate Lien Revenue Bonds, 1997 were remarketed on September 1, 1999.

<sup>2</sup> Amended by Resolution No. 3353, as amended, adopted on August 24, 1999.

<sup>3</sup> Amended by Resolution No. 3496, as amended, adopted on November 12, 2002.

(the "Outstanding Subordinate Lien Bonds"); and

WHEREAS, each of the resolutions, as amended, authorizing the issuance of the Outstanding Subordinate Lien Bonds (identified in the chart above) authorized the Port to issue revenue obligations on a parity of lien therewith under certain conditions; and

WHEREAS, the Port has determined that such conditions will be met; and

WHEREAS, the Port Commission has held a public hearing on the issuance of the revenue bonds authorized

herein as required by Section 147(f) of the Internal Revenue Code, as amended; and

WHEREAS, it is necessary that the date, form, terms, maturity and method of determining interest rates of the subordinate lien revenue bonds be fixed and that the lien thereof on the Net Revenues of the Port be established as herein provided; and

WHEREAS, it is deemed necessary and desirable that subordinate lien revenue bonds be sold pursuant to the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF SEATTLE, WASHINGTON, as follows:

## ARTICLE I.

### DEFINITIONS; INTERPRETATION

**Section 1.01. Definitions.** Unless the context otherwise requires, the following terms shall have the following meanings:

**Accreted Value** means (a) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the initial principal amount of such Subordinate Lien Parity Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Subordinate Lien Parity Bonds plus the amount of discounted principal which has accreted since the date of issue. In each case the Accreted Value shall be determined in accordance with the provisions of the Subordinate Lien Resolution authorizing the issuance of such Subordinate Lien Parity Bonds.

**Aggregate Annual Debt Service** means Annual Debt Service for all Outstanding Subordinate Lien Parity Bonds and all Subordinate Lien Parity Bonds authorized but unissued under a Subordinate Lien Resolution unless such unissued Subordinate Lien Parity Bonds are authorized to provide permanent financing in connection with the issuance of short-term obligations, and, without duplication, Annual Debt Service with respect to any Derivative Product.

**Aggregate Interest Coverage** means, as of any date, the aggregate amount of Interest Coverage determined with respect to Bonds in the Commercial Paper Mode, including all Interest Periods then in effect.

**Annual Debt Service** means the total amount of Debt Service for any series of Outstanding Subordinate Lien Parity Bonds, and, without duplication, with respect to any Derivative Product, in any fiscal year or Base Period.

**Arbitrage and Tax Certification** means the certificate executed by the Designated Port Representative pertaining to the calculation of any Rebate Amount with respect to the Bonds.

**Authorized Denominations** means:

(a) with respect to Bonds in a Commercial Paper Mode, \$100,000 and any integral multiple of \$1,000 in

excess thereof,

(b) with respect to Bonds in a Daily Mode or Weekly Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof,

(c) with respect to Bonds in a Long Term Mode or a Fixed Rate Mode, \$5,000 and any integral multiple thereof within a maturity, and

(d) with respect to Bank Bonds, any amount (but only during the period that such Bonds are Bank Bonds).

**Available Revenue** means the Gross Revenue of the Port after providing for the payments set forth in paragraphs First, Second, Third and Fourth of Section 5.01(b) of this resolution. Notwithstanding the foregoing, the Port may adopt a resolution obligating and binding the Port to set aside and pay any part or parts of, or all of, or a fixed proportion of, or a fixed amount of other receipts (not previously included in Gross Revenue) at any time as additional security for any one or more series of Subordinate Lien Parity Bonds; provided that the Port has also obligated and bound itself to set aside and pay such receipts for the benefit of Permitted Prior Lien Bonds.

**Balloon Maturity Bonds** means, except as provided in Section 2.02(b), the Bonds, the Subordinate Lien Revenue Bonds, Series 1997, the Subordinate Lien Revenue Commercial Paper Notes, the Subordinate Lien Revenue Bonds, Series 2003 and any Future Subordinate Lien Parity Bonds that are so designated in the Subordinate Lien Resolution pursuant to which such Future Subordinate Lien Parity Bonds are issued. Commercial paper (obligations with a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Bonds.

**Bank** means the issuer of the Letter of Credit, the initial Credit Facility to be in effect with respect to the Bonds.

**Bank Bonds** shall have the meaning assigned to Bank Bonds, if any, in Section 4.04 hereof.

**Bank Interest Rate** means the rate of interest payable with respect to Bank Bonds, if any, which rate of interest shall be determined in accordance with the provisions of the Reimbursement Agreement and shall not exceed the Maximum Rate.

**Bank Purchase Subaccount** means the subaccount by that name created within the Purchase Account in accordance with Section 4.04 hereof.

**Base Period** means any consecutive 12-month period selected by the Designated Port Representative out of the 30-month period next preceding the date of issuance of an additional series of Future Subordinate Lien Parity Bonds.

**Beneficial Owner** means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediary).

**BMA Municipal Swap Index** means the Bond Market Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day,

tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by the Bond Market Association; *provided*, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then BMA Municipal Swap Index shall mean such other reasonably comparable index selected by the Designated Port Representative.

**Bond or Bonds** means the Port of Seattle Subordinate Lien Revenue Bonds, Series 2005 [(AMT)].

**Bond Counsel** means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by the Port for any purpose under this resolution applicable to the use of that term.

**Bond Purchase Contract** means the purchase contract relating to the Bonds between the Port and the Underwriters.

**Bond Register** means the registration records for the Bonds maintained by the Registrar.

**Business Day** means a day (a) other than a day on which banks in Seattle, Washington or New York, New York, the Securities Depository, the Remarketing Agent, the Credit Facility Issuer, or the Liquidity Facility Provider are closed and (b) on which the New York Stock Exchange is not closed.

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

**Closing Date** means the date of initial issuance and delivery of the Bonds.

**Code** means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations or revenue rulings issued or amended with respect thereto by the U.S. Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

**Commercial Paper Bond** means a Bond while in a Commercial Paper Mode.

**Commercial Paper Mode** means the Mode in which the Bonds or Bonds of a Subseries bear interest at Commercial Paper Rates for Interest Periods established pursuant to Section 2.09.

**Commercial Paper Rate** means the per annum interest rate for a Bond in the Commercial Paper Mode determined pursuant to Section 2.09.

**Commission** means the Commission of the Port, or any successor thereto as provided by law.

**Construction Fund** means the “Port of Seattle Construction Fund, 2005,” an account maintained in the office of the Treasurer for the purpose of holding funds, including a portion of the proceeds of the Bonds, to be used for the Projects.

**Continuing Disclosure Certificate** means the certificate of the Port undertaking to provide ongoing disclosure to assist the Underwriters in complying with Rule 15c-2-12 under the Securities Exchange Act of 1934.

**Consultant** means at any time an independent consultant nationally recognized in marine or aviation matters or an engineer or engineering firm or other expert appointed by the Port to perform the duties of the Consultant as required by this resolution. For the purposes of delivering any certificate required by Section 5.04 hereof and making the calculation required by Section 5.04 hereof, the term Consultant shall also include any independent national public accounting firm appointed by the Port to make such calculation or to provide such certificate or nationally-recognized financial advisor appointed by the Port for purposes of making such calculation.

**Costs of Construction** means all costs paid or incurred by the Port in connection with the acquisition and construction of capital additions, improvements and betterments to and extensions of the Facilities, and the placing of the same in operation, including, but without limiting the generality of the foregoing, paying all or a portion of the interest on the series of Subordinate Lien Parity Bonds or any portion thereof issued to finance the costs of such improvements during the period of construction of such improvements, and for a period of time thereafter; paying amounts required to meet any reserve requirement for the fund or account established or maintained for such series of Subordinate Lien Parity Bonds from the proceeds thereof; paying or reimbursing the Port or any fund thereof or any other person for expenses incident and properly allocable to the acquisition and construction of said improvements and the placing of the same in operation; and all other items of expense incident and properly allocable to the acquisition and construction of said additions and improvements, the financing of the same and the placing of the same in operation.

**Credit Facility** means, initially, the Letter of Credit and, thereafter, a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or provide funds for the payment of financial obligations of the Port, including but not limited to payment of the scheduled principal of and interest on Bonds or Bonds of a Subseries. There may also be one or more Credit Facilities outstanding at any time.

**Credit Facility Issuer** means the Bank initially and shall include the issuer of any other Credit Facility.

**Current Mode** means, on any date, the Mode in effect on that date for the Bonds or Bonds of a Subseries.

**Daily Mode** means the Mode in which the interest rate on the Bonds or Bonds of a Subseries is determined on each Business Day.

**Daily Rate** means the per annum interest rate on Bonds in the Daily Mode determined pursuant to Section 2.09.

**Date of Commercial Operation** means the date upon which any Facilities are first ready for normal continuous operation or, if portions of the Facilities are placed in normal continuous operation at different times, shall mean the midpoint of the dates of continuous operation of all portions of such Facilities, as estimated by the Port or, if used with reference to Facilities to be acquired, shall mean the date on which such acquisition is final.

**Debt Service** means, for any period of time,

(a) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds that are not designated as Balloon Maturity Bonds in the Subordinate Lien Resolution authorizing their issuance, the principal amount thereof equal to the Accreted Value thereof maturing or scheduled for redemption in such period, including the interest payable during such period;

(b) with respect to any Outstanding Fixed Rate Bonds, an amount equal to (1) the principal amount of such Subordinate Lien Parity Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (2) the amount of any payments required to be made during such period into any sinking fund established for the payment of the principal of any such Subordinate Lien Parity Bonds, plus (3) all interest payable during such period on any such Subordinate Lien Parity Bonds Outstanding and with respect to Subordinate Lien Parity Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such Subordinate Lien Parity Bonds on the date specified in the Subordinate Lien Resolution authorizing such Subordinate Lien Parity Bonds;

(c) with respect to all other series of Subordinate Lien Parity Bonds Outstanding, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and Subordinate Lien Parity Bonds bearing variable rates of interest, an amount for any period equal to the amount which would have been payable for principal and interest on such Subordinate Lien Parity Bonds during such period computed on the assumption that the amount of Subordinate Lien Parity Bonds Outstanding as of the date of such computation would be amortized (1) in accordance with the mandatory redemption provisions, if any, set forth in the Subordinate Lien Resolution authorizing the issuance of such Subordinate Lien Parity Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance to provide for essentially level annual debt service of principal and interest over such period and (2) at an interest rate equal to the yield to maturity set forth in the 40-Bond Index published in the edition of *The Bond Buyer* (or comparable publication or such other similar index selected by the Port with the approval of the Consultant, if applicable) selected by the Port and published within ten

days prior to the date of calculation or, if such calculation is being made in connection with the certificate required by Section 5.04 hereof, then within ten days of the date of such certificate; and

(d) with respect to Derivative Products, the Port Payments required by contract to be paid to a Reciprocal Payor under any existing Derivative Product, offset by the Reciprocal Payments during the same period during the relevant period, on the assumption that if any such payment is not fixed at the time of execution of the Derivative Product, the amount of such payment will be calculated at the Estimated Average Derivative Rate prevailing during the remaining term of the Derivative Product.

With respect to any Subordinate Lien Parity Bonds payable in other than U.S. Dollars, Debt Service shall be calculated as provided in the Subordinate Lien Resolution authorizing the issuance of such bonds. Debt Service shall be net of any interest funded out of Subordinate Lien Parity Bond proceeds. Debt Service also shall be net of any principal funded out of Subordinate Lien Parity Bond proceeds and shall be net of any principal and/or interest (not including any amount deposited in any reserve account for payment of principal and/or interest) funded from proceeds of any Permitted Prior Lien Bonds or any other obligations thereafter issued for such purposes. Debt Service shall include reimbursement obligations (and interest accruing thereon) owing to any Credit Facility Issuer or Liquidity Facility Issuer to the extent authorized herein or in another Subordinate Lien Resolution.

**Default Tender Date** means the Business Day that is five Business Days prior to the termination of a Credit Facility or Liquidity Facility because an event of default under a Reimbursement Agreement has occurred.

**Derivative Facility** means a letter of credit, an insurance policy, a surety bond or other credit enhancement device, given, issued or posted as security for obligations under one or more Derivative Products.

**Derivative Payment Date** means any date specified in the Derivative Product on which a Port Payment is due and payable under the Derivative Product.

**Derivative Product** means a written contract or agreement between the Port and a Reciprocal Payor, which provides that the Port's obligations thereunder will be conditioned on the absence of: (i) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, and (ii) a default thereunder with respect to the financial status of the Reciprocal Payor; and

(a) under which the Port is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the Port Payments in exchange for the Reciprocal Payor's obligation to pay or to cause to be paid to the Port, on the same scheduled and specified Derivative Payment Dates, the Reciprocal Payments; *i.e.*, the contract must provide for net payments;

(b) subject to Section 5.06, for which the Port's obligations to make all or any portion of Port Payments may be secured by a pledge of and lien on Available Revenue on an equal and ratable, but not prior, basis with

the outstanding Subordinate Lien Parity Bonds;

(c) under which Reciprocal Payments are to be made directly into a bond fund for the outstanding Subordinate Lien Parity Bonds;

(d) for which the Port Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product; and

(e) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product.

**Derivative Product Account** means the Derivative Product Account, if any, created and established under Section 5.06 hereof or under another Subordinate Lien Resolution.

**Designated Port Representative** means the Chief Executive Officer of the Port, the Deputy Chief Executive Officer of the Port or the Chief Financial Officer of the Port (or the successor in function to such person(s)) or such other person as may be directed by resolution of the Commission.

**Discharge** occurs on the date that all amounts due under the terms of a Bond are actually and unconditionally due if cash is available at the place of payment and no interest accrues with respect to the Bond after such date.

**DTC** means The Depository Trust Company, New York, New York as depository for the Bonds, or any successor or substitute depository for the Bonds.

**Electronic Means** mean e-mail, telecopy, telegraph, telex, facsimile transmission, time sharing terminal or any electronic means of communication that produces a written record.

**Estimated Average Derivative Rate** means:

(a) as to the variable rate payments to be made by a party under any Derivative Product,

(1) if the Port is the variable rate payor, the greater of the then-prevailing value of the formula set forth in the Derivative Product by which the variable rate payments to be paid by the Port are determined or the average of such variable rate formula during the immediately preceding 12 months;

(2) if the Reciprocal Payor is the variable rate payor, the lesser of the then-prevailing value of the formula set forth in the Derivative Product by which the variable rate payments to be paid by the Reciprocal Payor are determined or the average of such variable rate formula during the immediately preceding 12 months; and

(b) when the variable rate to be used in a Derivative Product is a designated hedge of one or more specified maturities of the variable rate Subordinate Lien Parity Bonds, the variable rate or rates under the Derivative Product will be deemed to be the same rate or rates estimated for the specified maturity or maturities of the specified Subordinate Lien Parity Bonds; and

(c) if two or more Derivative Products each specify the same index and formula for determining and setting their respective variable rates, on the same dates, and for the same periods of time, and with respect to the identical derivative principal amounts, all such Derivative Products shall be deemed to have the same Estimated Average Derivative Rate, calculated in accordance with paragraphs (a)(1) and (a)(2) of this definition and, where applicable, with respect to the first of such Derivative Products to become effective.

**Expiration Date** means the stated expiration date of the Credit Facility or Liquidity Facility, as such stated expiration date may be extended in accordance with the terms of the Credit Facility or Liquidity Facility.

**Expiration Tender Date** means the day that is five Business Days prior to the Expiration Date.

**Facilities** mean all equipment and all property, real and personal, or any interest therein, whether improved or unimproved, now or hereafter (for as long as any Bonds of the Port shall be Outstanding) owned, operated, used, leased or managed by the Port and that contribute in some measure to its Gross Revenue.

**Favorable Opinion of Bond Counsel** means, with respect to any action, a written legal opinion of Bond Counsel, to the effect that such action is permitted under the laws of the State and this resolution and will not impair the exclusion of interest on a Bond from gross income for federal income tax purposes (subject to any exceptions contained in the opinion delivered upon original issuance of such Bond). The Favorable Opinion of Bond Counsel shall be addressed, or a reliance letter provided, to any Remarketing Agent.

**First Lien Bonds** means the Outstanding First Lien Bonds and any bonds issued by the Port in the future under a Series Resolution (as defined in the First Lien Master Resolution) and pursuant to Section 7 of the First Lien Master Resolution, which provides that such bonds shall be on a parity of lien with other series of First Lien Bonds.

**First Lien Master Resolution** means Resolution No. 3059, as amended by Resolution No. 3214, Resolution No. 3241, and Resolution No. 3436 of the Commission and as the same may be amended in the future in accordance with its terms.

**Fiscal Agency Agreement** means the Agreement for Fiscal Agency Services dated February 1, 2002, between the State of Washington and The Bank of New York and any amendments and supplements thereto and replacements thereof.

**Fitch** means Fitch Ratings, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Designated Port Representative.

**Fixed Mode** means the Mode in which the Bonds or Bonds of a Subseries bear interest at a Fixed Rate or Fixed Rates to the Maturity Date or Maturity Dates.

**Fixed Rate** means a per annum interest rate or rates borne by Bonds or Bonds of a Subseries to the maturity thereof determined pursuant to Section 2.09.

**Fixed Rate Bonds** means Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under a Subordinate Lien Resolution in which the rate of interest on such Subordinate Lien Parity Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the Subordinate Lien Resolution authorizing their issuance, Subordinate Lien Parity Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term.

**Future Subordinate Lien Parity Bonds** means revenue bonds or other revenue obligations issued by the Port in the future with a lien on Net Revenues equal to the lien thereon of the Bonds and the Outstanding Subordinate Lien Bonds.

**Government Obligations** has the meaning given to such term in RCW Chapter 39.53, as amended; provided that such obligations must be noncallable obligations issued or unconditionally guaranteed by the United States of America.

**Gross Revenue** means all income and revenue derived by the Port from any source whatsoever except:

- (a) the proceeds of any borrowing by the Port and the earnings thereon (other than earnings on proceeds deposited in reserve funds);
- (b) income and revenue that may not legally be pledged for revenue bond debt service;
- (c) passenger facility charges, head taxes, federal grants or substitutes therefor allocated to capital projects;
- (d) payments made under Credit Facilities issued to pay or secure the payment of a particular series of Subordinate Lien Parity Bonds;
- (e) proceeds of insurance or condemnation proceeds other than business interruption insurance;
- (f) income and revenue of the Port separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds of the Port issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, *provided that* nothing in this subparagraph (f) shall permit the withdrawal from Gross Revenue of any income or revenue derived or to be derived by the Port from any income producing facility that shall have been contributing to Gross Revenue prior to the issuance of such Special Revenue Bonds; and
- (g) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the Port.

Notwithstanding the foregoing, the Port may elect to pledge other receipts at any time as additional security for any one or more series of obligations.

**Interest Accrual Period** means the period during which a Bond accrues interest payable on any Interest Payment Date, commencing on the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Mode, commencing on the date of original authentication and delivery of such Bond, or the Mode Change Date, as the case may be) to, but not including, the Interest Payment Date on which interest is to be paid. Notwithstanding anything to the contrary in the foregoing, the Interest Accrual Period for any Bank Bond shall begin on the date that Bond becomes a Bank Bond and shall end on the day immediately preceding the day that Bond ceases to be a Bank Bond.

**Interest Coverage** means with respect to each Bond in the Commercial Paper Mode, a dollar amount determined in accordance with the following formula:

$$((R \times P) \div 365) \times (D + 15)$$

R = Commercial Paper Rate, applicable to such Bond

P = Principal amount of Bonds bearing interest at such Commercial Paper Rate

D = Duration (in days) of the Commercial Paper Interest Period applicable to such Bond

**Interest Payment Date** means:

- (a) with respect to Bonds in the Commercial Paper Mode, the Purchase Date;
- (b) with respect to Bonds in the Daily Mode, the first Business Day of each month;
- (c) with respect to Bonds in the Weekly Mode, the first Wednesday of each month, or the next succeeding Business Day if the first Wednesday of any month is not a Business Day;
- (d) with respect to Bonds in the Long Term Mode (1) the first Business Day of each January and July prior to the Purchase Date and (2) the Purchase Date;
- (e) with respect to Bonds in the Fixed Mode, each January 1 and July 1;
- (f) with respect to Bank Bonds, as to that portion of the Purchase Price of the Bond paid by the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, and constituting accrued interest, the date of purchase and thereafter, the dates specified in the Reimbursement Agreement, the applicable Maturity Date, the date of any optional redemption of a Bank Bond and the date of any remarketing of that Bank Bond;
- (g) any Mode Change Date (but only with respect to the particular Bonds changing Modes on that date);
- (h) any Mandatory Purchase Date (but only with respect to the particular Bonds subject to purchase on that date); and
- (i) the Maturity Date (but only with respect to the particular Bonds maturing on that date).

**Interest Period** means the period of time that any interest rate remains in effect for the Bonds, which period:

(a) with respect to Bonds in the Commercial Paper Mode, shall be a period of at least one day, but not more than 270 days, established pursuant to Section 2.09;

(b) with respect to Bonds in the Weekly Mode, shall be from and including the first day that the Bonds become subject to the Weekly Mode to and including the following Tuesday and thereafter commencing on each Wednesday to and including Tuesday of the following week, *provided that* in the case of a conversion from a Weekly Mode to a different Mode, the last Interest Period prior to conversion shall end on the last day immediately preceding the Mode Change Date;

(c) with respect to the Long Term Mode, initially, shall be a period of one year or more from and including the Mode Change Date to, but not including, the Purchase Date established pursuant to Section 2.09, and thereafter shall be the period of one year or more from and including such Purchase Date to but not including the next Purchase Date or Maturity Date established by the Remarketing Agent pursuant to Section 2.09;

(d) with respect to Bonds in the Fixed Mode, shall be from and including the Mode Change Date for those Bonds to but not including the Maturity Date for those Bonds;

(e) with respect to the Daily Mode, the period from and including each Business Day during which the Bonds are in the Daily Mode to but excluding the next Business Day; and

(f) with respect to any Bank Bond, the period from the date that Bond becomes a Bank Bond to but not including the date that Bond ceases to be a Bank Bond.

In no event shall an Interest Period for any Bond extend beyond the Maturity Date for that Bond or, except in the case of Bank Bonds, the day preceding any Mandatory Purchase Date for that Bond.

**Interest Portion** means the dollar amount available with respect to Bonds to be drawn under the Credit Facility or Liquidity Facility then in effect to pay interest, and/or the portion of the Purchase Price constituting interest, on Bonds.

**Interest Rate** means a Daily Rate, a Weekly Rate, a Long Term Rate, a Fixed Rate or a Commercial Paper Rate, as the context requires.

**Intermediate Lien Parity Bonds** means the Outstanding Intermediate Lien Bonds and any future revenue bonds issued pursuant to the Intermediate Lien Master Resolution with a lien on Available Intermediate Lien Revenues (as defined in the Intermediate Lien Master Resolution) on a parity with the lien thereon of the Outstanding Intermediate Lien Bonds.

**Intermediate Lien Master Resolution** means Resolution No. 3540 of the Port adopted June 14, 2005.

**Intermediate Lien Series Resolution** means Resolution No. 3541 of the Port adopted June 14, 2005.

**Letter of Credit** means the irrevocable letter of credit issued by the Bank on the Closing Date.

**Letter of Representations** means the Blanket Issuer Letter of Representations from the Port to DTC.

**Liquidity Facility** means a line of credit, standby purchase agreement or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or to provide funds for the payment of the Purchase Price of Bonds or Bonds of a Subseries.

**Liquidity Facility Issuer** means the issuer of any Liquidity Facility.

**Long Term Bond** means any Bond or Bonds of a Subseries while in the Long Term Mode.

**Long Term Mode** means the Mode in which the interest rate on the Bonds or Bonds of a Subseries is determined for a period of one year or longer.

**Long Term Rate** means the per annum interest rate for a term of one year or more to be borne by Bonds or Bonds of a Subseries on and after a Mode Change Date for such Bonds to a Long Term Mode, which rates shall be determined in accordance with Section 2.09.

**Mandatory Purchase Date** means:

(a) any Purchase Date for a Bond in the Commercial Paper Mode or the Long Term Mode,

(b) any Mode Change Date (other than a change between the Weekly Mode and the Daily Mode) for the Bonds or Bonds of a Subseries changing Modes,

(c) any Substitution Tender Date or Expiration Tender Date,

(d) any Default Tender Date, and

(e) any Resolution Tender Date.

**Maturity Date** means the date designated in the Bond Purchase Contract pursuant to Section 6.04 of this resolution, and upon a change of Bonds to the Long Term Mode or Fixed Mode, any Serial Maturity Date or Term Maturity Date for such Bonds established pursuant to Section 3.01.

**Maximum Annual Debt Service** means, with respect to any Outstanding series of Subordinate Lien Parity Bonds, the highest remaining Annual Debt Service for such series of Subordinate Lien Parity Bonds.

**Maximum Rate** means, on any day, the lesser of (a) 15%, (b) the maximum interest rate permitted by applicable law, and (c) the per annum interest rate used under any Credit Facility or any Liquidity Facility for the Bonds.

**Mode** means the Commercial Paper Mode, the Daily Mode, the Weekly Mode, the Long Term Mode or the Fixed Mode, as the context may require.

**Mode Change Date** means the date one Mode terminates for the Bonds or Bonds of a Subseries and another Mode for such Bonds begins.

**Mode Change Notice** means the notice sent by the Registrar to the Registered Owners pursuant to

Section 2.10 notifying the Registered Owners that a change in Mode is to occur.

**Moody's** means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term Moody's shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or S&P) selected by the Designated Port Representative.

**Net Revenues** means Gross Revenue less any part thereof that must be used to pay Operating Expenses.

**New Mode** means the Mode to which the Bonds or Bonds of a Subseries are to be changed in accordance with Section 2.10.

**Notice Parties** means the Port, the Remarketing Agent (if any), the Registrar, the Bank, any other Credit Facility Issuer (if any), and the Liquidity Facility Issuer (if any).

**Operating Expenses** means the current expenses incurred for operation or maintenance of the Facilities (other than Special Facilities), as defined under generally accepted accounting principles, in effect from time to time, excluding any allowances for depreciation or amortization or interest on any obligations of the Port incurred in connection with and payable from Gross Revenue.

**Optional Redemption** means any redemption of Bonds made pursuant to Sections 3.02 through 3.05 hereof.

**Original Issue Discount Bonds** means Subordinate Lien Parity Bonds that are sold at an initial public offering price of less than 95% of their face value and that are specifically designated as Original Issue Discount Bonds in the Subordinate Lien Resolution authorizing their issuance.

**Outstanding**, when used as of a particular time with reference to Bonds, means all Bonds delivered hereunder except:

(a) Bonds cancelled by the Registrar or surrendered to the Registrar for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of this resolution; and

(c) Bonds in lieu of or in substitution for which replacement Bonds have been executed by the Port and delivered by the Registrar hereunder.

Notwithstanding the foregoing, Bank Bonds shall remain outstanding until the applicable Credit Facility Issuer or Liquidity Facility Issuer is paid all amounts due on such Bank Bonds.

**Outstanding First Lien Bonds** means, collectively, the Port's outstanding Revenue Bonds, Series 1992A, issued pursuant to Resolution No. 3111, as amended; Revenue Bonds, Series 1994A and Series 1994C issued pursuant to Resolution No. 3155, as amended, Revenue Bonds, Series 1996A and Series 1996B issued pursuant to Resolution No. 3215, as amended; Revenue Bonds, Series 1997A and Series 1997B issued pursuant to Resolution No. 3242, as amended; and Revenue Refunding

Bonds, Series 1998 issued pursuant to Resolution No. 3275, as amended; Revenue Bonds, Series 2000A and Series 2000B and Revenue Refunding Bonds, Series 2000D issued pursuant to Resolution No. 3430, as amended; Revenue Bonds, Series 2001A and Series 2001B and Revenue Refunding Bonds, Series 2001C issued pursuant to Resolution No. 3462, as amended; Revenue Refunding Bonds, Series 2001D issued pursuant to Resolution No. 3462, as amended, and Resolution No. 3467; Revenue Bonds, Series 2003A and Series 2003B issued pursuant to Resolution No. 3509, as amended; and Revenue Refunding Bonds, 2004 (Taxable) issued pursuant to Resolution No. 3528, as amended.

**Outstanding Intermediate Lien Bonds** means the Port's Intermediate Lien Revenue and Refunding Bonds, Series 2005A and its Intermediate Lien Revenue and Refunding Bonds Series 2005B, issued pursuant to the Intermediate Lien Master Resolution and the Intermediate Lien Series Resolution.

**Outstanding Subordinate Lien Bonds** means, collectively, the Port's outstanding Subordinate Lien Revenue Bonds, Series 1997 issued pursuant to Resolution No. 3238, as amended by Resolution No. 3351, as amended, adopted on August 24, 1999; Subordinate Lien Refunding Revenue Bonds, 1998 issued pursuant to Resolution No. 3276, as amended by Resolution No. 3353, as amended, adopted on August 24, 1999; Subordinate Lien Revenue Bonds, Series 1999A and Series 1999B, issued pursuant to Resolution No. 3354, as amended; Subordinate Lien Revenue Notes (Commercial Paper) issued pursuant to Resolution No. 3456, as amended; and Subordinate Lien Revenue Bonds, Series 2003C, issued pursuant to Resolution No. 3510, as amended.

**Participant** means (a) any person for which, from time to time, DTC may effect book-entry transfers and pledges of securities pursuant to the book-entry system referred to in Section 2.05 hereof or (b) any securities broker or dealer, bank, trust company or other person that clears through or maintains a custodial relationship with a person referred to in (a).

**Permitted Prior Lien Bonds** means and includes the First Lien Bonds, the Intermediate Lien Parity Bonds and any other revenue bonds that may be issued in the future at the discretion of the Port payable from Net Revenues available after the payment of the amounts described in paragraphs First, Second, and Third of Section 5.01(b) of this resolution and with a lien on Net Revenues superior to the lien thereon of the Subordinate Lien Parity Bonds.

**Person** means an individual, a corporation, a partnership, limited liability company, an association, a joint stock company, a trust, an unincorporated organization, a governmental body or a political subdivision, a municipal corporation, a public corporation or any other group or organization of individuals.

**Port** means the Port of Seattle, a municipal corporation of the State of Washington, as now or hereafter constituted, or the corporation, authority, board, body, commission, department or officer succeeding to the

principal functions of the Port or to whom the powers vested in the Port shall be given by law.

**Port Payment** means any payment, other than a termination or other nonscheduled payment, required to be made by or on behalf of the Port under a Derivative Product and which is determined according to a formula set forth in a Derivative Product.

**Principal Payment Date** means the Maturity Date or Dates and any Redemption Date for the Bonds.

**Projects** mean those capital improvement projects identified on Exhibit A attached hereto and incorporated by this reference herein.

**Purchase Account** means the account by that name maintained by the Registrar in accordance with Section 4.04 hereof.

**Purchase Date** means (a) during the Commercial Paper Mode or the Long Term Mode, the date determined by the Remarketing Agent on the most recent Rate Determination Date as the next date on which a Bond shall be subject to purchase, and (b) during the Daily Mode or the Weekly Mode, any Business Day.

**Purchase Price** means (a) an amount equal to the principal amount of any Bond purchased on any Purchase Date, plus, in the case of any purchase of a Bond in the Daily Mode or the Weekly Mode on a day that is not an Interest Payment Date, accrued interest, to the Purchase Date, or (b) an amount equal to the principal amount of any Bond purchased on a Mandatory Purchase Date.

**Qualified Insurance** means any non-cancellable municipal bond insurance policy or surety bond 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) (a) 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 by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability or (b) by issuing its policies causes obligations insured thereby to be rated in one of the two highest Rating Categories by one or more of the Rating Agencies.

**Qualified Letter of Credit** means any irrevocable letter of credit 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 long-term Rating Categories by one or more of the Rating Agencies.

**Rate Determination Date** means the date on which the interest rate(s) on a Bond (other than a Bank Bond) shall be determined, which,

(a) in the case of the Commercial Paper Mode, shall be the first day of an Interest Period;

(b) in the case of the Daily Mode, shall be each Business Day commencing with the first day the Bond becomes subject to the Daily Mode;

(c) in the case of the initial conversion to the Weekly Mode, shall be the Business Day prior to the Mode Change

Date, and thereafter, shall be each Tuesday or, if Tuesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day next preceding such Tuesday;

(d) in the case of the Long Term Mode, shall be a Business Day determined by the Remarketing Agent which shall be at least one Business Day prior to the first day of an Interest Period; and

(e) in the case of the Fixed Mode, shall be a Business Day determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date.

**Rating Agency** means Fitch, Moody's or S&P.

**Rating Category** means the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

**Rating Confirmation Notice** means a written notice from any Rating Agency then maintaining a rating with respect to the Bonds confirming that the rating on the Bonds will not be lowered, withdrawn or suspended (other than a withdrawal of a short-term rating upon a change to a Long Term Mode or Fixed Mode) as a result of the action proposed to be taken.

**Rebate Amount** means the amount, if any, determined to be payable with respect to the Bonds by the Port to the United States of America in accordance with Section 148(f) of the Code.

**Reciprocal Payment** means any payment to be made to, or for the benefit of, the Port under a Derivative Product by the Reciprocal Payor.

**Reciprocal Payor** means any bank or corporation, partnership or other entity whose guarantor maintains or who maintains for itself at least an A rating from each Rating Agency then maintaining a rating on outstanding Subordinate Lien Parity Bonds that is a party to a Derivative Product and that is obligated to make one or more Reciprocal Payments thereunder.

**Record Date** means:

(a) with respect to Bank Bonds and Bonds in a Commercial Paper Mode, a Daily Mode or a Weekly Mode, the close of business as of the day (whether or not a Business Day) next preceding each Interest Payment Date; and

(b) with respect to Bonds in a Long Term Mode or a Fixed Mode, the 15th day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

**Redemption Date** means the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

**Redemption Price** means amounts to be paid to redeem the Bonds on the Redemption Date as set forth in Article III hereof.

**Registered Owner** means the person named as the registered owner of a Bond on the Bond Register. For so long as the Bonds are held by a Securities Depository or its

nominee, such Securities Depository shall be deemed to be the Registered Owner.

**Registrar** means the fiscal agency of the State of Washington whose duties include registering and authenticating the Bonds, maintaining the Bond Register, registering the transfer of the Bonds, paying interest on and principal of the Bonds and drawing on any Credit Facility securing Bonds for such purpose and drawing any amounts under any Credit Facility or Liquidity Facility for the purpose of paying the Purchase Price of any Bonds payable pursuant to such Credit Facility or Liquidity Facility.

**Reimbursement Agreement** means the Reimbursement Agreement, to be dated as of the date of delivery of the Bonds, between the Port and the Bank selected by the Designated Port Representative and thereafter, any other reimbursement agreement between the Port and the Credit Facility Issuer, if any, or any Liquidity Facility Issuer and any and all modifications, alterations, and amendments and supplements thereto.

**Reimbursement Bond** means the Bond delivered to the Bank pursuant to Section 5.01(d) hereof and the Reimbursement Agreement.

**Remarketing Agent** means the remarketing agent, if any, appointed by the Port pursuant to a Remarketing Agreement.

**Remarketing Agreement** means the agreement of that name between the Port and the Remarketing Agent.

**Repair and Renewal Fund** means the special fund authorized to be created pursuant to Section 4(B) of the First Lien Master Resolution.

**Resolution Tender Date** means the date on which the Bonds are subject to mandatory purchase to effect amendments to this resolution, pursuant to Section 4.02(e), which date must be an Interest Payment Date on which the Port could have redeemed the Bonds at a price of par.

**Revenue Fund** means, collectively, the Port's general fund, airport development fund and any other fund established in the office of the Treasurer of the Port for the receipt of Gross Revenues.

**Securities Depository** means any clearing agency registered under Section 17A of the Securities Exchange Act of 1934, as amended.

**Serial Bonds** means the Bonds maturing on the Serial Maturity Dates after conversion of the Bonds to a Long Term Mode or Fixed Mode, as determined pursuant to Section 3.01.

**Serial Maturity Dates** means the dates on which the Serial Bonds mature, as determined pursuant to Section 3.01.

**S&P** means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody's or Fitch) selected by the Designated Port Representative.

**Special Facilities** means particular facilities financed with the proceeds of Special Revenue Bonds.

**Special Record Date** means a special date fixed to determine the names and addresses of holders of the Bonds (or Bonds of a Subseries) in connection with the payment of overdue interest on Bonds in all other Modes.

**Special Revenue Bonds** means any issue or series of revenue bonds, revenue warrants or other revenue obligations of the Port issued to directly or indirectly acquire (by purchase, lease or otherwise), construct, equip, install or improve part or all of particular facilities (together with any revenue obligations issued to refund the foregoing), and which are payable from and secured by the income and revenue from such facilities.

**Subordinate Lien Bond Fund** means the Port of Seattle Subordinate Lien Bond Fund, Series 2005, created in the office of the Treasurer of the Port by authority granted in Section 5.01 of this resolution.

**Subordinate Lien Parity Bonds** means the Outstanding Subordinate Lien Bonds, the Bonds and any Future Subordinate Lien Parity Bonds.

**Subordinate Lien Parity Test** means Available Revenue equal to or greater than 1.5 times Aggregate Annual Debt Service.

**Subordinate Lien Rate Covenant** means the covenant of the Port to establish, maintain and collect rentals, tariffs, rates, fees, and charges in the operation of all of its business for as long as any Bonds are Outstanding that will produce Available Revenue in each fiscal year at least equal to the amounts required to be deposited during such fiscal year from Net Revenues into the Subordinate Lien Bond Fund, any other bond fund established or maintained for the benefit of Subordinate Lien Parity Bonds, and any fund established or maintained to pay any Port Payments due with respect to any Derivative Product and any other amounts due to any Credit Facility Issuer, any Liquidity Facility Issuer, to the issuers of credit facilities for the Outstanding Subordinate Lien Parity Bonds and, to the extent not otherwise provided for in this definition, any Reciprocal Payor, but excluding from each of the foregoing, payments made or to be made from refunding debt and capitalized debt service or other money irrevocably set aside for such payment.

**Subordinate Lien Resolutions** means, collectively, Resolution No. 3238, as amended by Resolution No. 3351, as amended by Resolution No. 3496, as amended; Resolution No. 3276, as amended by Resolution No. 3353, as amended; Resolution No. 3354, as amended, and as amended by Resolution No. 3496; Resolution No. 3456, as amended; Resolution No. 3510, as amended; this resolution and any future resolution of the Commission authorizing the issuance of a series of Future Subordinate Lien Parity Bonds, as such resolution(s) may thereafter be amended or supplemented.

**Subseries** means a subseries of the Bonds designated by the Registrar pursuant to Section 2.02(b).

**Substitution Date** means the date on which an alternative credit or liquidity facility becomes effective.

**Substitution Tender Date** means the day that is five Business Days prior to the Substitution Date.

**Term Bonds** means the Bonds maturing on Term Bond Maturity Dates after conversion of the Bonds to a Long Term Mode or Fixed Mode as determined pursuant to Section 3.01.

**Term Maturity Dates** means the dates on which Term Bonds mature, as determined pursuant to Section 3.01.

**Treasurer** means the Chief Financial Officer of the Port, or any other public officer as may hereafter be designated pursuant to law to have the custody of Port funds.

**Underwriters** mean UBS Financial Services.

**Weekly Mode** means the Mode in which the Interest Rate on the Bonds or Bonds of a Subseries is determined on a weekly basis.

**Weekly Rate** means the per annum interest rate on Bonds while in the Weekly Mode determined pursuant to Section 2.09.

**Section 1.02. Interpretation.** In this resolution, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this resolution;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect;

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and

(f) Whenever any consent or direction is required to be given by the Port, such consent or direction shall be deemed given when given by the Designated Port Representative or his or her designee, respectively, and all references herein to the Designated Port Representative shall be deemed to include references to his or her designee, as the case may be.

## ARTICLE II.

### ISSUANCE, CONDITIONS AND TERMS OF BONDS

**Section 2.01. Plan of Finance.** The Port intends to

undertake improvements to its facilities at the locations described on Exhibit A(the “Projects”) attached hereto and incorporated by this reference herein. The Costs of Construction of the Projects are expected to be paid or reimbursed in part with the proceeds of the Bonds and the balance of the Costs of Construction of the Projects shall be paid from other available Port funds.

### Section 2.02. Authorization of Bonds

(a) **Authorization.** The Port shall issue the Bonds in the aggregate principal amount of not to exceed \$75,000,000 for the purpose of providing part of the funds necessary to (1) pay or reimburse the Port for the Costs of Construction of the Projects; (2) to capitalize interest on the Bonds for a portion of the construction period and (3) pay all costs incidental to the foregoing and to the issuance of the Bonds, including fees.

(b) **Subseries Designation; Principal Amounts; Date.** The Bonds shall be designated “Port of Seattle Subordinate Lien Revenue Bonds, Series 2005 [(AMT)].” The Port may designate one or more Subseries of the Bonds from time to time. At the written direction of the Designated Port Representative, the Registrar shall designate a particular principal amount of Bonds as a Subseries, identified by sequential Arabic numbers (e.g., Series 2005-1, Series 2005-2). Upon such designation, such Bonds shall be a Subseries for this purposes of this resolution, unless and until consolidated or changed to another Subseries designation by written direction of the Designated Port Representative.

The Bonds shall be dated the date of their delivery to the Underwriters, shall mature on the Maturity Date(s), shall be issued in Authorized Denominations and, for purposes of calculating Debt Service, shall be deemed to be Balloon Maturity Bonds; *provided, that* following a determination that Bonds in the Long Term Mode or the Fixed Mode shall have Serial Maturity Dates or be Term Bonds with mandatory sinking fund provisions, the Bonds shall no longer be deemed to be Balloon Maturity Bonds. Principal of and interest on, any premium, and the Purchase Price of the Bonds shall be payable in lawful money of the United States of America.

(c) **Initial Mode; Changes in Modes.** The Bonds initially shall bear interest in the Weekly Mode. The Bonds or any Subseries of Bonds (other than Bank Bonds, if any) in any Mode other than a Fixed Mode may be changed to any other Mode at the times and in the manner provided herein. All Bonds of a Subseries (other than Bank Bonds, if any) shall be within the same Mode; different Subseries may be in different Modes. On the Mode Change Date for the Bonds or Bonds of a Subseries, the Current Mode for such Bonds (other than Bank Bonds, if any) shall be changed to the New Mode, as provided in Section 2.10. Subsequent to such change in Mode (other than a change to a Fixed Mode), the Bonds or Bonds of a Subseries (other than Bank Bonds, if any) may again be changed to a different Mode at the times and in the manner provided herein. A Fixed Mode shall be in effect until the Maturity Date(s) for the Bonds and may not be changed to any other Mode. Prior to a change in Mode from or to a Long-Term Mode or to a Fixed Mode, the Port shall obtain a Favorable

Opinion of Bond Counsel with respect to such change in Mode.

(d) *Determinations Conclusive.* The interest rates determined by the Remarketing Agent, if any, in accordance with Section 2.09, and the determination by the Remarketing Agent of Interest Periods for Commercial Paper Bonds and Bonds in the Long Term Mode in accordance herewith, absent manifest error, shall be conclusive and binding upon the Port, the Remarketing Agent, the Registrar, the Credit Facility Issuer, the Liquidity Facility, Issuer and the Registered Owners and Beneficial Owners of the Bonds.

(e) *Maximum Rate.* Except as provided in Section 2.09(a)(1) with respect to Bonds in the Commercial Paper Mode, no Bonds other than Bank Bonds shall bear interest at an interest rate higher than the Maximum Rate. No Bond shall bear interest at a rate higher than permitted by applicable law.

**Section 2.03. Execution.** The Bonds shall be executed on behalf of the Port by the manual or facsimile signatures of the President and Secretary of the Commission, and the official seal of the Port shall be reproduced thereon. The validity of any Bond so executed shall not be affected by the fact that one or more of the officers whose signatures appear on such Bond have ceased to hold office at the time of issuance or authentication or at any time thereafter.

**Section 2.04. Authentication.** No Bonds shall be valid for any purpose hereunder until the certificate of authentication printed thereon is duly executed by the manual signature of an authorized signatory of the Registrar. Such authentication shall be proof that the Registered Owner is entitled to the benefit of the trusts hereby created.

**Section 2.05. Registration, Transfer and Exchange.**

(a) *Registrar/Bond Register.* The Bonds shall be issued only in registered form as to both principal and interest. The Port hereby appoints the fiscal agency of the State of Washington as the Registrar for the Bonds. The Port shall cause a bond register to be maintained by the Registrar. So long as any Bonds remain Outstanding, the Registrar shall make all necessary provisions to permit the exchange or registration of transfer of Bonds at its principal corporate trust office. The Registrar may be removed at any time at the option of the Treasurer of the Port upon prior notice to other Notice Parties and a successor Registrar appointed by the Treasurer of the Port. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder, and the Credit Facility, if any, and Liquidity Facility, if any, shall have been transferred, together with all other funds then held by the Registrar, to the successor Registrar. The Registrar is authorized, on behalf of the Port, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this resolution and to carry out all of the Registrar's powers and duties under this resolution. The

Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

The Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the Port (the "Bond Register").

(b) *Letter of Representations/Book-Entry System.* To induce DTC to accept the Bonds as eligible for deposit at DTC, the Port has executed and delivered the Letter of Representations. The Bonds initially issued shall be held in fully immobilized form by DTC acting as depository pursuant to the terms and conditions set forth in the Letter of Representations.

(c) *Port and Registrar Not Responsible for DTC.* Neither the Port nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds in respect of the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal or redemption price of or interest on the Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the Port to the Registrar or to DTC), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds or any consent given or other action taken by DTC as the Registered Owner.

(d) *DTC as Registered Owner.* Payment of any such Bond shall be made only as described in this section, but the transfer of such ownership may be registered as herein provided. All such payments made as described in this section shall be valid and shall satisfy and discharge the liability of the Port upon such Bond to the extent of the amount or amounts so paid. Except as provided in Sections 2.08, 5.09 and 7.08, the Port and the Registrar shall be entitled to treat the Securities Depository (as Registered Owner) as the absolute owner of all Bonds for all purposes of this resolution and any applicable laws, notwithstanding any notice to the contrary received by the Registrar or the Port. Neither the Port nor the Registrar will have any responsibility or obligation under this resolution or the Bonds, legal or otherwise, to any other party including DTC or its successor (or substitute Securities Depository or its successor), except to the Registered Owners. Notwithstanding the foregoing, so long as the Bank is not in default under the Letter of Credit, the Bank shall be deemed to be the owner and holder of all Bonds for the purpose of granting consents and exercising voting rights with respect thereto.

(e) *Use of DTC/Book-Entry System.*

(1) *Bonds Registered in the Name Designated by DTC.* The Bonds shall be registered initially in the name of "CEDE & Co.," as nominee of DTC, (or such other name as may be requested by an authorized representative of DTC) with one Bond maturing on the Maturity Date in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any

portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, *provided that* any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute Securities Depository appointed by the Designated Port Representative pursuant to subsection (2) below or such substitute Securities Depository's successor; or (C) to any person as provided in paragraph (4) below.

(2) *Substitute Depository.* Upon the resignation of DTC or its successor (or any substitute Securities Depository or its successor) from its functions as Securities Depository or a determination by the Designated Port Representative that it is no longer in the best interest of Beneficial Owners to continue the system of book entry transfers through DTC or its successor (or any substitute Securities Depository or its successor), the Designated Port Representative may hereafter appoint a substitute Securities Depository. Any such substitute Securities Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) *Issuance of New Bonds to Successor/Substitute Depository.* In the case of any transfer pursuant to clause (A) or (B) of paragraph (e)(1) above, the Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Designated Port Representative, issue a single new Bond for each maturity of such Bonds then Outstanding, registered in the name of such successor or such substitute Securities Depository, or their nominees, as the case may be, all as specified in such written request of the Designated Port Representative.

(4) *Termination of Book-Entry System.* In the event that (A) DTC or its successor (or substitute Securities Depository or its successor) resigns from its functions as Securities Depository, and no substitute Securities Depository can be obtained, or (B) the Designated Port Representative determines that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain Bond certificates, the ownership of Bonds may then be transferred to any person or entity as herein provided, and the Bonds shall no longer be held in fully immobilized form. The Designated Port Representative shall deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any Authorized Denomination. Upon receipt of all then Outstanding Bonds by the Registrar together with a written request on behalf of the Designated Port Representative to the Registrar, new Bonds shall be issued in such Authorized Denominations and registered in the names of such persons as are requested in such written request.

(f) *Transfer or Exchange of Registered Ownership; Change in Denominations.* If the Bonds are no longer held in immobilized, book-entry form, the transfer of ownership of any Bond may be registered and such Bonds may be exchanged, but no transfer of any Bond shall be valid unless it is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar.

Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, Subseries designation, if any, Maturity Date and Interest Rate and for the same aggregate principal amount in any Authorized Denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, Maturity Date and Interest Rate, in any Authorized Denomination. Other than in connection with an optional or mandatory tender for purchase, the Registrar shall not be obligated to transfer or exchange any Bond during the five-day period prior to the selection of Bonds for redemption or the Maturity Date or following any mailing of notice of redemption. No charge shall be imposed upon Registered Owners in connection with any transfer or exchange, except for taxes or governmental charges related thereto.

(g) *Registration Covenant.* The Port covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

**Section 2.06. Mutilated, Destroyed, Lost or Stolen Bonds.** If any Bond is lost, stolen or destroyed, the Port may execute and the Registrar may authenticate and deliver a new Bond or Bonds of like date and tenor to the Registered Owner thereof, all in accordance with law. However, no substitution or payment shall be made unless and until the applicant shall furnish (a) evidence satisfactory to said Registrar and Designated Port Representative of the destruction or loss of the original Bond and of the ownership thereof, and (b) such additional security, indemnity or evidence as may be required by the Designated Port Representative. No substitute Bond shall be furnished unless the applicant shall reimburse the Port and the Registrar for their respective expenses in the furnishing thereof. Any such substitute Bond so furnished shall be equally and proportionately entitled to the security of this resolution with all other Bonds issued hereunder.

**Section 2.07. Payments of Principal, Redemption Price, Purchase Price and Interest; Persons Entitled Thereto.**

(a) *Payments of Principal, Interest, Purchase and Redemption Prices.* The principal, Purchase Price or Redemption Price of each Bond shall be payable upon surrender or delivery of such Bond to the Registrar. For so long as DTC is the Registered Owner, interest, Purchase Price and principal shall be paid and delivery shall be made as described in the operational arrangements referred to in the Letter of Representations and pursuant to DTC's standard procedures.

(b) *Accrual of Interest.* Subject to the further provisions of Article III hereof, each Bond shall accrue interest and be payable as to interest as follows:

(1) On each Interest Payment Date, the Registered Owner of each Bond as of the Record Date shall be paid the amount of unpaid interest that accrues during the Interest Accrual Period. If and to the extent, however, that the Port fails to make payment or provision for payment of interest on any Bond on any Interest Payment Date, interest shall continue to accrue thereon, and shall be payable to the Registered Owner of that Bond as of the Special Record Date. The Registrar shall establish the Special Record Date for Bonds when moneys become available for payment of interest on the Bonds, and shall be a date that is not more than 15 nor fewer than 10 days prior to the date of the proposed payment. The Registrar shall give notice by first-class mail of the proposed payment and of the Special Record Date to each Registered Owner not fewer than 10 days prior to the Special Record Date and, thereafter, such interest shall be payable to the Registered Owner of such Bonds as of the Special Record Date.

(2) The interest due on any Bond on any Interest Payment Date shall be paid to the Registered Owner of such Bond as shown on the Bond Register as of the Record Date. The amount of interest so payable on any Interest Payment Date shall be computed (A) on the basis of a 365- or 366-day year for the number of days actually elapsed based on the calendar year for Bonds in the Daily Mode, Commercial Paper Mode or Weekly Mode, and (B) on the basis of a 360-day year of twelve 30-day months during a Long Term Mode or a Fixed Mode.

(3) If the Bonds are no longer held by a Securities Depository, during a Long Term Mode or a Fixed Mode, the interest, principal or Redemption Price of the Bonds shall be payable by check, provided that any Registered Owner of \$1,000,000 or more in aggregate principal amount of the Bonds, upon written request given to the Registrar at least five Business Days prior to the Interest Payment Date, Maturity Date or Redemption Date designating an account in a domestic bank, may be paid by wire transfer of immediately available funds. If the Bonds are no longer held by a Securities Depository, all payments of interest, principal or the Redemption Price on the Bonds during the Commercial Paper Mode, Daily Mode or Weekly Mode shall be paid to the Registered Owners entitled thereto in immediately available funds by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registrar as directed by the Registered Owner in writing or as otherwise directed in writing by the Registered Owner prior to the time of payment with respect to Bonds during a Commercial Paper Mode or five Business Days prior to the Interest Payment Date with respect to Bonds during a Daily Mode or Weekly Mode.

(4) In the case of Bank Bonds, interest shall accrue and be payable in accordance with Section 2.11 hereof and the Reimbursement Agreement, and principal and interest shall be paid by wire transfer of immediately available funds to an account in the United States specified in the Reimbursement Agreement or as otherwise specified by the Credit Facility Issuer or Liquidity Facility Issuer holding such Bank Bonds in a written notice delivered to the Registrar.

Any account specified pursuant to paragraphs (3) and (4) hereof shall remain in effect until revoked or revised by the Registered Owner or the Credit Facility Issuer or Liquidity Facility Issuer, as applicable, by an instrument in writing delivered to the Registrar.

**Section 2.08. Acts of Registered Owners; Evidence of Ownership.** Any action to be taken by Registered Owners may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Registered Owners in person or by an agent appointed in writing. The fact and date of the execution by any Person of any such instrument may be proved by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution or by any other method satisfactory to the Registrar. Any action by the Registered Owner of any Bond shall bind all future Registered Owners of the same Bond or of any Bond issued upon the exchange or registration of transfer thereof in respect of anything done or suffered by the Port or the Registrar in pursuance thereof.

Except as provided in Sections 2.05(d), 5.09 and 7.08, the Registrar and the Port may treat the Registered Owner of a Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and the Registrar and the Port shall not be affected by any knowledge or notice to the contrary; and payment of the principal of and premium, if any, and interest on such Bond shall be made only to such Registered Owner, which payments shall satisfy and discharge the liability of the Port with respect to such Bond to the extent of the sum or sums so paid.

With respect to Bank Bonds, the Credit Facility Issuer shall be entitled to and, where necessary, deemed to have been assigned, all rights and privileges as if such Credit Facility Issuer were the Registered Owner of those Bank Bonds, except to the extent such rights and privileges conflict with the Reimbursement Agreement, in which case the terms of the Reimbursement Agreement shall prevail.

**Section 2.09. Determination of Interest Rates.**

(a) *Determination by Remarketing Agent.*

(1) The Interest Rate for the Bonds or Bonds of a Subseries (other than Commercial Paper Bonds and Bank Bonds) shall be determined by the Remarketing Agent as the rate of interest that, in the judgment of the Remarketing Agent, would cause such Bonds to have a market value as of the date of determination equal to the principal amount thereof (plus accrued interest, if any), taking into account prevailing market conditions, and with respect to the Commercial Paper Mode, the Remarketing Agent shall determine the Commercial Paper Rate and the Interest Period for each Bond in the Commercial Paper Mode at such rate and for such period (which shall not exceed 270 days) as it deems advisable in order to minimize the net interest cost on the Bonds, taking into account prevailing market conditions; *provided, however*, that the foregoing shall not prohibit the Remarketing Agent from establishing longer Interest Periods (and at higher Commercial Paper Rates) than are otherwise available at

the time of any remarketing if the Remarketing Agent determines that, taking into account prevailing market conditions, a lower net interest cost on the Bonds can be achieved over the longer Interest Period. Notwithstanding the foregoing, (A) if the Remarketing Agent has given or received notice that the Bonds or Bonds of a Subseries are to be changed from the Commercial Paper Mode to any other Mode or are to be purchased pursuant to a mandatory tender in accordance with Section 4.02, the Remarketing Agent shall select Interest Periods for such Bonds that do not extend beyond the Mandatory Purchase Date and (B) the Remarketing Agent shall not establish any Interest Period for such Bonds if, as a result of the selection of such Interest Period, the Aggregate Interest Coverage available for such Bonds would be greater than the Interest Portion with respect to such Bonds. While Bonds or Bonds of a Subseries are in the Commercial Paper Mode, such Bonds in the Commercial Paper Mode secured by or payable from a Credit Facility or Liquidity Facility shall bear interest at a rate that does not result in Aggregate Interest Coverage on such Bonds greater than the Interest Portion available for such Bonds pursuant to such Credit Facility or Liquidity Facility. For all other modes, the Interest Rate on any Bond may not exceed the Maximum Rate. The Remarketing Agreement shall include a covenant by the Remarketing Agent to comply with the limitations established by this resolution. All Bonds of a Subseries (or all Bonds in the event there are no Subseries) having the same Maturity Date (other than Bank Bonds and Commercial Paper Bonds) shall bear interest at the same Interest Rate, and all Bonds of a Subseries (or all Bonds in the event there are no Subseries) other than Bank Bonds shall be at all times in the same Mode.

(2) In the event the Remarketing Agent fails for any reason to determine the Interest Rate for any Interest Period (except as provided in Section 2.09(g)):

(A) the Interest Rate then in effect for Bonds that accrue interest at Daily Rates will remain in effect from day to day until the Registrar is notified of a new Daily Rate determined by the Remarketing Agent;

(B) the Interest Rate then in effect for Bonds that accrue interest at Weekly Rates will remain in effect from week to week until the Registrar is notified of a new Weekly Rate determined by the Remarketing Agent; and

(C) the Interest Rate for any Bond that accrues interest at Commercial Paper Rates and for which a Commercial Paper Rate and Interest Period is not determined shall be equal to the BMA Municipal Swap Index, and the Interest Period for such Bond shall extend to but not include the next Business Day, until the Registrar is notified of a new Commercial Paper Rate and Interest Period determined for such Bond by the Remarketing Agent.

(3) The Interest Rate in effect for Bonds during any Interest Period and, in connection with the Commercial Paper Mode and the Long Term Mode, and the Interest Period, shall be available to Beneficial Owners and

Registered Owners between 1:00 p.m. and 5:00 p.m., New York City time, from the Remarketing Agent.

(b) *Additional Provisions Regarding Commercial Paper Interest Periods and Interest Rates.*

(1) Any Commercial Paper Bond may accrue interest at a Commercial Paper Rate for an Interest Period different from any other Bond. Each Interest Period shall commence on a Business Day and end on a day immediately preceding a Business Day.

(2) Not later than 1:00 p.m., New York City time, on each Rate Determination Date, the Remarketing Agent shall determine each Commercial Paper Rate and Interest Period for a Commercial Paper Bond and the Remarketing Agent shall provide it to the Registrar by telephonic or Electronic Means. The Registrar shall obtain CUSIP numbers for each Bond in the Commercial Paper Mode for which a Commercial Paper Rate and Interest Period have been determined on such date.

(c) *Daily Rates.* The Daily Rate for each Interest Period in the Daily Mode shall be effective from and including the commencement date thereof and shall remain in effect to, but not including, the next succeeding Business Day. Each such Daily Rate shall be determined by the Remarketing Agent not later than 10:00 a.m., New York City time, on each Business Day and provided by the Remarketing Agent to the Registrar by telephonic or Electronic Means no later than the last Business Day of each month.

(d) *Weekly Rates.* The Weekly Rate for each Interest Period in the Weekly Mode shall be effective from and including the commencement date of such Interest Period through and including the last day thereof. Each such Weekly Rate shall be determined by the Remarketing Agent no later than 4:00 p.m., New York City time, on the Rate Determination Date and provided to the Registrar and the Port by the Remarketing Agent by telephonic or Electronic Means by the second Business Day following such Rate Determination Date.

(e) *Long Term Rates.* The Remarketing Agent, with the consent of the Designated Port Representative shall determine the length of each Interest Period for the Long Term Mode.

(1) The Long Term Rate for each Interest Period during the Long Term Mode shall be effective from and including the commencement date of such Interest Period and remain in effect through and including the last day thereof. Each such Long Term Rate shall be determined not later than 12:00 noon, New York City time, on the Rate Determination Date and provided to the Registrar by the Remarketing Agent by telephonic or Electronic Means by the close of business on such Rate Determination Date.

(2) For any Interest Period in the Long Term Mode, the Maturity Date may be converted by the Remarketing Agent, with the approval of the Designated Port Representative, to Term Maturities or Serial Maturity Dates as provided in Section 3.01.

(3) If Term Maturity Dates or Serial Maturity Dates are approved by the Port, a Long Term Rate shall be set for each such date.

(f) *Fixed Rate*. A Fixed Rate shall be determined as follows:

(1) The Fixed Rate for the Bonds or Bonds of a Subseries during the Fixed Mode shall be effective from and including the Mode Change Date for such Bonds and remain in effect until the Maturity Date. The Fixed Rate shall be determined not later than 3:00 p.m., New York City time, on the Rate Determination Date and provided to the Registrar by the Remarketing Agent by telephone or Electronic Means by the close of business on such Rate Determination Date.

(2) If Term Maturity Dates or Serial Maturity Dates are established pursuant to Section 3.01 and approved by the Port, a Fixed Rate shall be set for each such date.

(g) *Rate in Absence of Remarketing Agent*. If there is a vacancy in the office of Remarketing Agent, the Bonds (other than Bank Bonds) shall bear interest on a weekly basis at a rate equal to the BMA Municipal Swap Index then in effect.

**Section 2.10. Conversions Between Modes**. The Designated Port Representative may elect to convert the Bonds or Bonds of a Subseries (other than Bank Bonds) from one Mode to another as follows:

(a) *Mode Change Dates*.

(1) If the conversion is from a Daily Mode or Weekly Mode, the Mode Change Date must be a Business Day.

(2) In the case of a change from the Commercial Paper Mode, the Mode Change Date shall be a day that is the last Purchase Date for all Interest Periods set by the Remarketing Agent.

(3) The Mode Change Date shall be a Business Day.

(4) In the case of a change from the Long Term Mode, the Mode Change Date shall be the Purchase Date of the current Interest Period.

(b) *Notices by Port*. The Port shall give notice of any proposed conversion to the other Notice Parties not fewer than 15 days before the proposed conversion from a Commercial Paper Mode, Daily Mode or Weekly Mode and not fewer than 35 days before the proposed conversion from the Long Term Mode.

(c) *Notices by Registrar*. The Registrar shall give notice by first class mail, of proposed conversion to the Registered Owners of Bonds then in the Commercial Paper, Daily Mode or Weekly Mode not less than 10 days before the proposed Mode Change Date and to Registered Owners of Bonds in the Long Term Mode not less than 30 days before the proposed Mode Change Date or Purchase Date, as the case may be. Such notice shall state:

(1) the proposed Mode Change Date;

(2) that the Bonds or Bonds of a Subseries will be subject to mandatory tender for purchase on the Mode Change Date for such Bonds (except in the case of conversions between the Daily Mode and the Weekly Mode);

(3) the conditions, if any, to the conversion pursuant to subsection (d) below; and

(4) if the Bonds are in certificated form, information with respect to required delivery of Bond certificates and payment of the Purchase Price.

(d) *Conditions to Conversion Between Modes*. A Mode Change will not become effective unless:

(1) if the conversion is from the Commercial Paper Mode, the Registrar has received, prior to the date on which notice of conversion is required to be given to Registered Owners, written confirmation from the Remarketing Agent that it has not established and will not establish any Interest Rate Periods extending beyond the day before the Mode Change Date;

(2) if the conversion is from the Commercial Paper Mode, Daily Mode or Weekly Mode to a Long Term Mode or Fixed Mode, or from a Long Term Mode to a Commercial Paper Mode, Daily Mode or Weekly Mode, the Registrar has been provided, no later than one day before the Mode Change Date, with a Favorable Opinion of Bond Counsel with respect to the conversion;

(3) no change in Mode will become effective unless all conditions precedent thereto have been met and all such Bonds have been remarketed;

(4) no conversion to a New Mode, other than the Fixed Mode, shall be made if an Interest Period for the converted Bonds will extend beyond the Expiration Date of any Credit Facility or Liquidity Facility for such Bonds; and

(5) in the case of any Mode Change to the Daily Mode, Weekly Mode, Commercial Paper Mode or Long Term Mode, prior to the Mode Change Date the Port shall have appointed a Remarketing Agent and there shall have been executed and delivered a Remarketing Agreement.

(e) *Failure to Satisfy Conditions Precedent to Mode Change*. If fewer than all of the then Outstanding Bonds to be converted have been remarketed or if any of the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and the Bonds to have been converted shall be changed to a Commercial Paper Mode on the Mode Change Date.

**Section 2.11. Interest Rate on Bank Bonds and Reimbursement Bond**. The rate of interest on any Bank Bond shall be the Bank Interest Rate for each day from and including the date such Bond becomes a Bank Bond to, but not including, the date such Bond is paid in full or is remarketed. Any reimbursement bonds shall bear interest and have such other terms as set forth in the Reimbursement Agreement. The Reimbursement Bond

shall bear interest as set forth in the Reimbursement Agreement.

**Section 2.12. Form of Bonds.** The Bonds shall each be in substantially the following form, with appropriate or necessary insertions, depending upon the omissions and variations as permitted or required hereby. If the Bonds are no longer held in fully-immobilized form, the form of Bonds will be changed to reflect the changes required in connection with the preparation of certificated Bonds.

No. R-\_\_\_\_\_ \$ \_\_\_\_\_

UNITED STATES OF AMERICA

PORT OF SEATTLE  
SUBORDINATE LIEN REVENUE BOND  
SERIES 2005[ (AMT)]

MATURITY DATE            ISSUE DATE            CUSIP

REGISTERED OWNER:    CEDE & CO.

PRINCIPAL AMOUNT:

The Port of Seattle (the "Port") promises to pay to the registered owner named above, or registered assigns, but solely from the sources hereinafter mentioned, on the Maturity Date specified above, unless this bond shall have been previously called for redemption in whole or in part and payment of the redemption price shall have been duly made or provided for, the Principal Amount shown above and to pay interest thereon, at the rate determined as herein provided from the most recent Interest Payment Date to which interest has been paid or duly provided for, or from the date of authentication hereof if such date is on an Interest Payment Date to which interest has been paid or duly provided for, or from the Issue Date specified above if no interest has been paid or duly provided for, such payments of interest to be made on each Interest Payment Date until the principal or redemption price hereof has been paid or duly provided for as aforesaid. The principal or redemption price of and interest on this bond may be paid in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public or private debts. The principal or redemption price of this bond (or of a portion of this bond, in the case of a partial redemption) is payable to the Registered Owner hereof in immediately available funds or next day funds, depending on the applicable Interest Period and the instructions of the registered owner upon presentation and surrender hereof at the office of the fiscal agency of the State of Washington (the "Registrar"). Both principal of and interest on this bond shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the Port to The Depository Trust Company ("DTC"). Capitalized terms used in this Bond have the meanings given such terms in Resolution No. 3544, as amended, of the Port Commission (the "Bond Resolution"). Interest on this bond shall accrue at Daily Rates, Weekly Rates, Commercial Paper Rates,

Long Term Rates or Fixed Rates, payable on Interest Payment Dates, all as provided in the Bond Resolution.

This bond is issued pursuant to the Bond Resolution to finance capital improvements within the Port.

This bond, if in the Daily Mode or the Weekly Mode, shall be purchased on demand of the Registered Owner as provided in the Bond Resolution.

The Port does hereby pledge and bind itself to set aside from such Gross Revenue, and to pay into the Subordinate Lien Bond Fund, Series 2005 the various amounts required by the Bond Resolution to be paid into and maintained in such Fund, all within the times provided by the Bond Resolution.

The amounts so pledged to be paid out of Gross Revenue into the Subordinate Lien Bond Fund, Series 2005 are hereby declared to be a first and prior lien and charge upon the Gross Revenue, subject to the liens thereon of any Permitted Prior Lien Bonds and subject further to the Operating Expenses of the Port and equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the payment of the Port's outstanding Subordinate Lien Revenue Bonds, Series 1997, Subordinate Lien Refunding Revenue Bonds, Series 1998, Subordinate Lien Refunding Revenue Bonds, Series 1999A and Series 1999B, Subordinate Lien Revenue Notes (Commercial Paper), Subordinate Lien Revenue Bonds, Series 2003C, and any revenue bonds of the Port hereafter issued on a parity with such bonds and the Bonds of this issue.

The Port has further bound itself to maintain all of its properties and facilities which contribute in some measure to such Gross Revenue in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rentals, tariffs, rates and charges in the operation of all of its business for as long as any Bonds of this issue are outstanding that it will make available, for the payment of the principal thereof and interest thereon as the same shall become due, Available Revenue in an amount equal to or greater than the Subordinate Lien Rate Covenant.

This bond is subject to optional redemption and, other than Bonds in the Fixed Mode, mandatory tenders for purchase prior to scheduled maturity at prices and times as set forth in the Bond Resolution.

The Bonds of this issue are private activity bonds and are not "qualified tax exempt obligations" eligible for investment by financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

Except as otherwise provided in the Bond Resolution, this bond shall not be entitled to any right or benefit under the Bond Resolution, or be valid or become obligatory for any purpose, until this bond shall have been authenticated

by execution by the Registrar of the certificate of authentication inscribed hereon.

It is hereby certified, recited and represented that the issuance of this bond and the Bonds of this issue is duly authorized by law; that all acts, conditions and things required to exist and necessary to be done or performed precedent to and in the issuance of this bond and the Bonds of this issue to render the same lawful, valid and binding have been properly done and performed and have happened in regular and due time, form and manner as required by law; that all acts, conditions and things necessary to be done or performed by the Port or to have happened precedent to and in the execution and delivery of the Bond Resolution have been done and performed and have happened in regular and due form as required by law; that due provision has been made for the payment of the principal of and premium, if any, and interest on this bond and the Bonds of this issue and that the issuance of this bond and the Bonds of this issue does not contravene or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Port of Seattle has caused this bond to be executed with the manual or facsimile signatures of the President and Secretary of its Port Commission and caused a facsimile of the official seal of the Port to be reproduced hereon.

PORT OF SEATTLE

(SEAL)  
By \_\_\_\_\_  
President, Port Commission

ATTEST:

By \_\_\_\_\_  
Secretary, Port Commission

The Certificate of Authentication for the Bonds shall be in substantially the following form and shall appear on each Bond:

**AUTHENTICATION CERTIFICATE**

This bond is one of the Port of Seattle Subordinate Lien Revenue Bonds, Series 2005 described in the within-mentioned Bond Resolution.

WASHINGTON STATE FISCAL AGENCY, as Registrar  
By \_\_\_\_\_  
Authorized Signatory

Date of Authentication: \_\_\_\_\_

**Section 2.13. Defeasance.** If money and/or Government Obligations maturing at such time(s) and bearing such interest to be earned thereon (without any reinvestment thereof) as will provide a series of payments

which shall be sufficient together with any money initially deposited, to provide for the payment of the principal of, premium, if any, and interest (if the rate of interest is not fixed to the date of maturity, redemption or mandatory purchase, at the Maximum Rate) on all or a designated portion of the Bonds when due (whether at maturity or upon earlier redemption in accordance with their respective terms) or on the first date on which such Bonds must or could be tendered for purchase are set aside in a special fund (hereinafter called the "trust account") to effect such payment and are pledged irrevocably in accordance with a refunding or defeasance plan adopted by the Port for the purpose of effecting such payment, then no further payments need be made in the Subordinate Lien Bond Fund for the payment of the principal of, interest or redemption premium on such Bonds, the Registered Owners thereof shall cease to be entitled to any lien, benefit or security of this resolution, except the right to receive payment of the principal of, premium, if any, and interest on such Bonds when due in accordance with their respective terms from the money and the principal and interest proceeds on the Government Obligations set aside in the trust account, and such Bonds shall no longer be deemed to be Outstanding hereunder. Notwithstanding the foregoing, no defeasance of Bonds then in the Commercial Paper Mode, the Daily Mode or the Weekly Mode may be made unless the Port shall have received written notice from each Rating Agency then maintaining a rating on the Bonds to the effect that the rating then in effect with respect to such Bonds will not be withdrawn, reduced or suspended as a result of the proposed defeasance.

Within 45 days after any defeasance of Bonds, the Port shall provide notice of defeasance of Bonds to Registered Owners of Bonds being defeased to each party entitled to receive notice, in accordance with the Continuing Disclosure Certificate.

**ARTICLE III.**

**REDEMPTION OF BONDS**

**Section 3.01. Mandatory Redemption.** The Maturity Date of the Bonds or Bonds of a Subseries (other than the Reimbursement Bond and Bank Bonds) may be converted in whole or in part to Serial Maturity Dates and/or Term Maturity Dates upon delivery of a Favorable Opinion of Bond Counsel prior to the commencement of a Long Term Mode or Fixed Mode for such Bonds and if so converted to Term Bonds shall be subject to mandatory sinking fund redemption as determined by the Port on the Rate Determination Date for such Bonds.

**Section 3.02. Optional Redemption During Commercial Paper Mode.** Bonds in the Commercial Paper Mode are not subject to optional redemption prior to their respective Purchase Dates. Commercial Paper Bonds shall be subject to redemption at the option of the Port, in whole or in part in principal amounts that permit all remaining Outstanding Bonds to continue in Authorized Denominations, on their respective Purchase Dates at a redemption price equal to the principal amount thereof.

**Section 3.03. Optional Redemption of Bonds in the Daily Mode or the Weekly Mode.** Bonds in the Daily

Mode or the Weekly Mode shall be subject to redemption at the option of the Port, in whole or in part in principal amounts which permit all remaining Outstanding Bonds to continue in Authorized Denominations, on any Interest Payment Date for those Bonds at a redemption price equal to the principal amount thereof.

**Section 3.04. Optional Redemption of Bonds in the Long Term Mode and Fixed Mode.** Bonds in a Long Term Mode or Fixed Mode shall be subject to redemption at the option of the Port, in whole or in part in Authorized Denominations on such dates and at such prices as determined by the Port for such Bonds on the Rate Determination Date.

**Section 3.05. Optional Redemption of Bank Bonds.** Bank Bonds shall be subject to redemption at the option of the Port, in whole or in part, in principal amounts that permit the remaining Outstanding Bonds to continue in Authorized Denominations, at any time, upon payment by the Port to the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, of an amount equal to the principal amount of the Bank Bonds held by such Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, to be redeemed, plus any accrued interest paid by the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, as part of the Purchase Price thereof and not theretofore repaid to the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, plus accrued interest thereon at the Bank Interest Rate to the Redemption Date.

**Section 3.06. Selection of Bonds for Redemption.** Whenever fewer than all the Outstanding Bonds are to be redeemed, the Bonds to be redeemed shall be selected in accordance with the operational arrangements of DTC referred to in the Letter of Representations (or, in the event the Bonds are no longer in book-entry only form, randomly by the Registrar). Notwithstanding the foregoing, Bank Bonds shall in all cases be redeemed first. In no event shall any Bond be Outstanding in a principal amount that is not an Authorized Denomination.

**Section 3.07. Notice of Redemption.** For so long as the book entry-system is in effect, notice of redemption shall be provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations, and no additional published or other notice shall be provided by the Port; *provided, however*, that the Credit Facility Issuer, if any, or Liquidity Facility Issuer, if any, shall be given prior written notice of any proposed redemption of Bonds. In any event, notice of redemption shall be given by the Port to the Registrar who shall give notice to DTC at least 30 days prior to the proposed date of redemption during the Long Term Mode and the Fixed Mode and at least 15 days for all other Modes.

**Section 3.08. Effect of Redemption.** If notice of redemption has been duly given and, in the case of an optional redemption, money for the payment of the Redemption Price of the Bonds or portions thereof to be redeemed is held by the Registrar, then on the Redemption Date the Bonds or portions thereof so called for redemption shall become payable at the Redemption Price specified in such notice; and from and after the Redemption Date,

interest thereon or on portions thereof so called for redemption shall cease to accrue, such Bonds or portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security hereunder and the Owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such Bonds to the Registrar. Notwithstanding the foregoing, any Bank Bonds shall remain Outstanding until the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, is paid all amounts due in connection with such Bonds or portions thereof to be redeemed on the Redemption Date. After payment to the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, of all amounts due on Bank Bonds such Credit Facility Issuer or Liquidity Facility Issuer shall surrender such Bonds to the Registrar for cancellation.

**Section 3.09. Purchase of Bonds In Lieu of Proceedings for Redemption.** The Port reserves the right to purchase any of the Bonds offered to it by a Beneficial Owner or the Registered Owner at any time at any price acceptable to the Port.

#### ARTICLE IV.

#### PURCHASE OF BONDS

**Section 4.01. Tenders for Purchase.** As provided in Article II hereof, and notwithstanding anything to the contrary in this Article IV, tenders and purchase of Bonds shall be made pursuant to DTC's rules and procedures so long as any Bond is registered in the name of Cede & Co., as nominee of DTC. Whenever in the context of this resolution, a Registered Owner or Beneficial Owner is offered or required the opportunity to tender a Bond for purchase, the tender shall be accomplished by the making of or the irrevocable authorization to make appropriate entries on the books of DTC or any DTC Participant. The payment of the Purchase Price for tendered Bonds under this Section 4.01 shall be made solely from remarketing proceeds and/or (in the case of tendered Bonds payable pursuant to a Credit Facility or Liquidity Facility) from the proceeds of drawing on such Credit Facility or Liquidity Facility and shall not constitute an obligation of the Port in the event of an insufficiency of funds from the foregoing to pay the entire Purchase Price of tendered Bonds.

(a) *Optional Tender Purchase Dates.* The Beneficial Owners of Bonds in the Daily Mode or Weekly Mode may elect to have their Bonds (or portions thereof in amounts equal to any Authorized Denomination, provided that the remaining Bonds held by such Beneficial Owner will continue to be in Authorized Denominations) purchased at the Purchase Price on the Purchase Date as follows:

(1) Bonds in the Daily Mode may be tendered for purchase upon delivery of a notice of tender by Electronic Means or telephone to the Registrar and the Remarketing Agent, directly or through the Beneficial Owner's DTC Participant, not later than 11:00 a.m., New York City time, on any Business Day.

(2) Bonds in the Weekly Mode may be tendered for purchase upon delivery of a notice of tender by Electronic Means to the Registrar and the Remarketing

Agent, directly or through the Beneficial Owner's DTC Participant, not later than 4:00 p.m., New York City time, on a Business Day not less than seven days prior to the Purchase Date.

(b) *Notice of Tender.* Each notice of tender:

(1) shall be delivered to the Registrar at its principal corporate trust office and be in form satisfactory to the Registrar;

(2) shall state (A) CUSIP number, bond number, and the principal amount of the Bond to which the notice relates, (B) that the Registered Owner irrevocably demands purchase of such Bond or a specified portion thereof in an amount equal to an Authorized Denomination, so long as the remaining portion thereof is in an Authorized Denomination, (C) the date on which such Bond or portion is to be purchased, and (D) payment instructions with respect to the Purchase Price; and

(3) shall automatically constitute an irrevocable offer to sell the Bond (or portion thereof) to which the notice relates on the Purchase Date. The determination of the Registrar as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Registered Owner.

(c) *Bonds to be Remarketed.* Not later than 11:00 a.m., New York City time, on the Business Day immediately following the date of receipt of any notice of tender (or immediately upon such receipt, in the case of Bonds in the Daily Mode), the Registrar shall notify, by telephone, promptly confirmed in writing, the Port and the Remarketing Agent of the principal amount of Bonds (or portions thereof) to be purchased and the Purchase Date.

**Section 4.02. Mandatory Tenders for Purchase.**

The payment of the Purchase Price for tendered Bonds under this Section 4.02 shall be made solely from remarketing proceeds and/or (in the case of tendered Bonds payable pursuant to a Credit Facility or Liquidity Facility) from the proceeds of drawing on such Credit Facility or Liquidity Facility and shall not constitute an obligation of the Port in the event of an insufficiency of funds from the foregoing to pay the entire Purchase Price of tendered Bonds.

(a) *Commercial Paper Mode.* Each Bond in the Commercial Paper Mode shall be subject to mandatory tender for purchase on the Business Day after the last day of each Interest Period applicable to such Bond, at a Purchase Price equal to 100% of the principal amount thereof. The Registered Owner of any Bond in the Commercial Paper Mode and tendered for purchase as provided in this Section 4.02(a) shall provide the Registrar with payment instructions for the Purchase Price of its Bond on or before the Mandatory Purchase Date.

(b) *Conversions between Modes and on First Day of each Interest Period in Long Term Mode.* Bonds to be converted from one Mode to a different Mode (except for conversions between the Daily and Weekly Modes) and Bonds in the Long Term Mode are subject to mandatory tender for purchase on the Mode Change Date for such

Bonds and on the first day of each succeeding Interest Period, respectively, at a Purchase Price equal to the principal amount thereof plus accrued interest, if any. Owners shall be required to tender their Bonds to the Registrar at or prior to 11:00 a.m., New York City time, on the Mandatory Purchase Date for purchase.

(c) *Mandatory Purchase Upon Substitution or Expiration of Credit Facility.* On (1) the Substitution Date, or (2) or prior to the fifth day next preceding the Expiration Date, if the Port has failed to deliver to the Registrar an alternate credit facility and/or an alternate liquidity facility (unless the Port has elected to convert such Bonds to a Fixed Mode on or prior to the Expiration Date), then the Registrar shall give notice to the Registered Owners and the other Notice Parties stating:

(A) in the case of a Substitution Tender Date, (i) that the Credit Facility or Liquidity Facility is being replaced by an alternate credit facility and/or an alternate liquidity facility (specifying the identity of the issuer of the alternate credit facility and/or an alternate liquidity facility, as the case may be, and the Substitution Date); (ii) the expected rating or ratings on the Bonds as of the Substitution Date and whether such rating(s) are expected to or may (as applicable) be reduced, increased, withdrawn or suspended; and (iii) that the Bonds are required to be tendered for purchase (specifying the Substitution Tender Date and the procedures for tender, and stating that if not so tendered Bonds will be deemed tendered and interest thereon will cease to accrue on the Substitution Tender Date) from remarketing proceeds or from proceeds of the Credit Facility or Liquidity Facility being replaced and that is available to be drawn upon for such purpose; or

(B) in the case of an Expiration Tender Date, that (i) the Credit Facility or Liquidity Facility is scheduled to expire (specifying the Expiration Date); (ii) as of the notice date, the Port has not arranged for the extension of the Credit Facility or Liquidity Facility or an alternate credit facility and/or an alternate liquidity facility has not been delivered; and (iii) the Bonds are required to be tendered for purchase (specifying the Expiration Tender Date and the procedures for tender, and stating that if not so tendered Bonds will be deemed tendered and interest thereon will cease to accrue on the Expiration Tender Date).

The failure to mail such notice pursuant to clauses (A) and (B) above with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed shall be conclusively presumed to have been given, whether or not actually received by any Registered Owner.

Payment of the Purchase Price of such Bonds shall be made by wire transfer in immediately available funds by the Registrar by the close of business on such Mandatory Purchase Date.

(d) *Mandatory Purchase Upon Event of Default Under Reimbursement Agreement.* Bonds in a Daily Mode, Weekly Mode, Commercial Paper Mode or Long Term Mode that are payable from a Credit Facility or Liquidity Facility are subject to mandatory purchase at the Purchase Price on the Default Tender Date. Written notice shall be

given by the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, to the Registrar who shall, immediately upon receipt thereof, transmit a copy of such notice to all Notice Parties. No later than the third day next preceding the Mandatory Purchase Date, the Registrar shall give notice to the Registered Owners stating that the Bonds are required to be tendered for purchase (specifying the Mandatory Purchase Date and the procedures for tender and stating that if not so tendered Bonds shall be deemed tendered and interest thereon shall cease to accrue on the Mandatory Purchase Date). The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed shall be conclusively presumed to have been given, whether or not actually received by any owner. Payment of the Purchase Price shall be made by wire transfer to accounts designated by the Registered Owners in immediately available funds by the Registrar by the close of business on the Mandatory Purchase Date.

(e) *Mandatory Purchase on Resolution Tender Date.* If the Port proposes to amend this resolution, and if this resolution, by its terms, requires Registered Owner consent for such amendment, the Port may elect to effect a mandatory purchase of Bonds on a specified Resolution Tender Date. The Port shall provide at least 10 days' written notice to the Registrar, the Remarketing Agent that the Bonds shall be subject to mandatory purchase on the Resolution Tender Date. Any such notice shall be accompanied by a Favorable Opinion of Bond Counsel to the effect that such amendments are authorized or permitted by this resolution and will not cause the interest on the Bonds to become includable in gross income for federal income tax purposes. No later than the third day next preceding the Resolution Tender Date, the Registrar shall give notice to the Registered Owners stating that the Bonds are required to be tendered for purchase (specifying the Mandatory Purchase Date and the procedures for tender and stating that if not so tendered Bonds shall be deemed tendered and interest thereon shall cease to accrue on the Mandatory Purchase Date). The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed shall be conclusively presumed to have been given, whether or not actually received by any owner. Payment of the Purchase Price shall be made by wire transfer to accounts designated by the Registered Owners in immediately available funds by the Registrar by the close of business on the Mandatory Purchase Date.

#### **Section 4.03. Remarketing and Purchase.**

(a) *Remarketing of Tendered Bonds.* Unless otherwise instructed by the Port the Remarketing Agent shall use best efforts to remarket Bonds or portions thereof for which notice of tender has been received pursuant to Section 4.01(b) or which are subject to mandatory tender on a Mandatory Purchase Date (other than a Default Tender Date). The terms of any remarketing by the Remarketing Agent shall provide for the payment of the full Purchase Price for tendered Bonds by the purchaser to the appropriate DTC Participant in immediately available funds

at or before 12:00 noon, New York City time, on the Purchase Date. The Remarketing Agent shall not remarket any Bonds to the Port. The Remarketing Agent shall not sell any Bond as to which a notice of Mode Change Date or notice of redemption has been given by the Registrar unless the Remarketing Agent has notified the Person to whom the sale is made of the conversion or redemption. Bank Bonds may not be remarketed (delivered to new purchasers) unless the Registrar has received written confirmation by Electronic Means from the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, to the effect that the "Principal Portion" and the "Interest Portion" as defined in the Liquidity Facility or Credit Facility have been fully reinstated with respect to such Bank Bonds or will be upon the remarketing of the Bonds.

#### (b) *Purchase of Tendered Bonds.*

(1) Notice. Not later than 12:00 p.m., New York City time, on any Purchase Date or Mandatory Purchase Date, as the case may be, the Remarketing Agent shall give notice by telephone or Electronic Means to the Registrar of the principal amount of tendered Bonds that were remarketed and those that were not remarketed, if any. Not later than 12:15 p.m., New York City time, on the Purchase Date or the Mandatory Purchase Date, the Registrar shall give notice to the Port and any direct pay Credit Facility Issuer or the Liquidity Facility Issuer, if any, by telephone or Electronic Means, specifying the principal amount of tendered Bonds payable from such Credit Facility or Liquidity Facility, as applicable, and as to which the Remarketing Agent has not remarketed. Not later than 1:00 p.m., New York City time, on the Purchase Date or the Mandatory Purchase Date, the Remarketing Agent shall give notice to the Registrar by telephone (promptly confirmed in writing or by Electronic Means) of the names, addresses and taxpayer identification numbers of the purchasers, the denominations of Bonds to be delivered to each purchaser and, if available, payment instructions for regularly scheduled interest payments, or of any changes in any such information previously communicated.

(2) Sources of Payments. The Remarketing Agent shall pay on the Purchase Date all amounts representing proceeds of the remarketing of such Bonds, such payments to be made in the manner and at the time specified in subsection 4.03(a) above. If such amounts are not sufficient to pay the Purchase Price, the Registrar shall immediately notify the Port and any direct pay Credit Facility Issuer or the Liquidity Facility Issuer, if any, of any deficiency with respect to tendered Bonds payable pursuant to such Credit Facility or Liquidity Facility, as applicable (but no later than 12:30 p.m., New York time). Pursuant to such direct pay Credit Facility or Liquidity Facility, the Credit Facility Issuer or the Liquidity Facility Issuer shall, following receipt of purchase notices and transfer instructions from the Registrar in the name of the Credit Facility Issuer or the Liquidity Facility Issuer, as applicable, on the Purchase Date, purchase such tendered Bonds by delivering to (or at the direction of) the Registrar for the tendered Bonds the Purchase Price therefor in immediately available funds in an amount equal to such deficiency prior to 2:30 p.m., New York City time, on the Purchase Date or the Mandatory Purchase Date. If money

is received by the Registrar as remarketing proceeds or (in the case of tendered Bonds payable pursuant a direct pay Credit Facility or Liquidity Facility) from such Credit Facility Issuer or Liquidity Facility Issuer, any such amounts shall be deposited by the Registrar in the Purchase Account to be used solely for the payment of the Purchase Price of tendered Bonds and shall not be commingled with other funds held by the Registrar. All Bonds so purchased by the Bank, other Credit Facility Issuer or the Liquidity Facility Issuer shall be registered in the name of the Bank, other Credit Facility Issuer or the Liquidity Facility Issuer, as the case may be, on the Purchase Date, shall be held in trust by the Registrar on behalf of the Bank, other Credit Facility Issuer or the Liquidity Facility Issuer, as the case may be, and shall not be released from such trust unless the Registrar shall have received written instructions from the Bank, other Credit Facility Issuer or the Liquidity Facility Issuer and notice that the Credit Facility or Liquidity Facility has been reinstated.

(3) Payments of the Purchase Price. Not later than the close of business on the Purchase Date and upon receipt by the Registrar of 100% of the aggregate Purchase Price of the tendered Bonds, the Purchase Price of such Bonds shall be paid to the Registered Owners thereof. Such payments shall be made by wire transfer of immediately available funds. Such payments shall be made first from the proceeds of the remarketing of such Bonds, and second (in the case of tendered Bonds payable pursuant to a direct pay Credit Facility or Liquidity Facility), from moneys received from the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, under the Credit Facility or Liquidity Facility.

**Section 4.04. Purchase Account.** There is hereby authorized to be created, as necessary, with the Registrar a segregated trust fund to be designated the "Purchase Account." The Purchase Account shall consist of two sub-accounts to be designated respectively the "Remarketing Subaccount" and the "Bank Purchase Subaccount."

If by the terms of the remarketing, the Registrar receives any moneys from the remarketing of Bonds, the Registrar shall deposit or cause to be deposited into the Remarketing Subaccount, if and when received, all moneys delivered to the Registrar as and for the Purchase Price of remarketed Bonds, such money to be used to pay the Purchase Price of remarketed Bonds.

The Registrar shall deposit or cause to be deposited into the Bank Purchase Account, when and as received, all moneys delivered to the Registrar, if any, from any direct pay Credit Facility Issuer or the Liquidity Facility Issuer pursuant to such Credit Facility or Liquidity Facility, such money to be used to purchase unremarketed Bonds, which Bonds shall thereafter be registered in the name of the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, and considered Bank Bonds.

Amounts held in the Bank Purchase Subaccount and the Remarketing Subaccount by the Registrar shall be held uninvested and separate and apart from all other funds, accounts and subaccounts.

On the date of purchase, the Registrar shall register and deliver (or hold) or cancel all Bonds purchased on any purchase date as follows: (a) Bonds purchased or remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:15 p.m., New York City time, in accordance with the instructions of the Remarketing Agent; (b) Bonds purchased with proceeds of a drawing on a direct pay Credit Facility or Liquidity Facility shall be held as Bank Bonds and shall be held in trust by the Registrar on behalf of the Credit Facility Issuer or the Liquidity Facility Issuer and shall not be released from such trust unless the Registrar shall have received written instructions from such Credit Facility Issuer or Liquidity Facility Issuer and, unless the Bonds are to be cancelled, written confirmation by Electronic Means that the Credit Facility or Liquidity Facility has been reinstated. Notwithstanding anything herein to the contrary, so long as the Bonds are held under the book-entry only system in accordance with Section 2.05 hereof, Bonds will not be delivered as set forth above; rather, transfers of beneficial ownership of the Bonds to the person indicated above will be effected on the registration books of DTC pursuant to its rules and procedures.

Bonds purchased with proceeds of a drawing on a direct pay Credit Facility or Liquidity Facility pursuant to this Section shall constitute "Bank Bonds" and shall be held by the Registrar as agent for the Credit Facility Issuer or the Liquidity Facility Issuer, as applicable, pursuant to the Reimbursement Agreement (and shall be shown as such on the registration books maintained by the Registrar) unless and until (1)(A) the Registrar has written confirmation by Electronic Means from the applicable Credit Facility Issuer or the Liquidity Facility Issuer to the extent contemplated by the terms of the applicable Credit Facility or Liquidity Facility that the Credit Facility or Liquidity Facility, as the case may be, has been reinstated with respect to such drawing and (B) the Credit Facility Issuer or the Liquidity Facility Issuer has notified the Registrar by facsimile (hereafter promptly confirmed in writing by U.S. Mail) that such Bonds have been released pursuant to the Reimbursement Agreement and are no longer Bank Bonds or (2) the Bank Bonds have been purchased by the Port and surrendered for cancellation. Pending reinstatement of the Credit Facility or the Liquidity Facility and release of such Bank Bonds, as aforesaid, the Credit Facility Issuer or the Liquidity Facility Issuer or their respective designee may assign them to an affiliate and shall be entitled to receive all payments of principal of and interest on Bank Bonds and such Bonds shall not be transferable or deliverable to any party (including the Port) except the Credit Facility Issuer or the Liquidity Facility Issuer pursuant to the Reimbursement Agreement. Unless a Default has occurred or if the Port otherwise instructs and subject to the terms of the Reimbursement Agreement, the Remarketing Agent shall continue to use its best efforts to arrange for the sale of any Bank Bonds, subject to full reinstatement of the Credit Facility or Liquidity Facility with respect to the drawings with which such Bonds were purchased, at a price equal to the principal amount thereof plus accrued interest (not including interest owed to the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, at the Bank Interest Rate).

Notwithstanding anything to the contrary in this subsection, if and for so long as the Bonds are to be registered in accordance with Section 2.05 hereof, the registration requirements under this Section 4.04 shall be deemed satisfied if Bank Bonds are (1) registered in the name of the Securities Depository or its nominee in accordance with Section 2.05 hereof, and (2)(i) credited on the books of the Securities Depository to the account of the Registrar (or its nominee) and further credited on the books of the Registrar (or such nominee) to the account of the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be (or its designee) or (2) credited on the books of the Securities Depository to the account of the Credit Facility Issuer or the Liquidity Facility Issuer or their respective nominee.

All Bonds to be purchased on any date shall be required to be delivered to the principal office of the Registrar at or before 1:00 p.m., New York City time, on the purchase date in the case of Bonds accruing interest at Commercial Paper or Daily Rates; or 12:00 noon, New York City time, on the purchase date in the case of Bonds accruing interest at Weekly Rates or Long-Term Rate. If the Owner of any Bond (or portion thereof) in certificated form that is subject to optional or mandatory purchase pursuant to this Article fails to deliver such Bond to the Registrar for purchase on the purchase date, and if the Registrar is in receipt of the Purchase Price therefor, such Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided above. Any Owner who fails to deliver such Bond for purchase shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Bond to the Registrar. The Registrar shall, as to any tendered Bonds which have not been delivered to it (A) promptly notify the Remarketing Agent of such nondelivery and (B) place a stop transfer against an appropriate amount of Bonds registered in the name of such Registered Owner(s) on the bond registration books. The Registrar shall place such stop(s) commencing with the lowest serial number Bond registered in the name of such Registered Owner(s) until stop transfers have been placed against an appropriate amount of Bonds until the appropriate tendered Bonds are delivered to the Registrar. Upon such delivery, the Registrar shall make any necessary adjustments to the bond registration books.

**Section 4.05. Credit Facility.** During any Mode (other than the Fixed Mode), while a direct pay Credit Facility or Liquidity Facility is in effect with respect to the Bonds, on each Purchase Date or Mandatory Purchase Date, the Registrar, by telecopied demand given before 12:30 p.m., New York time, shall notify the direct pay Credit Facility Issuer or Liquidity Facility Issuer of its need for funds to pay the interest (not including any interest owed to such Credit Facility Issuer or Liquidity Facility Issuer at the Bank Interest Rate) on and/or principal of and/or the Purchase Price of tendered Bonds (payable pursuant to such direct pay Credit Facility or Liquidity Facility) in accordance with the terms of the Credit Facility or Liquidity Facility so as to receive thereunder by 2:30 p.m., New York City time, on such date an amount, in

immediately available funds, sufficient (together with the proceeds of the remarketing of Bonds (received and available to the Registrar prior to the time of drawing or demand under the Credit Facility or Liquidity Facility, as the case may be) in connection with a purchase drawing if the Bonds are then being remarketed) on such date, to pay the Purchase Price in connection therewith. The Registrar shall deposit amounts received from the Credit Facility Issuer or the Liquidity Facility Issuer to pay the Purchase Price of tendered Bonds (payable pursuant to such Credit Facility or Liquidity Facility) in the Bank Purchase Subaccount pursuant to Section 4.04 hereof.

During any Mode (other than the Fixed Mode), while a direct pay Credit Facility is in effect, on the Business Day prior to any Interest Payment Date and/or the Business Day prior to any other date on which a payment of principal with respect to the Bonds is due, whether by maturity or redemption in advance of maturity, as the case may be, the Registrar, by telecopied demand given before 3:00 p.m., New York time, shall notify the Credit Facility Issuer of its need for funds to pay interest on and/or principal of the Bonds that are secured by such Credit Facility in accordance with the terms of the Credit Facility so as to receive thereunder by 1:00 p.m., New York time, on such Interest Payment Date or date on which a payment of principal with respect to the Bonds is due an amount, in immediately available funds, sufficient to pay such interest (not including interest owed to the Credit Facility Issuer or Liquidity Facility Issuer at the Bank Interest Rate) and/or principal. The Registrar shall hold such funds separate and apart in trust for the benefit of Registered Owners, and such funds shall not be commingled with any other funds for any other purpose. No drawing on the Credit Facility may be made for Bank Bonds, or Bonds held by the Port.

## ARTICLE V.

### PAYMENT OF BONDS; DISPOSITION OF BOND PROCEEDS

#### Section 5.01. Payment of Bonds.

(a) *Subordinate Lien Bond Fund.* A special fund of the Port designated the "Port of Seattle Subordinate Lien Revenue Bond Fund, Series 2005" (the "Subordinate Lien Bond Fund") is hereby authorized to be created in the office of the Treasurer of the Port for the purpose of paying and securing the payment of the Bonds. The Subordinate Lien Bond Fund shall be held separate and apart from all other funds and accounts of the Port and shall be a trust fund for the owners of the Bonds.

The Port hereby irrevocably obligates and binds itself for as long as any Bonds remain Outstanding to set aside and pay into the Subordinate Lien Bond Fund from Available Revenue or money in the Revenue Fund, on or prior to the respective dates the same become due (and if such payment is made on the due date, such payment shall be made in immediately available funds):

(1) Such amounts as are required to pay the interest scheduled to become due on Outstanding Bonds (including payment of all Bank Bonds); and

(2) Such amounts with respect to Outstanding Bonds as are required (A) to pay maturing principal, (B) to make any required sinking fund payments, and (C) to redeem Outstanding Bonds in accordance with any mandatory redemption provisions (including payment of all Bank Bonds).

(b) *Priority of Use of Gross Revenue.* The Port's Gross Revenue shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate and apart from all other funds and accounts of the Port, and the Gross Revenue deposited therein shall be used only for the following purposes and in the following order of priority:

First, to pay Operating Expenses not paid from other sources;

Second, to make all payments, including sinking fund payments, required to be made into the debt service account(s) within any redemption fund maintained for First Lien Bonds to pay the principal of and interest and premium, if any, on any First Lien Bonds;

Third, to make all payments required to be made into any reserve account(s) maintained for First Lien Bonds to secure the payment of any First Lien Bonds;

Fourth, to make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of, premium, if any, and interest on any revenue bonds or other revenue obligations of the Port having liens upon the Net Revenues and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of, premium, if any, and interest on any First Lien Bonds, but prior to the lien thereon of Subordinate Lien Parity Bonds, including without limitation the Intermediate Lien Parity Bonds;

Fifth, to make payments necessary to be paid into any bond fund or debt service account created to pay the debt service on Subordinate Lien Parity Bonds, including, but not limited to the Subordinate Lien Bond Fund to pay the principal of and interest on Subordinate Lien Parity Bonds;

Sixth, to make all payments required to be made into the reserve account(s) securing Subordinate Lien Parity Bonds;

Seventh, to make all payments required to be made into the Repair and Renewal Fund under the terms of the First Lien Master Resolution to maintain any required balance therein; and

Eighth, to retire by redemption or purchase any outstanding revenue bonds or other revenue obligations of the Port as authorized in the various resolutions of the Commission authorizing their issuance or to make necessary additions, betterments, improvements and repairs to or extension and replacements of the Facilities, or any other lawful Port purposes.

(c) *Lien on Available Revenue.* The Bonds and the lien thereof created and established hereunder shall be obligations only of the Subordinate Lien Bond Fund, herein authorized to be created. The Bonds shall be payable

solely from and secured solely by Available Revenue, and by drawings under the Credit Facility; *provided, however*, that any series of Future Subordinate Lien Parity Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that series of Future Subordinate Lien Parity Bonds.

From and after the time of issuance and delivery of the Bonds and so long thereafter as any of the same remain Outstanding, the Port hereby irrevocably obligates and binds itself to set aside and pay into the Subordinate Lien Bond Fund out of Available Revenue, on or prior to the date on which the interest on, premium, if any, or principal of and interest on the Bonds shall become due, the amount necessary to pay such interest, premium, or principal and interest coming due on the Bonds.

Said amounts so pledged to be paid into the respective Subordinate Lien Bond Fund are hereby declared to be a prior lien and charge upon the Gross Revenue superior to all other charges of any kind or nature whatsoever except for Operating Expenses and except for the lien on Gross Revenue of the Permitted Prior Lien Bonds and except that the amounts so pledged are of equal lien to the liens and charges on Gross Revenue of the Outstanding Subordinate Lien Bonds and to the lien and charge which may hereafter be made to pay and secure the payment of the principal of and interest on any Future Subordinate Lien Parity Bonds.

The Bonds shall not in any manner or to any extent constitute general obligations of the Port or of the State of Washington, or of any political subdivision of the State of Washington, and no tax revenues of the Port may be used to pay the principal of and interest on the Bonds.

(d) *Reimbursement Bonds.* The obligations of the Port relating to the Bonds under the Reimbursement Agreement, if any, will be evidenced by a "Reimbursement Bond". Each "Reimbursement Bond" is also secured by the Subordinate Lien Bond Fund (but not by moneys in the Purchase Account or by moneys drawn under a Credit Facility or Liquidity Facility), all in accordance with the Reimbursement Agreement.

**Section 5.02. Use of Moneys in Subordinate Lien Bond Funds and Moneys Drawn Under Credit Facility.**

Money in the Subordinate Lien Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on, the Bonds as the same shall become due and payable at maturity, upon redemption or otherwise, and the lien of the Owners of Bonds on such moneys on deposit in the Subordinate Lien Bond Fund and moneys received from a draw on the Credit Facility shall be first and prior to the lien of any other person thereon. Funds for the payment of the principal of, premium, if any, and interest on the Bonds shall be derived from the following sources in the order of priority indicated:

(a) moneys drawn by the Registrar under a direct pay Credit Facility for the payment of the principal of or interest on the Bonds that are secured by such Credit Facility; and

(b) payments made by the Port pursuant to Section 5.01(b) hereof.

The Credit Facility shall be the obligation of the Credit Facility Issuer to pay to the Registrar, in accordance with the terms thereof, such amounts as shall be specified therein and available to be drawn thereunder for the timely payment of the principal of and interest on the Bonds (payable from the direct pay Credit Facility) whether at their stated maturity, or upon redemption or otherwise, and, if the direct pay Credit Facility so permits, premium, and portions of the Purchase Price of Bonds corresponding to principal and interest thereon, required to be made pursuant to, and in accordance with, the provisions of this resolution. Money drawn under the Credit Facility by the Registrar shall be held by the Registrar separate and apart and shall not be commingled with any Port funds. Such money shall not be re-invested. The direct pay Credit Facility shall be reduced to the extent of any drawings thereunder and reinstated in accordance with the terms thereof.

**Section 5.03. Enforcement of Rights.** The Registered Owner of each of the Bonds or a trustee for the Registered Owners of any of the Bonds may by mandamus or other appropriate proceeding require the transfer and payment of money as directed in this resolution.

**Section 5.04. Permitted Prior Lien Bonds and Future Subordinate Lien Parity Bonds.**

(a) *Permitted Prior Lien Bonds and Intermediate Lien Parity Bonds.* As provided in the First Lien Master Resolution, the Port reserves the right to issue one or more series of First Lien Bonds by means of a Series Resolution (as such term is defined and required under the First Lien Master Resolution) for any purpose of the Port now or hereafter permitted by law, provided that the Port shall comply with the terms and conditions for the issuance of First Lien Bonds set forth in the First Lien Master Resolution. In addition, the Port also reserves the right to issue obligations payable from Net Revenue available after payment of the amounts described in paragraphs First through Third of Section 5.01(b) of this resolution, and having lien(s) on such Net Revenues prior to the lien of the Bonds and the Outstanding Subordinate Lien Bonds, including without limitation Intermediate Lien Parity Bonds (which can be issued on the terms set forth in the Intermediate Lien Master Resolution). Such obligations shall be subject to such terms, conditions and covenants set forth in their respective authorizing resolutions.

(b) *Future Subordinate Lien Parity Bonds - General Provisions.* The Port hereby further covenants and agrees with the Owners of each of the Bonds for as long as any of the same remain Outstanding that it will not issue any Future Subordinate Lien Parity Bonds that constitute a charge and lien upon the Available Revenue equal to the lien thereon of the Bonds, unless, except for Future Subordinate Lien Parity Bonds issued for refunding purposes pursuant to subsection (c) below, (1) for as long as the Bonds or the Outstanding Subordinate Lien Bonds remain Outstanding at the time of the issuance of such Future Subordinate Lien Parity Bonds the Port is not in default under this resolution, and (2) either of the conditions (A) or (B) below is satisfied.

(A) Certificate Required. Unless the Port is able to meet the criteria set forth in (B) below, a certificate

shall be filed with the Port (as described in this subsection (b) or subsection (c) below) demonstrating fulfillment of the Subordinate Lien Parity Test, (i) commencing with the first full fiscal year following the earlier of (x) the Date of Commercial Operation of the Facilities to be financed with the proceeds of the Future Subordinate Lien Parity Bonds or (y) the date on which any portion of interest on the Future Subordinate Lien Parity Bonds then being issued no longer will be paid from the proceeds of such bonds, and (ii) for the following two fiscal years.

(B) No Certificate Required. A certificate shall not be required as a condition to the issuance of Future Subordinate Lien Parity Bonds:

(i) if the Future Subordinate Lien Parity Bonds are being issued for refunding purposes upon compliance with the provisions of subsection (c) of this section; or

(ii) if the Future Subordinate Lien Parity Bonds are being issued to pay Costs of Construction of Facilities for which indebtedness has been issued previously and the principal amount of such indebtedness being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of indebtedness theretofore issued for such Facilities and reasonably allocable to the Facilities to be completed as shown in a written certificate of the Designated Port Representative, and there is delivered a Consultant's certificate stating that the nature and purpose of such Facilities has not materially changed.

A certificate may be delivered by the Port without a Consultant if the Available Revenue, based upon the financial statements of the Port for the Base Period, corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor's office of the State of Washington, or any successor to the duties thereof, or by an independent certified public accounting firm for the Base Period, is sufficient such that the Subordinate Lien Parity Test will be fulfilled commencing with the first full fiscal year following the earlier of (x) the date of Commercial Operation of the Facilities to be financed with the proceeds of the Future Subordinate Lien Parity Bonds as reasonably estimated by the Port, or (y) the date on which any portion of interest on the Future Subordinate Lien Parity Bonds then being issued will not be paid from the proceeds of such Future Subordinate Lien Parity Bonds and for the following two fiscal years. Except as provided in the foregoing paragraphs, compliance with the coverage requirements of this Section 5.04 shall be demonstrated conclusively by a certificate of a Consultant.

In making the computations of Available Revenue for the purpose of certifying compliance with the Subordinate Lien Parity Test, the Consultant shall use as a basis the Available Revenue for the Base Period. In making such computations the Consultant shall make such adjustments as he deems reasonable.

(c) *Future Subordinate Lien Parity Bonds For Refunding Purposes.* The Port may issue Future

Subordinate Lien Parity Bonds for refunding purposes, as follows:

(1) Future Subordinate Lien Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) Subordinate Lien Parity Bonds including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase), any deposits to a reserve account or to purchase a Qualified Letter of Credit or Qualified Insurance and the expenses of issuing the Future Subordinate Lien Parity Bonds to purchase or refund the same and of effecting such refunding upon delivery of a certificate as provided in subsection (b)(1) above. Such refunding Future Subordinate Lien Parity Bonds also may be issued without a certificate if the Maximum Annual Debt Service on all Subordinate Lien Parity Bonds to be Outstanding after the issuance of the refunding Future Subordinate Lien Parity Bonds shall not be greater than the Maximum Annual Debt Service on the bonds to be refunded were such refunding not to occur.

(2) Future Subordinate Lien Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) any other bonds of the Port having a lien on Available Revenue on a parity with or prior to the lien of the Bonds, provided that such bonds are Permitted Prior Lien Indebtedness or Subordinate Lien Parity Bonds, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption of such bonds (or purchase), any deposits to a reserve account or to purchase a Qualified Letter of Credit or Qualified Insurance and the expenses of issuing the Future Subordinate Lien Parity Bonds to purchase or refund the same and of effecting such refunding; provided, however, that prior to the issuance of such Future Subordinate Lien Parity Bonds the Port must provide a certificate if required by this section.

(3) Future Subordinate Lien Parity Bonds may be issued for the purpose of refunding (including by purchase) at any time within one year prior to maturity any bonds of the Port having a lien on Available Revenue on a parity with or prior to the lien of the Bonds, provided that such bonds are Permitted Prior Lien Indebtedness or Subordinate Lien Parity Bonds, for the payment of which sufficient Available Revenue or other money are not available, without the requirement of a certificate pursuant to this section.

(d) *Liens Subordinate to Subordinate Lien Parity Bonds.* Nothing herein contained shall prevent the Port from issuing revenue bonds or other obligations which are a charge upon the Available Revenue junior or inferior to the payments required by this resolution to be made out of such Available Revenue to pay and secure the payment of any Subordinate Lien Parity Bonds. Such junior or inferior obligations shall not be subject to acceleration. This prohibition against acceleration shall not be deemed to prohibit mandatory tender or other tender provisions with respect to variable rate obligations.

**Section 5.05. Covenants.** The Port hereby makes the following covenants and agrees with the owners and

holders of each of the Bonds for as long as any of the same remain Outstanding.

(a) *Subordinate Lien Rate Covenant.* The Port will at all times establish, maintain and collect rentals, tariffs, rates, fees, and charges in the operation of all of its business for as long as any Bonds are Outstanding that will produce Available Revenue in each fiscal year at least equal to the amounts required to be deposited during such fiscal year from Net Revenues into the Subordinate Lien Bond Fund, any other bond fund established or maintained for the benefit of Subordinate Lien Parity Bonds and to any fund established or maintained to pay any Port Payments due with respect to any Derivative Product and any other amounts due to the Credit Facility Issuer, if any, or Liquidity Facility Issuer, if any, and to the issuers of credit facilities for the Outstanding Subordinate Lien Parity Bonds and, to the extent not otherwise provided for, to any Reciprocal Payor, but excluding from each of the foregoing, payments made or to be made from refunding debt and capitalized debt service or other money irrevocably set aside for such payment.

If the Available Revenue in any fiscal year is less than required to fulfill the Subordinate Lien Rate Covenant, then the Port will retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges; and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commission, on the basis of such recommendations and other available information, will establish rentals, tariffs, rates, fees and charges for services and operations which will be necessary to meet the Subordinate Lien Rate Covenant in the fiscal year during which such adjustments are made. If the Commission has taken the steps set forth in this paragraph and the Available Revenue in the fiscal year in which adjustments are made nevertheless is not sufficient to meet the Subordinate Lien Rate Covenant, there shall be no default under this Section 5.05(a) during such fiscal year, unless the Port fails to meet the Subordinate Lien Rate Covenant for two consecutive fiscal years.

(b) *Performance of Covenants.* The Port will duly and punctually pay or cause to be paid out of the Subordinate Lien Bond Fund the principal of and interest on the Bonds at the times and places as provided in this resolution and in said Bonds provided and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this resolution and in the Bonds.

(c) *Maintenance of Facilities.* The Port will at all times keep and maintain or cause to be kept or maintained all of the Facilities in good repair, working order and condition and will at all times operate or cause to be operated the same and the business or businesses in connection therewith in an efficient manner and at a reasonable cost.

(d) *Sale or Condemnation of Projects.* In the event that any Project or portion thereof is sold by the Port or is condemned pursuant to the power of eminent domain, the Port will apply the net proceeds of such sale or condemnation to other Facilities or to the retirement of

Permitted Prior Lien Bonds or Subordinate Lien Parity Bonds then Outstanding.

(e) *Insurance of Facilities.* The Port will keep or arrange to keep all Facilities insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Commission or the Designated Port Representative shall deem necessary.

(f) *Insurance Against Port Liability.* The Port will at all times keep or arrange to keep in full force and effect policies of public liability and property damage insurance which will protect the Port against anyone claiming damages of any kind or nature, if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the Commission or the Designated Port Representative shall deem necessary.

(g) *Maintenance of Books and Records.* The Port will keep and maintain proper 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 generally accepted accounting principles as in effect from time to time. On or before 120 days after each fiscal year the Port will prepare or cause to be prepared an operating statement of all of the business of the Port for such preceding fiscal year. Each such annual statement shall contain a statement in detail of the Gross Revenue, tax receipts, expenses of administration, expenses of normal operation, expenses of normal and extraordinary maintenance and repair, and expenditures for capital purposes of the Port for such fiscal year and shall contain a statement as of the end of such year showing the status of all funds and accounts of the Port pertaining to the operation of its business and the status of all of the funds and accounts created by various resolutions of the Commission authorizing the issuance of outstanding bonds and other obligations payable from the Gross Revenue. Copies of such statements shall be placed on file in the main office of the Port and shall be open to inspection at any reasonable time by the owners of Subordinate Lien Bonds.

(h) The Port will provide 15 days' prior written notice to Beneficial Owners of the Bonds in the event of a change in the identity of the issuer of any Credit Facilities securing payment of the Bonds.

**Section 5.06. Derivative Products.** The following shall be conditions precedent to the use of any Derivative Product on a parity with Subordinate Lien Parity Bonds:

(a) *General Parity Tests.* The Derivative Product must satisfy the requirements for Future Subordinate Lien Parity Bonds described in Section 5.04 of this resolution.

(b) *Opinion of Bond Counsel.* The Port shall obtain an opinion of its Bond Counsel on the due authorization and execution of such Derivative Product opining that the action proposed to be taken by the Port is authorized or permitted by this resolution and by Washington law or the applicable provisions of any resolution authorizing Future Subordinate Lien Parity Bonds and is not prohibited by the

resolutions that authorized the issuance of the Outstanding Subordinate Lien Bonds, amended or supplemented and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Subordinate Lien Parity Bonds then outstanding.

(c) *Payments.* Each Derivative Product shall set forth the manner in which the Port Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.

(d) *Supplemental Agreements to Govern Derivative Products.* Prior to entering into a Derivative Product, the Commission shall adopt a resolution, which shall:

(1) create and establish an account to be entitled the "Derivative Product Account" or provide for some other way to account for the use of a Derivative Product; establish general provisions for the retention of Net Revenues in amounts sufficient to make, when due, Port Payments;

(2) establish general provisions for the rights of providers of Derivative Products or Derivative Facilities; and

(3) set forth such other matters as the Port deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of this resolution.

Except as may be otherwise provided in the resolution establishing a Derivative Product Account, additional Subordinate Lien Parity Bonds may be delivered in connection with any Derivative Product. This resolution may be amended in the future to reflect the lien position and priority of any payments made in connection with a Derivative Product; *provided, however,* that termination payments under Derivative Products may not attain a parity lien with Subordinate Lien Parity Bonds.

#### **Section 5.07. Disposition of Bond Proceeds.**

The proceeds of the Bonds shall be applied as follows:

(1) A sum specified by the Designated Port Representative to the Treasurer prior to the closing and delivery of the Bonds shall be deposited in the Capitalized Interest Account (hereinafter authorized to be created); and

(2) The remainder of the proceeds of the Bonds shall be paid into the Construction Fund (hereinafter authorized to be created).

The Treasurer of the Port is hereby authorized and directed to create a special account, the "Port of Seattle 2005 Capitalized Interest Account" (the "Capitalized Interest Account") for the purpose of holding Bond proceeds and interest earnings thereon to be used and disbursed to pay interest expense on the Bonds pending substantial completion of the Projects authorized in Section 2.01 of this resolution.

The Treasurer of the Port is hereby authorized and directed to create a special fund or account of the Port, designated as the "Port of Seattle Construction Fund, 2005" (the "Construction Fund"). The money on deposit in the Construction Fund shall be utilized to pay or reimburse the Port for the Costs of Construction of the Projects and costs incidental thereto, and costs incurred in connection with the

issuance and sale of the Bonds, to the extent designated by the Port.

All or part of the proceeds of the Bonds may be temporarily invested in or with such institutions or in such obligations as may now or hereafter be permitted to port districts of the State of Washington by law that will mature prior to the date on which such money shall be needed.

In the event that it shall not be possible or practicable to accomplish all of the Projects, the Port may apply the proceeds of the Bonds to pay the costs of such portion thereof or such other projects as the Commission shall determine to be in the best interests of the Port, subject to the limitations of Section 5.08 of this resolution.

Any part of the proceeds of the Bonds remaining in the Construction Fund and the Capitalized Interest Account after all costs referred to in this section have been paid may be used to acquire, construct, equip and make other improvements to the Facilities of the Port subject to the limitations of Section 5.08 hereof or may be transferred to the Subordinate Lien Bond Fund for the uses and purposes therein provided.

**Section 5.08. Tax Covenants.**

(a) *Tax Covenant.* The Port covenants to undertake all actions required to maintain the tax-exempt status of interest on the Bonds under Section 103 of the Code as set forth in the Arbitrage and Tax Certification.

(b) *No Bank Qualification.* The Bonds shall not be qualified tax-exempt obligations pursuant to Section 265(b) of the Code for investment by financial institutions.

**Section 5.09. Defaults and Remedies.** The Port hereby finds and determines that the failure or refusal of the Port or any of its officers to perform the covenants and obligations of this resolution will endanger the operation of the Facilities and the application of Gross Revenue and such other money, funds and securities to the purposes herein set forth. Any one or more of the following shall constitute a Default under this resolution:

(a) The Port shall fail to make payment of the principal of any Bonds when the same shall become due and payable whether by maturity or scheduled redemption prior to maturity;

(b) The Port shall fail to make payments of any installment of interest on any Bonds when the same shall become due and payable;

(c) The Port shall default in the observance or performance of any other covenants, conditions, or agreements on the part of the Port contained in this resolution, and such default shall have continued for a period of 90 days.

Upon the occurrence and continuation of a Default, the Bank shall be entitled to exercise, on behalf of the Bondowners, any of the remedies provided under this section and, for as long as the Bank is not in default of its obligations under the Credit Facility, the Bank shall be the only party entitled to exercise the remedies provided under this section. There shall be no waiver of a Default hereunder with respect to the Bonds unless the Registrar

shall be assured that the Credit Facility or Liquidity Facility, as the case may be, has been fully reinstated.

There may not be any acceleration of the Bonds.

Upon the occurrence of a Default and so long as such Default shall not have been remedied and subject to the foregoing paragraph, a Bondowners' Trustee may be appointed for the Bonds by the owners of 51% in principal amount of the Outstanding Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the Port. Any Bondowners' Trustee appointed under the provisions of this Section shall be a bank or trust company organized under the laws of a state or a national banking association. The fees and expenses of a Bondowners' Trustee shall be borne by the Bondowners and not by the Port. The bank or trust company acting as a Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed by the owners of 51% in principal amount of the Bonds Outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized.

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

A Bondowners' Trustee may upon the happening of a Default and during the continuation 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 Bondowners to collect any amounts due and owing the Port, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this resolution.

Any action, suit or other proceedings instituted by a Bondowners' Trustee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Bonds or the provisions of this resolution may be enforced by a Bondowners' Trustee without the possession of any of said Bonds, and without the production of the same at any trial or proceedings relating thereto except where otherwise required by law, and the respective owners of said Bonds by taking and holding the same, shall be conclusively deemed irrevocably to appoint a Bondowners' Trustee the true and lawful trustee to the respective owners of said Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums that become distributable on account of said Bonds; to execute any paper or documents for the receipt of such moneys, and to do all acts with respect thereto that the Bondowner himself might have done in person. Nothing herein contained shall be deemed to authorize or empower any Bondowners' Trustee to consent to accept or adopt, on behalf of any owner of said Bonds, any plan of reorganization or

adjustment affecting the said Bonds or any right of any owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the Port shall be a party.

No owner of any one or more of the Bonds shall have any right to institute any action, suit or proceedings at law or in equity for the enforcement of the same, unless Default shall have happened and be continuing, and unless no Bondowners' Trustee has been appointed as herein provided, but any remedy herein authorized to be exercised by a Bondowners' Trustee may be exercised individually by any Bondowner, in his own name and on his own behalf or for the benefit of all Bondowners, in the event no Bondowners' Trustee has been appointed, or with the consent of the Bondowners' Trustee if such Bondowners' Trustee has been appointed; provided however, that nothing in this resolution or in the Bonds shall affect or impair the obligation of the Port which is absolute and unconditional, to pay from Available Revenue the principal of and interest on said Bonds to the respective 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 payments.

The remedies herein conferred upon or reserved to the owners of the Bonds and to a Bondowners' Trustee are not intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. The privileges herein granted shall be exercised from time to time and continued so long as and as often as the occasion therefor may arise and no waiver of any default hereunder, whether by a Bondowners' Trustee or by the owners of Bonds, shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon. No delay or omission of the Bondowners or of a Bondowners' Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein.

Upon any such waiver, such Default shall cease to exist, and any Default arising therefrom shall be deemed to have been cured, for every purpose of this resolution; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

**Section 5.10. Compliance with Parity Conditions.**

The Commission hereby finds and determines as required by Section 5.04 of Resolution No. 3238, as amended, Section 18 of Resolution No. 3276, as amended, Section 5.10 of Resolution No. 3354, as amended; Section 4.04 of Resolution No. 3456, as amended and Section 5.04 of Resolution No. 3510, as amended, as follows:

First: The Port is not and will not be in default at the time of issuance of the Bonds of its obligations under Resolution No. 3238, as amended, Resolution No. 3276, as amended, Resolution No. 3354, as amended, Resolution

No. 3456, as amended and Resolution No. 3510, as amended; and

Second: The Commission has been assured that prior to the issuance and delivery of the Bonds, it will have on hand a certificate from the Consultant (prepared as prescribed in the Subordinate Lien Resolution) demonstrating fulfillment of the Subordinate Lien Parity Test, commencing on the first full fiscal year following the earlier of (1) the Date of Commercial Operation of the Projects or (2) the date on which any portion of interest on the Bonds no longer will be paid from the proceeds thereof and for the following two fiscal years.

The limitations contained in the conditions provided in Section 5.04 of Resolution No. 3238, as amended, Section 18 of Resolution No. 3276, as amended, Section 5.10 of Resolution No. 3354, as amended, Section 4.04 of Resolution No. 3456, as amended, and Section 5.04 of Resolution No. 3510, as amended, having been complied with, the payments required herein to be made out of the Available Revenue to pay and secure the payment of the principal of, premium, if any, and interest on the Bonds shall constitute a lien and charge upon such Available Revenue equal in rank to the lien and charge thereon of the Outstanding Subordinate Lien Bonds.

**ARTICLE VI.**

**THE REMARKETING AGENT; THE REGISTRAR;  
SALE OF BONDS**

**Section 6.01. Appointment of Remarketing Agent.**

The Port appoints UBS Financial Services, Inc. as the initial Remarketing Agent hereunder to remarket the Bonds pursuant to this resolution, and to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Port and the Registrar at all reasonable times.

At all times when Bonds are in the Weekly Mode, Daily Mode, Commercial Paper Mode or Long Term Mode there shall be a Remarketing Agent hereunder. The Remarketing Agent shall remarket such Weekly Mode, Daily Mode, Commercial Paper Mode and Long Term Mode Bonds pursuant to this resolution, and keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Port and the Registrar at all reasonable times.

The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this resolution by giving the notice set forth in the Remarketing Agreement. The Remarketing Agent may be removed upon notice set forth in the Remarketing Agreement at the direction of the Designated Port Representative, by written notice to the other Notice Parties. Any successor Remarketing Agent shall be a member of the National Association of Securities Dealers, Inc. (or successor to its functions), shall have a minimum capitalization of \$15,000,000, and shall be authorized by law to perform all the duties set forth in this resolution.

After conversion to the Fixed Mode of the Bonds, there shall be no Remarketing Agent for the Bonds, and all

references herein to the Remarketing Agent shall thereafter be of no effect.

**Section 6.02. Additional Duties of Registrar.** The Registrar shall perform the duties specified hereunder consistent with the terms of the Fiscal Agency Agreement and this resolution.

**Section 6.03. Successor Remarketing Agent by Merger.** If the Remarketing Agent (or any co-Remarketing Agent) consolidates with, merges or converts into, or transfers all or substantially all of its assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Remarketing Agent (or co-Remarketing Agent).

**Section 6.04. Sale of Bonds.** The Bonds shall be sold by negotiated sale to the Underwriters, under the terms and conditions thereof as provided in the Bond Purchase Contract and in this resolution. The Designated Port Representative is hereby authorized to negotiate and execute a Bond Purchase Contract with such terms as are approved by the Chief Executive Officer and consistent with this resolution and substantially in the form presented to this Commission with only such changes he/she deems reasonable. The Commission has determined that it would be in the best interest of the Port to delegate to the Chief Executive Officer for a limited time the authority to approve the Maturity Date and aggregate principal amount of the Bonds. The Chief Executive Officer is hereby authorized to approve the Maturity Date and aggregate principal amount in the manner provided hereafter so long as the aggregate principal amount of the Bonds does not exceed \$75,000,000.

Subject to the terms and conditions set forth in this section, the Designated Port Representative is hereby authorized to execute the final form of the Bond Purchase Contracts, upon the Chief Executive Officer's approval of the Maturity Date and aggregate principal amount of the Bonds

The Designated Port Representative is hereby authorized and directed to do everything necessary for the prompt execution and delivery of the Bonds to said Underwriters and for the proper application and use of the proceeds of sale thereof. The Bonds will be printed at Port expense and will be delivered to the Underwriters in accordance with the Bond Purchase Contract, with the approving legal opinion of Preston Gates & Ellis LLP.

The proper Port officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the Underwriters and for the proper application and use of the proceeds of the sale thereof.

**Section 6.05. Approval of Official Statement.** The Designated Port Representative is hereby authorized and directed to review, approve and execute on behalf of the Port an official statement with respect to the Bonds.

**Section 6.06. Approval of Financing Documents.** The Commission finds that entering into the Remarketing Agreement is in the Port's best interest. The Commission therefore authorizes the execution of those documents and of the Official Statement by the Designated Port Representative (with such changes to those documents as

may be approved by the Designated Port Representative and are consistent with this resolution) and the performance by the Port of its obligations thereunder.

**Section 6.07. Specific Authorizations.** The Designated Port Representative may, in his or her discretion, without further action by the Commission, (a) effect changes in Mode of the Bonds from one Mode to another, and, in the event of a failure to establish a New Mode, to effect a change to the Commercial Paper Mode as provided in this resolution, (b) negotiate terms of any Credit Facility or Liquidity Facility and any extensions of the Expiration Date, and execute the applicable Reimbursement Agreement or other necessary documents in this regard, and (c) effect such Mode Changes, and execute documents necessary to effect such changes and (d) execute a Continuing Disclosure Certificate providing for an undertaking by the Port to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

**Section 6.08. Appointment of Bank and Successors to Remarketing Agent or Bank.** The Commission authorizes the Designated Port Representative to appoint successor(s) to any Remarketing Agent (with the prior written consent of the Credit Facility Issuer for the Bonds, if any, which consent will not be unreasonably withheld), upon receipt of notice of resignation from the Remarketing Agent. The Commission additionally authorizes the Designated Port Representative to remove the Remarketing Agent when, in the sole discretion of the Designated Port Representative, such removal is deemed necessary or beneficial to the Port. In the event of such resignation or removal, the Designated Port Representative may negotiate a contract with, or issue a request for proposals for, a successor Remarketing Agent, as appropriate, and execute a contract with the successor so selected; provided, however, that no successor may be appointed by the Designated Port Representative if the appointment of such successor would result in the withdrawal, suspension or downgrade in the ratings of the Bonds by any Rating Agency.

The Commission authorizes the Designated Port Representative to select the Bank, and to negotiate and execute the Reimbursement Agreement and other contracts with the Bank in connection with the issuance of the Letter of Credit. The Commission authorizes the Designated Port Representative to obtain an Alternate Credit Facility and/or a Liquidity Facility (and to issue a new Reimbursement Bond upon the surrender of an existing Reimbursement Bond) when, in the sole discretion of the Designated Port Representative, such replacement is deemed necessary or beneficial to the Port. In the event of such replacement, the Designated Port Representative may negotiate a contract with, or issue a request for proposals for, a new Bank and/or issuer of the Liquidity Facility and execute a contract with the new Bank so selected.

## ARTICLE VII.

### MISCELLANEOUS

**Section 7.01. Contract; Severability.** The covenants in this resolution shall constitute a contract for the benefit of the Registered Owners, and the Registered

Owners shall be entitled to enforce the provisions hereof in accordance with its terms. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the Port shall be declared by any court of competent jurisdiction and final appeal (if any appeal be taken) to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

**Section 7.02. Notice by Mail.** Any notice required to be given hereunder by mail to the Registered Owners shall be given by mailing a copy of such notice, first class postage prepaid, to the Registered Owners of all the Bonds at their addresses appearing in the Bond Register.

**Section 7.03. References to Bank, Credit Facility Issuer or Liquidity Facility Issuer.** Notwithstanding any provisions contained herein to the contrary, so long as the Bank, any other Credit Facility or Liquidity Facility is not in effect (and no obligations are owed to the Bank, any other Credit Facility Issuer or Liquidity Facility Issuer pursuant to any applicable Reimbursement Agreement), all references to the Bank, another Credit Facility Issuer or Liquidity Facility Issuer and the Bank, any other Credit Facility or Liquidity Facility contained herein shall be null and void and of no force and effect. The Registrar shall not have any lien on moneys received under the Letter of Credit, any other Credit Facility or the Liquidity Facility or received as remarketing proceeds for payment of its fees and expenses, and the Registrar shall not seek indemnity as a condition to making a drawing under the Letter of Credit, any other Credit Facility or Liquidity Facility, making payments to Owners of Bonds or implementing a Mandatory Purchase Date.

**Section 7.04. Notices.** All written notices to be given hereunder to any Notice Party shall be given by first-class mail, postage prepaid to the party or parties entitled thereto at the address set forth below, or at such other address as may be provided to the other parties hereinafter listed in writing from time to time, namely:

If to the Port:

The Port:

PORT OF SEATTLE  
Pier 69  
2711 Alaskan Way  
P. O. Box 1209  
Seattle, Washington 98111  
Attention: Chief Financial Officer  
Telephone: (206) 728-3207  
Telefax (206) 728-3205

The Remarketing Agent

UBS FINANCIAL SERVICES INC.  
925 Fourth Avenue, Suite 2000  
Seattle, WA 98104  
Attention: Public Finance  
Telephone: (206) 628-6523

Telefax: (206) 628-8551

Registrar:

THE BANK OF NEW YORK  
101 Barclay Street, 21<sup>st</sup> Floor  
New York, New York 10286  
Attention: Corporate Trust Registrar Administration  
Telephone: (212) 815-5091  
Telefax: (212) 815-5393

Moody's:

MOODY'S INVESTORS SERVICE, INC.  
99 Church Street  
New York, New York 10007  
Attention: Public Finance Department Rating Desk/VRDO

S&P:

STANDARD & POOR'S RATINGS SERVICES,  
a Division of the McGraw Hill Companies  
55 Water Street  
New York, New York 10041  
Attention: Manager, Municipal Finance Department

Bank:

The address to be provided in a closing certificate included within the Bond transcript.

**Section 7.05. Payments Due on Holidays.** Subject to Article II, if an Interest Payment Date is not a Business Day then payment shall be made on the next Business Day and no interest shall accrue for the intervening period.

**Section 7.06. Notices to Rating Agencies.** The Port shall give immediate notice to each Rating Agency then maintaining a rating on the Bonds in the event:

- (a) The Remarketing Agent or the Registrar resigns or is replaced;
- (b) This resolution is amended or supplemented;
- (c) A Credit Facility (replacing the Letter of Credit) or Liquidity Facility is provided;
- (d) Bonds are changed from one Mode to another Mode (specifying the length of the new Interest Period(s));
- (e) There has been a redemption or defeasance of the Bonds;
- (f) A Mandatory Purchase Date has occurred as a result of the nonreinstatement or expiration of the Credit Facility, if any; or Liquidity Facility, if any or
- (g) The Remarketing Agreement, the Reimbursement Agreement or the Credit Facility or Liquidity Facility is amended, supplemented, extended, terminated or expired or replaced.

**Section 7.07. Amendments Without Registered Owners Consent.** This resolution may be amended or supplemented from time to time, without the consent of the Registered Owners by a Supplemental Resolution adopted by the Commission for one or more of the following purposes:

(a) to add additional covenants of the Commission or to surrender any right or power herein conferred upon the Port; or

(b) to add provisions required in order to establish an auction rate mode for the Bonds; or

(c) to cure any ambiguity or to cure, correct or supplement any defective (whether because of any inconsistency with any other provision hereof or otherwise) provision of this resolution in such manner as shall not be inconsistent with this resolution or to make any other provisions with respect to matters or questions arising under this resolution, provided such action shall not impair the security hereof or adversely affect the interests of the Registered Owners; or

(d) to provide or modify procedures permitting Registered Owners to utilize a certificated system of registration for Bonds; or

(e) to modify, alter, amend, supplement or restate this resolution in any and all respects necessary, desirable or appropriate in connection with the delivery of a letter of credit, liquidity facility, standby bond purchase agreement or other security or liquidity arrangement; or

(f) to modify the provisions for optional or mandatory redemption at the commencement of a Long Term Mode or Fixed Mode; or

(g) to modify, alter, amend, supplement or restate this resolution in any and all respects necessary, desirable or appropriate in order to satisfy the requirements of any Rating Agency which may from time to time provide a rating on the Bonds, or in order to obtain or retain such rating on the Bonds as is deemed necessary by the Port; or

(h) for any purpose, if such amendment becomes effective only following a mandatory tender of all Bonds for purchase.

**Section 7.08. Amendments With Registered Owners Consent.** This resolution may be amended from time to time by a Supplemental Resolution approved by the Registered Owners of 51% in aggregate principal amount of the Bonds then Outstanding; provided, that (a) no amendment shall be made which affects the rights of some but fewer than all of the Registered Owners of the Outstanding Bonds without the consent of the Registered Owners of 51% in aggregate principal amount of the Bonds so affected, and (b) except as expressly authorized hereunder, no amendment that alters the interest rates on any Bonds, the maturity date, Interest Payment Dates, purchase upon tender or redemption provisions of any Bonds, this Section 7.08 without the consent of the Registered Owners of all Outstanding Bonds affected thereby. For the purpose of consenting to amendments under this Section 7.08 except for amendments that alter the interest rate on any Bonds, the maturity date, Interest Payment Dates, purchase upon tender or redemption of any Bonds, the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, shall be deemed to be the sole Registered Owner of the Bonds that are payable from such Credit Facility or Liquidity Facility and that are then Outstanding.

**Section 7.09. Amendments With Credit Facility Issuer's Consent.** Any amendment or supplement to this

resolution shall require the prior written consent of the Credit Facility Issuer.

**Section 7.10. Immediate Effect.** This resolution shall take effect immediately upon its adoption.

ADOPTED by the Port Commission of the Port of Seattle at a meeting thereof, held this \_\_\_\_\_ day of \_\_\_\_\_, 2005, and duly authenticated in open session by the signatures of the commissioners voting in favor thereof.

PORT OF SEATTLE, WASHINGTON

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Commissioners