

RESOLUTION NO. 3255, as amended

A RESOLUTION of the Port Commission of the Port of Seattle, authorizing the sale of Subordinate Lien Revenue Notes (Commercial Paper), in series from time to time in an aggregate principal amount not to exceed \$100,000,000, for the purpose of financing and refinancing capital improvements within the Port and for working capital and for paying maturing revenue notes of the same series and/or reimbursing the credit providers for advances made therefor; providing a method of determining the dates, forms, terms, maturities, and interest rates of each series of such notes; authorizing the execution and delivery of a bank reimbursement note; approving the form of and authorizing the execution, delivery and performance of various agreements relating to said notes; and making certain other covenants and agreements with respect thereto.

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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, the marine and aviation facilities of the Port are in need of capital expansion and improvement; and

WHEREAS, the Port also has determined that its financial flexibility would be enhanced by the availability of funds to meet unanticipated future needs and/or to provide working capital; and

WHEREAS, the Port has determined that a commercial paper program providing up to \$100,000,000 from time to time may be established to meet such capital needs and/or to provide working capital; and

WHEREAS, the Port has authorized the issuance of revenue bonds in one or more series pursuant to Resolution No. 3059, adopted on February 2, 1990 and most recently amended by Resolution No. 3241, adopted on April 8, 1997 (the "Master Resolution"); and

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

<u>Resolution Number</u>	<u>Date of Issue</u>	<u>Original Principal Amt.</u>	<u>Currently Outstanding (10/1/97)</u>	<u>Final Maturity Dates</u>
3060	2/1/90	(A) \$66,240,492.05	\$ 40,765,492.05	12/1/14
3060	2/1/90	(B) 59,969,771.35	57,659,771.35	12/1/14
3060	2/1/90	(C) 24,805,000.00	16,675,000.00	12/1/05
3111	4/1/92	(A) 25,450,000.00	21,610,000.00	11/1/17
3111	4/1/92	(B) 115,440,000.00	98,270,000.00	11/1/17
3120	2/1/93	(A) 21,655,000.00	7,905,000.00	4/1/00
3120	2/1/93	(B) 60,750,000.00	35,560,000.00	11/1/01
3160	11/1/93	(C) 21,170,000.00	8,930,000.00	1/1/99
3155	2/1/94	(A) 27,135,000.00	26,140,000.00	12/1/11
3155	2/1/94	(B) 50,000,000.00	50,000,000.00	5/1/19
3155	2/1/94	(C) 51,755,000.00	42,570,000.00	7/1/09
3196	9/1/95	(A) 26,345,000.00	15,860,000.00	2/1/01
3215	4/1/96	(A) 31,820,000.00	31,820,000.00	9/1/21
3215	4/1/96	(B) 74,520,000.00	74,520,000.00	9/1/17
3242	5/1/97	(A) 120,375,000.00	120,375,000.00	10/1/22
3242	5/1/97	(B) 19,985,000.00	19,985,000.00	10/1/05

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

WHEREAS, pursuant to Resolution No. 3112, as amended, the Port has previously issued \$27,500,000 and there remain outstanding \$25,145,000 of Subordinate Lien Revenue Bonds, Series 1992, and, pursuant to Resolution No. 3238, as amended, the Port has issued and there remain outstanding \$108,830,000 of Subordinate Lien Revenue Bonds, Series 1997 (collectively, the "Outstanding Subordinate Lien Bonds"); and

WHEREAS, said Resolutions No. 3112 and No. 3238 permit 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 one series of revenue obligations as required by Section 147(f) of the Internal Revenue Code, as amended; and

WHEREAS, it is necessary that the method of determining the dates, form, terms and maturities of such subordinate lien revenue obligations 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 such series of subordinate lien revenue obligations be sold pursuant to negotiated sales as herein provided; and

WHEREAS, the payment of the principal of and interest on the revenue obligations to be issued will be supported by a letter of credit (hereinafter defined as the "Letter of Credit") to be issued by Bank of America National Trust and Savings Association (the "Bank"); and

WHEREAS, it is deemed necessary and advisable that the Port, in order to implement the commercial paper program, enter into a Dealer Agreement with Lehman Brothers Inc. (the "Dealer");

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 (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Subordinate Lien Resolution as the amount representing 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 (2) 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.

"Aggregate Interest Coverage" means, as of any date, the aggregate amount of Interest Coverage determined with respect to all Notes then Outstanding, including Notes then proposed to be issued, including all Interest Periods then in effect.

"Alternate Credit Facility" means 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 Notes. An Alternate Credit Facility may provide liquidity support only. A Credit Facility may not be replaced except upon a date on which all Notes then outstanding are scheduled to mature. All such Notes will be paid from the Letter of Credit currently in effect and

such Letter of Credit will not be released until such draws are honored. There may be one or more Alternate Credit Facilities outstanding at any time providing for the payment of the principal of and interest on Notes.

"Annual Debt Service" means the total amount of Debt Service for any series of Subordinate Lien Parity Bonds Outstanding 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 Notes of a Series.

"Authorized Denominations" means \$100,000 and any integral multiple of \$5,000 in excess thereof.

"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 4.01(b) of this resolution. Notwithstanding the foregoing, the Port may elect to include other receipts (e.g., passenger facility charges) at any time as additional security for any one or more series of Subordinate Lien Parity Bonds

"Balloon Maturity Bonds" means the Subordinate Lien Revenue Bonds, Series 1997, the Notes, the Reimbursement Note and any Future Subordinate Lien Parity Bonds which 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, initially, Bank of America National Trust and Savings Association, and thereafter, the issuer of any Alternate Credit Facility.

"Base Period" means any consecutive 12-month period selected by the Port 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 the beneficial owner of all or a portion of a Note while the Note is in fully immobilized form.

"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 Year" means the period as defined in Section 1.148-1(b) of the Regulations or the applicable definition contained in any successor provisions thereto.

"Business Day" means a day (a) other than a day on which banks in Seattle, Washington or New York, New York or the city in which demands for payment are to be presented under the Letter of Credit are authorized or required to remain 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.

"Capital Fund - A" means the account by that name maintained in the office of the Treasurer of the Port for the purpose of holding certain proceeds of the Series A Notes.

"Capital Fund - B" means the account by that name maintained in the office of the Treasurer of the Port for the purpose of holding certain proceeds of the Series B Notes.

"Closing Date" means the date of initial issuance and delivery of the first Note authenticated and delivered hereunder.

"Code" means the Internal Revenue Code of 1986, as it may be amended, as applicable. Any reference to a provision of the Code shall include the applicable regulations of the Department of the Treasury promulgated or proposed with respect to such provision.

"Commission" means the Commission which is the general governing authority of the Port, or any successor thereto as provided by law.

"Computation Date" means the date selected by the Port to make arbitrage rebate computations.

"Computation Period" means the period between Computation Dates.

"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 4.04 hereof and making the calculation required by Section 4.04 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 or refinance the costs of such improvements or to pay maturing Subordinate Lien Parity Bonds of such Series 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 the Letter of Credit or any Alternate Credit Facility then in effect.

"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.

"Dealer" means Lehman Brothers Inc. or any successor thereto pursuant to a Dealer Agreement.

"Dealer Agreement" means the agreement of that name between the Port and the Dealer.

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

(a) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds which 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, and 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 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 (i) 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 (ii) at an interest rate equal to the yield to maturity set forth in the 40-Bond Index in 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 4.04 hereof, then within ten days of such certificate; and

(d) with respect to Derivative Products (following the earlier of the date on which the issuers of credit enhancements then in effect with respect to the Notes and the Outstanding Subordinate Lien Parity Bonds and the requisite owners of Outstanding Subordinate Lien Bonds consent and the first date on which Outstanding Subordinate Lien Bonds are no longer Outstanding) 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. From and after the earlier of the first date that the Outstanding Subordinate Lien Bonds are no longer Outstanding, and the date on which the Port receives the consents of the issuers of the credit enhancements then in effect with respect to the Outstanding Subordinate Lien Parity Bonds and the requisite owners of the Outstanding Subordinate Lien Parity Bonds, 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 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 providers of Credit Facilities to the extent authorized in a Subordinate Lien Resolution.

"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) 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 Revenues on an equal and ratable basis with the Outstanding Subordinate Lien Parity Bonds;

(c) under which Reciprocal Payments are to be made directly into a bond fund for 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 4.06(d) hereof.

"Designated Port Representative" means the Executive Director or the Chief Financial Officer of the Port or the Director of Finance and Budget of the Port (or the successor in function to such person(s) or such other person as may be directed from time to time by resolution of the Commission.

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

"Drawing" means a request for funds as specified in the Letter of Credit.

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

"Electronic Means" means 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,

(i) to the extent such variable rate payments have been made for a period of 12 months or more, the higher (in the case of variable rate Port Payments), or the lower (in the case of variable rate Reciprocal Payments) of:

(A) the weighted average rate of interest applicable to such payments during the immediately preceding 12-month period; or

(B) the rate applicable under the related Derivative Product as of the date of determination; or

(ii) to the extent such variable rate payments have not been made for a period of 12 months or more, the most current actual rate used in calculating such variable rate payments; and

(b) as to any Derivative Products which have been authorized to be entered into by the Port but have not yet been executed or become effective, the variable rate will be estimated by applying the variable rate formula specified in the contract to the most recently published rate for the floating rate index or other equivalent specified in the Derivative Product as the basis upon which the variable rate will be determined,

provided that, when the variable rate to be used in a Derivative Product is specified as the rate or rates applicable to one or more specified maturities of 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 *provided further that*, 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 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)(i) and (a)(ii) 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 Letter of Credit, as such stated expiration date may be extended in accordance with the terms of the Letter of Credit.

"Facilities" means all equipment and all property, real and personal, or any interest therein, whether improved or unimproved, now or hereafter (for as long as any Subordinate Lien Parity Bonds of the Port shall be Outstanding) owned, operated, used, leased or managed by the Port and which 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, if a Series of Notes has been issued on a tax-exempt basis will not impair the exclusion of interest on a Note from gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of such Note).

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

"Fiscal Agency Agreement" means the agreement of that name dated February 1, 1997, among the State of Washington and The Bank of New York and Wells Fargo Bank, National Association and any amendments and supplements thereto and replacements thereof.

"Fitch" means Fitch Investors Service LLP, 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.

"Further Advance Balance" has the meaning given such term in the Reimbursement Agreement.

"Further Advance Note" has the meaning given such term in the Reimbursement Agreement.

"Future Subordinate Lien Parity Bonds" means those revenue bonds or other revenue obligations which will be issued by the Port in the future with a lien on Net Revenues equal to the lien thereon of the Notes, the Reimbursement Note and the Outstanding Subordinate Lien Bonds.

"Government Obligations" has the meaning given to such term in RCW Chapter 39.53, as the same may be amended from time to time; provided that such obligations are noncallable and are obligations issued or unconditionally guaranteed by the United States of America.

"Gross Revenue" means all income and revenue derived by the Port from time to time 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 which 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 which 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 include other receipts (e.g., passenger facility charges) at any time as additional security for any one or more series of obligations.

"Instruction" has the meaning given such term in Section 3.01

"Interest Coverage" means with respect to each Note, a dollar amount determined in accordance with the following formula:

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

R = Interest Rate, applicable to such Note

P = Principal amount of Notes bearing interest at such Interest Rate

D = Duration (in days) of the Interest Period applicable to such Note

"Interest Payment Date" means for each Note, the maturity date of such Note or, with respect to the Reimbursement Note, the dates specified therefor in the Reimbursement Agreement.

"Interest Period" means the period of time beginning on and including the date of issuance to but excluding the maturity date for each Note, which period shall be a period of at least one day but not more than 270 days, established pursuant to Section 2.08.

"Interest Portion" means the dollar amount available to be drawn under the Credit Facility then in effect to pay interest on the Notes.

"Interest Rate" means the per annum interest rate for each Note determined pursuant to Section 2.08.

"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 between DTC and the Port.

"Master Note" means each Note delivered to DTC to evidence one or more Series of Notes.

"Limit" means the maximum financial obligation of the Port evidenced by the Reimbursement Note.

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

"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.

"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 Proceeds" when used with reference to the Notes, means the principal amount of the Notes.

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

"Note Payment Account" has the meaning given such term in Section 3.05.

"Note Register" means the records maintained on behalf of the Port containing the name and mailing address of each owner of the Notes or the nominee of such owner, and such other information as the Registrar shall determine.

"Notes" means, collectively, the Series A Notes, the Series B Notes, the Series C Notes and the Series D Notes.

"Notice Parties" means the Port, the Dealer, the Registrar and the Bank.

"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.

"Original Issue Discount Bonds" means Subordinate Lien Parity Bonds which are sold at an initial public offering price of less than 95% of their face value and which 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 Notes, means all Notes delivered hereunder except:

- (a) Notes canceled by the Registrar or surrendered to the Registrar for cancellation;
- (b) Notes paid or deemed to have been paid within the meaning of this resolution; and
- (c) Notes in lieu of or in substitution for which replacement Notes shall have been executed by the Port and delivered by the Registrar hereunder.

Notwithstanding the foregoing, the Reimbursement Note shall remain Outstanding until the Bank is paid all amounts due on such Reimbursement Note and the Letter of Credit has expired and been terminated.

"Outstanding Subordinate Lien Bonds" means, collectively, the Port of Seattle, Washington, Subordinate Lien Revenue Bonds, Series 1992 authorized to be issued by Resolution No. 3112, as amended, and the Port of Seattle, Washington, Subordinate Lien Revenue Bonds, Series 1997 authorized to be issued by Resolution No. 3238, as amended.

"Participant" means (a) any person for which, from time to time, DTC effectuates 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).

"Payments" mean:

- (a) Amounts actually or constructively paid to acquire an investment.
- (b) In the case of an investment that is first allocated to a Note or becomes subject to a rebate requirement on a date after it is actually acquired, the value of the investment on the date that it is first allocated to the Notes.
- (c) In the case of an investment that was allocated to a Note at the end of the preceding Computation Period, the value of that investment at the beginning of the Computation Period.
- (d) On the last day of each Bond Year during which there are amounts allocated to a Note and subject to the rebate requirements, and on the final maturity date of the Note, a computation credit of \$1,000.
- (e) Any Yield Reduction Payments.

"Permitted Prior Lien Bonds" means and includes the First Lien 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 4.01(b) of this resolution, all as permitted in Section 4.04(a) of this resolution. All Permitted Prior Lien Bonds shall have liens on Net Revenues superior to the lien thereon of the Subordinate Lien Parity Bonds.

"Person" means an individual, a corporation, a partnership, 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 Payments" means any payment, other than a termination 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.

"Private Person" means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

"Private Person Use" means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial expenses.

"Projects" means, collectively, the Series A Projects, the Series B Projects and the Series C Projects.

"Rate Determination Date" means the date on which the interest rate and maturity date for a Note (other than the Reimbursement Note) shall be determined.

"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 Notes confirming that the rating on the Notes will not be lowered, withdrawn or suspended 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 Notes by the Port to the United States of America in accordance with Section 148(f) of the Code.

"Receipts" mean:

(a) Amounts actually or constructively received with respect to an investment such as earnings and return of principal.

(b) In the case of an investment that ceases to be allocated to a Note before its disposition or redemption date, the value of that investment on the date it ceases to be allocated to a Note.

(c) In the case of an investment that is held at the end of any Computation Period, the value of that investment at the end of the Computation Period.

"Record Date" means the close of business as of the day (whether or not a Business Day) next preceding each Interest Payment Date.

"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 and which is a party to a Derivative Product and which is obligated to make one or more Reciprocal Payments thereunder.

"Registered Owner" means the person named as the registered owner of a Note on the Note Register. For so long as the Notes are held by a Securities Depository or its nominee, such Securities Depository shall be deemed to be the Registered Owner.

"Registered Owners' Trustee" means the bank or financial institution selected by the Registered Owners of the Notes pursuant to Section 4.07 hereof.

"Registrar" means the fiscal agency of the State of Washington in either Seattle, Washington, or New York, New York, for the purposes of (a) registering and authenticating the Notes, (b) maintaining the Note Register, (c) paying interest on and principal of the Notes and (d) drawing any amounts under any Credit Facility for the purpose of paying the interest on and principal of any Notes.

"Reimbursement Agreement" means the Letter of Credit Reimbursement Agreement dated as of the date of first issuance between the Port and the Bank and any other similar agreement entered into in connection with the issuance of any Alternate Credit Facility and any and all modifications, alterations, and amendments and supplements thereto.

"Reimbursement Note" means the note delivered to the Bank pursuant to Section 4.01(d) hereof and the Reimbursement Agreement.

"Repair and Renewal Fund" means the special fund authorized to be created pursuant to Section 2(B) of the Master Resolution.

"Request" has the meaning given such term in Section 3.01.

"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.

"Series" shall refer, as the context may require, to all Notes issued under the designation Series A, Series B, Series C or Series D or may refer to any set of Notes within such series issued at the same time and separately identified.

"Series A Notes" means the Port of Seattle, Washington, Subordinate Lien Revenue Notes (Tax-Exempt Commercial Paper), Series A authorized by Section 2.02 of this resolution.

"Series B Notes" means the Port of Seattle, Washington, Subordinate Lien Revenue Notes (Tax-Exempt Commercial Paper), Series B authorized by Section 2.02 of this resolution.

"Series C Notes" means the Port of Seattle, Washington, Subordinate Lien Revenue Notes (Tax-Exempt Commercial Paper), Series C authorized by Section 2.02 of this resolution.

"Series D Notes" means the Port of Seattle, Washington, Subordinate Lien Revenue Notes (Taxable Commercial Paper), Series D authorized by Section 2.02 of this resolution.

"Series A Projects" means those capital improvement projects identified as part of the Port's 1998 capital improvement plan as it appears in the 1998 budget of the Port or any subsequent capital improvement plan or program approved by the Commission but including therein only those facilities which may be financed with tax exempt governmental (not private activity) obligations.

"Series B Projects" means those capital improvement projects identified on Exhibit A attached hereto and incorporated by this reference herein as such Exhibit may be amended or supplemented from time to time.

"Series C Projects" means the application of Working Capital as herein defined.

"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 or division 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 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 and which are payable from and secured by the income and revenue from such facilities.

"Subordinate Lien Note Funds" means the Port of Seattle Subordinate Lien Note Funds (Tax-Exempt Commercial Paper), created in the office of the Treasurer of the Port by authority granted in Section 4.01 of this resolution.

"Subordinate Lien Parity Bonds" means the Outstanding Subordinate Lien Bonds, the Notes, the Reimbursement Note and any Future Subordinate Lien Parity Bonds.

"Subordinate Lien Parity Test" means, for so long as the Outstanding Subordinate Lien Bonds remain Outstanding (or such earlier date as the issuers of credit enhancements then in effect with respect to the Outstanding Subordinate Lien Bonds and the owners of such Bonds consent), Available Revenue equal to or greater than two times Aggregate Annual Debt Service and thereafter 1.5 times Aggregate Annual Debt Service.

"Subordinate Lien Rate Covenant" has the meaning given such term in Section 4.05(a) of this resolution.

"Subordinate Lien Resolutions" means Resolution No. 3112, as amended, Resolution No. 3238, as amended, this resolution and any resolution of the Commission approved in the future authorizing the issuance of a series of Future Subordinate Lien Parity Bonds, as such resolution(s) may thereafter be amended or supplemented.

"Sum" means the aggregate principal amount of Notes Outstanding plus the balance then outstanding under the Reimbursement Note.

"Termination Date" means November 1, 2017.

"Treasurer of the Port" means the Director of Finance of King County, Washington, or any other public officer as may hereafter be designated pursuant to law to have the custody of Port funds.

"Working Capital" means money required by the Port to meet a temporary cash flow deficit in one or more of the funds of the Port.

"Working Capital Fund - C" means the account by that name maintained in the office of the Treasurer of the Port for the purpose of holding certain proceeds of the Series C Notes.

"Yield Reduction Payments" mean payments made to the United States in the manner permitted by Internal Revenue Service regulations that reduce the yield on investments.

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 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.

(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 NOTES

Section 2.01. Plan of Finance.

(a) *Series A Notes.* The Port intends to undertake improvements within and as a part of the Port's 1998 capital improvement plan as it appears in the 1998 budget of the Port. In addition, the Commission, in the future, may approve additional capital improvement plans (the "Series A Projects"). The Port may at its option use the Series A Note proceeds for any capital purpose so long as such use shall not cause any Series A Note to be considered a "private activity bond." The Costs of Construction of the Series A Projects are expected to be paid or reimbursed in part with the proceeds of the Series A Notes and the balance of the Costs of Construction of the Series A Projects shall be paid from other available Port funds.

(b) *Series B Notes.* The Port intends to undertake improvements to its marine and airport facilities at the locations described on Exhibit A attached hereto and incorporated by this reference herein as the same is amended by the Port from time to time (the "Series 1997B Projects"). Notwithstanding the foregoing, the Port may at its option use the Series B Note proceeds for other or additional capital purposes upon receipt of a Favorable Opinion of Bond

Counsel. The Costs of Construction of the Series B Projects are expected to be paid or reimbursed in part with the proceeds of the Series B Notes and the balance of the Costs of Construction of the Series B Projects shall be paid from other available Port funds.

(c) *Series C Notes.* The Port intends to use proceeds of the Series 1997C Notes for Working Capital (the "Series C Project").

(d) *Series D Notes.* The proceeds of the Series D Notes may be used for any budgeted expenditure of the Port.

Section 2.02. Authorization of Notes; Terms.

(a) *Authorization.* The Port is hereby authorized to borrow and reborrow from time to time, and to issue Notes to evidence such borrowing or reborrowing, in an aggregate principal amount outstanding at any time or from time to time that, together with the principal amount of all other Notes then Outstanding, will not exceed \$100,000,000 (subject to the further limitations of Section 3.04), for the purpose of providing part of the funds necessary to pay or reimburse the Port for the Costs of Construction of the Projects, to refund maturing Notes and to pay all costs incidental thereto and to the issuance of the Notes, including fees. The Notes shall be designated "Port of Seattle, Washington Subordinate Lien Revenue Notes (Tax-Exempt Commercial Paper) followed by a series designation, Series A-[year], Series B-[year], or Series C-[year]", or "Port of Seattle, Washington Subordinate Lien Revenue Notes (Taxable Commercial Paper), Series D-[year]", it being the intention that each Note issued for the purpose of financing or refinancing a Series A Project shall be designated "A," with any additional designations as shall be approved by the Dealer and Registrar from time to time; and each Note issued for the purpose of financing or refinancing a Series B Project shall be designated "B," with any additional designations as shall be approved by the Dealer and Registrar from time to time; and each Note issued for the purpose of financing or refinancing a Series C Project shall be designated "C," with any additional designations as shall be approved by the Dealer and Registrar from time to time and each Note whose interest is not excludable from gross income for federal income tax purposes shall be designated "D," with any additional designations as shall be approved by the Dealer and Registrar from time to time.

(b) *Issuance; Interest; Dating.* The Notes shall be issued in fully registered form, shall be issued in Authorized Denominations within a Series, shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated the date of their issuance and shall bear interest payable at maturity, determined from time to time as provided herein.

The Notes shall be issued at such times, be sold to such purchasers at such prices, bear interest (calculated on the basis of a year of 365/366 days, as appropriate), mature on such Business Days and otherwise have such terms and conditions as shall be determined by the

Designated Port Representative in concert with the Dealer and the Registrar in accordance with the Dealer Agreements; provided, however, that (i) no Note shall be issued with a maturity date later than (a) 270 days from its date of issuance, (b) five days prior to the stated expiration date of the Credit Facility then in effect, or (c) the Termination Date, whichever is earliest, (ii) no Note shall be sold at a price other than par; and (iii) no Series C Note other than a Series C Note issued to refund a maturing Series C Note if such new Series C Note will mature prior to the date set forth in such Favorable Opinion as the required maturity date may be delivered or offered by the Dealer and designated as "tax-exempt" unless contemporaneously therewith the Dealer and Fiscal Agent receive an approving opinion of Bond Counsel to the effect that the interest thereon is exempt from regular federal income taxation.

The principal amount of any Outstanding Notes that are paid on their maturity date from the proceeds of other Notes issued on such date shall not be considered Outstanding.

Section 2.03. Execution. The Notes shall be executed 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 Note so executed shall not be affected by the fact that one or more of the officers whose signatures appear on such Note have ceased to hold office at the time of issuance or authentication or at any time thereafter.

Section 2.04. Authentication. No Notes 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. The provisions of this Section 2.05 shall not be applicable to the Reimbursement Note.

(a) *Registrar/Note Register*. The Notes shall be issued only in registered form as to both principal and interest. The Port hereby requests that the Treasurer of the Port appoint the fiscal agency of the State of Washington as the Registrar for the Notes. The Port shall cause a note register to be maintained by the Registrar. The Registrar may be removed at any time at the option of the Treasurer of the Port upon prior notice to the Registrar, the Port, the Dealer and the Bank and a successor Registrar appointed by the Treasurer of the Port. Any successor Registrar must be a commercial bank with trust powers or trust company. 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 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 Notes in accordance with the provisions of such Notes 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 Notes.

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

(b) *Letter of Representations/Book-Entry System.* In order to induce DTC to accept the Notes as eligible for deposit at DTC, the Port has executed and delivered the Letter of Representations. The Notes 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 Notes 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 interest on the Notes, 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 Notes or any consent given or other action taken by DTC as the Registered Owner.

(d) *DTC as Registered Owner.* The Port and the Registrar, each in its discretion, may deem and treat the Registered Owner as the absolute owner thereof for all purposes, and neither the Port nor the Registrar shall be affected by any notice to the contrary. Payment of any such Note shall be made only as described in this section. All such payments made as described in this section shall be valid and shall satisfy and discharge the liability of the Port upon such Note to the extent of the amount or amounts so paid. The Port and the Registrar shall be entitled to treat DTC as the absolute owner of all Notes 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, legal or otherwise, to any other party including DTC or its successor (or substitute depository or its successor), except to the Registered Owners.

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

(1) *Notes Registered in the Name Designated by DTC.* The Notes initially shall be issued as a single Master Note for each Series in an equal amount to the authorized aggregate principal amount of the Notes of such Series (each a "Master Note") and shall be registered initially in the name of "CEDE & Co.," as nominee of DTC. The Notes so registered shall be held in fully immobilized form by DTC as depository. Registered ownership of such immobilized Notes, or any portions thereof, may not thereafter be transferred except (i) 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; (ii) to any substitute depository appointed by the Board pursuant to subsection (2) below or such substitute depository's successor; or (iii) to any person as provided in paragraph (4) below.

The Registrar has entered into a Certificate Agreement with DTC, which Agreement shall be amended by the Registrar to include the Notes. The Certificate Agreement shall supplement the provisions of this resolution with respect to the obligations and duties of the Registrar who shall be bound thereby and shall perform its duties hereunder in accordance therewith.

(2) *Substitute Depository.* Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Commission 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 depository or its successor), the Commission may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) *Issuance of New Notes to Successor/Substitute Depository.* In the case of any transfer pursuant to clause (i) or (ii) of paragraph (e)(1) above, the Registrar shall, upon receipt of all outstanding Notes, together with a written request on behalf of the Commission, issue a single new Master Note for each Series of the Notes, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Commission.

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

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

Section 2.06. Mutilated, Destroyed, Lost or Stolen Notes. In case any Note shall be lost, stolen or destroyed, the Port may execute and the Registrar may authenticate and deliver a new Note or Notes 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 Note and of the ownership thereof, and (b) such additional security, indemnity or evidence as may be required by the Commission. No substitute Note shall be furnished unless the applicant shall reimburse the Port and the Registrar for their respective expenses in the furnishing thereof. Any such substitute Note so furnished shall be equally and proportionately entitled to the security of this resolution with all other Notes issued hereunder.

Section 2.07. 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 Note shall bind all future Registered Owners of the same Note or of any Note 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.

The Registrar and the Port may treat the Registered Owner of a Note as the absolute owner thereof for all purposes, whether or not such Note 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 interest on such Note shall be made only to such Registered Owner, which payments shall satisfy and discharge the liability of the Port with respect to such Note to the extent of the sum or sums so paid.

Section 2.08. Determination of Interest Rates

(a) *Determination by Dealer.* In accordance with the Dealer Agreement, the Dealer shall determine an Interest Rate and a maturity date (which must be a Business Day on or prior to the Termination Date and no later than five days prior to the expiration of the Credit Facility then in effect and not more than 270 days after the date of issuance for each Note) at such rate and for such term as it deems advisable in order to minimize the net interest cost on the Notes, taking into account prevailing market conditions; *provided, however,* that the foregoing shall not prohibit the Dealer from establishing longer Interest Periods (and at higher Interest Rates) than are otherwise available at the time if the Dealer determines that, taking into account prevailing market conditions, a lower net interest cost on the Notes can be achieved over the longer Interest Period. Notwithstanding the foregoing, the Dealer shall not establish any Interest

Period if, as a result of the selection of such Interest Period, the Aggregate Interest Coverage would be greater than the Interest Portion. The Dealer Agreement shall include a covenant by the Dealer to comply with the limitations established by this resolution.

(b) *Interest Periods and Interest Rates.*

(1) Any Note may accrue interest at an Interest Rate for an Interest Period different from any other Note. Each Interest Period shall commence on a Business Day and end on a day immediately preceding a Business Day. Interest on each Note shall be paid on the day following its Interest Period. If the Notes are held in book-entry form, principal and interest payments shall be distributed in accordance with the procedures of DTC then in effect. If the Notes are no longer in book-entry only form, then principal and interest shall be paid upon presentation and surrender of each Note at the office of designated by the Registrar in New York City.

(2) Not later than 3:30 p.m., New York City time, on each Rate Determination Date, the Dealer shall provide to the Registrar by telephonic or Electronic Means, the principal amount, Series and interest rate for each Note sold. The Registrar shall obtain CUSIP numbers for each Note for which an Interest Rate and Interest Period have been determined on such date.

Section 2.09. Interest Rate on Reimbursement Note. The Reimbursement Note shall bear interest as set forth in the Reimbursement Agreement.

Section 2.10. Form of Notes. The Notes shall each be in substantially the following form and/or may be delivered to DTC and the Registrar in the form of a Master Note, with appropriate or necessary insertions, depending upon the omissions and variations as permitted or required hereby. If the Notes are no longer held in uncertificated form, the form of Notes will be changed to reflect the changes required in connection with the preparation of printed Notes.

No. R-_____ \$100,000,000

UNITED STATES OF AMERICA

PORT OF SEATTLE

SUBORDINATE LIEN REVENUE NOTE

[(TAX-EXEMPT COMMERCIAL PAPER)][(TAXABLE COMMERCIAL PAPER)]

SERIES [A][B][C][D] - [year of issuance]

MATURITY DATE: Not later than November 1, 2017

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TOGETHER WITH ALL OTHER NOTES OUTSTANDING
NOT EXCEEDING ONE HUNDRED MILLION AND NO/100
DOLLARS (\$100,000,000)

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, the Principal Amount shown above or so much thereof as shall have been

advanced hereunder and remain outstanding and to pay interest thereon, at the rate determined as herein provided at the rates and from and on the dates shown in the records of the Port and the Registrar. The principal and interest on this Note 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 of and interest on this Note are payable to the registered owner hereof in immediately available funds or next day funds as shown on the books of the fiscal agency of the State of Washington in New York, New York and Seattle, Washington (the "Registrar"). Both principal of and interest on this Note shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") between the State and The Depository Trust Company ("DTC"). Capitalized terms used in this Note have the meanings given such terms in Resolution No. 3255, as amended, of the Port Commission (the "Note Resolution"). Interest on this Note shall accrue as provided in the Note Resolution.

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

The amounts so pledged to be paid out of Gross Revenue into the Subordinate Lien Note Fund 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 1992 and Subordinate Lien Revenue Bonds Series 1997 and any revenue bonds of the Port hereafter issued on a parity with such bonds and the Notes of this issue.

The Port has further bound itself to maintain or cause to be maintained 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 Notes 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.

Except as otherwise provided in the Note Resolution, this Note shall not be entitled to any right or benefit under the Note Resolution, or be valid or become obligatory for any purpose, until this Note 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 Note and the Notes 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 Note and the Notes 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 Note 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 Note and the Notes of this issue and that the issuance of this Note and the Notes of this issue does not contravene or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Port of Seattle has caused this Note to be executed on behalf of the State 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 Notes shall be in substantially the following form and shall appear on each Note:

AUTHENTICATION CERTIFICATE

This Note is one of the Port of Seattle, Washington Subordinate Lien Revenue Notes, Series [A][B][C][D] - [year of issue] described in the within-mentioned Note Resolution.

WASHINGTON STATE FISCAL
AGENCY, as Registrar

By _____
Authorized Signatory

Date of Authentication: _____

Section 2.11. 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, and interest on all or a designated portion of the Notes when due 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 Note Fund for the payment of the principal of and interest on such Notes, 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 and interest on such Notes 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 Notes shall no longer be deemed to be Outstanding hereunder. Notwithstanding the foregoing, no defeasance of Notes may be made unless the Port shall have received written notice from S&P to the effect that the rating then in effect with respect to the Notes will not be withdrawn, reduced or suspended as a result of the proposed defeasance.

ARTICLE III.

ISSUANCE; DELIVERY AND PAYMENT PROCEDURES

Section 3.01. Authorization and Delivery of Notes in Book-Entry Form. So long as the Notes are held in book-entry form by DTC or a successor depository, the Dealer, as designated agent for the Port or any Designated Port Representative, may from time to time, in accordance with this resolution, submit to the Registrar a request regarding the issuance of Notes which shall include the proposed date of issuance, principal amount, maturity date, interest rate, information regarding the purchaser(s) of interests in Notes and, if any Note is to be a Further Advance Note, an identification of the principal amount that will be Further Advance Notes (the "Request"). A copy of each Request shall be given to the Bank.

Upon receipt of a Request, the Registrar shall:

- (a) prepare an instruction for DTC (the "Instruction") that sets forth the name, address, and taxpayer identification number of the purchaser of an interest in the Notes, the date of issuance, maturity, principal amount and interest rate of such interest in Notes, and a CUSIP number;
- (b) deliver such Instruction to DTC in accordance with the Letter of Representations and other applicable DTC procedures, and receive from DTC a confirmation that such delivery was effected;
- (c) confirm to the Port and the Dealer that delivery to DTC of each Instruction has been made.

All Requests given to the Registrar shall be given by telephone (promptly confirmed in writing), facsimile or other written form. The Registrar shall have no duty to act in the absence of written instructions.

If the Registrar receives a Request by 12:30 p.m., New York City time, on any Business Day, it shall issue an Instruction to DTC by 1:00 p.m. on such Business Day. If the Registrar receives a Request after 12:30 p.m. New York City time, it shall issue an Instruction to DTC by 1:00 p.m. on the next succeeding Business Day.

Section 3.02. Authorization and Delivery of Notes in Certificated Form. If at any time the Notes are no longer held in book-entry form by DTC or a successor depository, and the Port has determined pursuant to Section 2.05 of this resolution that the Notes should be issued in certificated form, the Port shall provide the Registrar, at the Port's sole expense, a supply of Note certificates in substantially the form set forth in this resolution, with the issue date, maturity date, principal amount, interest rate and interest amount left blank. Such Note certificates shall be executed in accordance with this resolution and shall be held in safekeeping by the Registrar.

The Dealer, as designated agent for the Port or any Designated Port Representative, may from time to time, in accordance with this resolution, submit to the Registrar a Request regarding the issuance of Notes in certificated form.

Upon receipt of such a Request, the Registrar shall:

- (a) withdraw the necessary number of Notes from safekeeping;
- (b) in accordance with the Request, complete each such Note as to the amount of principal, the interest rate and interest amount, the issue date, the maturity date and registered owner;
- (c) authenticate each such Note by executing by manual or facsimile signature the certificate of authentication thereon;
- (d) deliver, as provided herein, each such Note to the Dealer for delivery to the purchaser specified in such instructions or to the consignee to or for the account of the purchaser thereof, against receipt of payment to the Note Payment Account; and
- (e) confirm to the Port and the Dealer delivery of such Notes.

Section 3.03. Reliance on Instructions. The Registrar shall incur no liability to the Port or the Dealers in acting hereunder upon telephonic or other instructions contemplated hereby that the Registrar reasonably believed in good faith to have been given by a Dealer or an Designated Port Representative. All telephonic instructions given pursuant to Sections 3.01 and 3.02 hereof shall be promptly confirmed in writing to the Registrar.

Section 3.04. Limitation on Issuance.

The Registrar shall not be instructed to deliver any certificated Note that:

- (a) is not in a denomination of \$100,000 or an integral multiple of \$5,000 above \$100,000, or
- (b) has a maturity date that is later than the earlier of (i) 270 days from the date of issuance of the Instruction, (ii) five days prior to the stated expiration date of the Credit Facility then in Effect, or (iii) the Termination Date, nor shall the Registrar be instructed to deliver any Instruction with respect to Notes or any certificated Note if, as a result of the delivery of such Notes, the Aggregate Interest Coverage would be greater than the Interest Portion or the Sum would be greater than the Limit.

In addition, the Port shall not instruct the Dealer to market or the Registrar to issue any Notes (other than Notes to refund maturing Notes) if the issuance of such Notes would result in either (A) the Port's failing to meet the Subordinate Lien Parity Test or (B) the Sum exceeding the Limit. Prior to each issuance of any Notes, the Port shall confirm that, (taking into account such issuance and the refunding of maturing Notes) the Aggregate Interest Coverage, after giving effect to such issuance, will be less than the Interest Portion.

Section 3.05. Note Payment Account; Draws on Letter of Credit.

(a) The Registrar shall establish a special account to be used by the Registrar for payment of Notes (the "Note Payment Account"). The Note Payment Account shall be held by the Registrar in trust for the Registered Owners and Beneficial Owners of the Notes and, to the extent described in Section 3.05(d) hereof, for the Bank. The Registrar shall not have a lien on the Note Payment Account for the payment of any fees or expenses or other obligations owing to the Registrar hereunder. The Note Payment Account shall be held uninvested by the Registrar.

(b) The Registrar shall submit to the Bank a Drawing in accordance with the terms of the Letter of Credit Reimbursement Agreement, in such form as is set forth in the Letter of Credit, no later than 12:00 noon, New York City time, in order to draw thereunder an amount that will be sufficient to pay the Notes (including principal and interest) maturing on such date. The Registrar shall deposit the amount of any such Drawing in the Note Payment Account and apply the amount thereof in accordance with Section 3.06 hereof.

(c) On any day that Notes mature, if the amount of any Drawing received by the Registrar pursuant to paragraph (b) above, together with any Note proceeds actually received from the Dealer on such day pursuant to Section 3.08 hereof, exceeds the amount of principal and interest paid with respect to the Notes maturing on such day, the Registrar shall promptly distribute the excess first to the Port to the extent that the Port has issued Further Advance Notes and then to the Bank to satisfy the Port's obligations under the Reimbursement Note.

(d) If the Registrar fails to receive a payment drawn under the Letter of Credit, the Registrar will notify the Port of the amount of the deficiency, and the Port will remit an amount sufficient to remedy the deficiency from the appropriate Subordinate Lien Note Fund, as approved in Section 4.01. There is no expectation that Port money and proceeds of a Drawing will ever be on deposit at the same time in the Note Payment Account. If, for any reason, money is received from the Bank and the Port, the Registrar is hereby directed to segregate and not commingle the moneys.

Section 3.06. Payment of Matured Notes

(a) So long as the Notes are held in book-entry form, the Registrar will pay the principal of and interest on matured Notes to DTC in accordance with the Letter of Representations and other applicable DTC procedures. Such payments shall be made from and to the extent that sufficient funds are available in the Note Payment Account for a given Series from the following sources in the following order of priority:

- (i) amounts received from a Drawing; and
- (ii) proceeds of sale of Notes of the same Series; and
- (iii) amounts received from the Port.

The Registrar shall have no obligation to pay, at maturity, the amounts referred to in this Section 3.06 unless sufficient funds have been received by the Registrar.

(b) The Registrar shall confirm in writing to a Designated Port Representative and to the Dealer by 3:00 p.m., New York City time, on each Business Day prior to a day on which Notes mature (i) the aggregate principal amount of Notes maturing on such day and the interest due thereon and (ii) the aggregate principal of and the interest to accrue to maturity on all Notes Outstanding that mature after such day.

(c) The Port shall give the Dealer, the Bank and the Registrar notice at least three Business Days prior to any date on which it wishes to increase or decrease the aggregate principal amount of Notes Outstanding.

Section 3.07. Bank Repayment Account. The Registrar shall establish a special account to be used by the Registrar for payments to the Bank with respect to drawings under the Letter of Credit (the "Bank Repayment Account"). The Bank Repayment Account shall be held by the Registrar in trust for the benefit of the Bank unless the Bank fails to honor a Drawing, in which case this account shall be held in trust for the benefit of the holders. The Registrar shall give notice to the Port of any Note proceeds credited to the Bank Repayment Account pursuant to Section 3.08 hereof and shall promptly pay such amounts to the Bank. The Port shall have no interest in the Bank Repayment Account.

Section 3.08. Delivery and Application of Note Proceeds. No later than 3:00 p.m., New York City time, on the day that any Notes are issued hereunder, the Dealer shall deliver to the Registrar the proceeds of sale of such Notes in immediately available funds. The Registrar shall apply proceeds from the sale of each Series of Notes in the following order of priority:

(i) First, to the extent of any deficiency therein, as a result of a failure by the Bank to honor a drawing under the Letter of Credit, credited to the Note Payment Account for the payment of Notes of the same Series maturing on such date;

(ii) Second, credited to the Bank Repayment Account for the reimbursement of the Bank and satisfaction of the Port's obligations under the Reimbursement Note, except for the proceeds of Further Advance Notes which shall be paid to the Port; and

(iii) Third, paid to the Port for deposit, as provided in Section 4.07 of this resolution.

ARTICLE IV.

PAYMENT OF NOTES; DISPOSITION OF NOTE PROCEEDS

Section 4.01. Payment of Notes.

(a) *Subordinate Lien Note Fund*. A special fund of the Port, to be designated the "Port of Seattle Subordinate Lien Note Fund (Commercial Paper)" (the "Subordinate Lien Note 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 Notes of each Series and the Reimbursement Note. The Subordinate Lien Note Fund shall be held separate and apart from all other funds and accounts of the Port and shall be trust funds for the owners, from time to time, of the Note and for the Bank with respect to the Reimbursement Note. At the option of the Designated Port Representative, the Port may establish separate subaccounts within the Subordinate Lien Note Fund for the purpose of paying separate Series of Notes and/or the Reimbursement Note.

The Port hereby irrevocably obligates and binds itself for as long as any Notes or the Reimbursement Note remains outstanding to set aside and pay into the Subordinate Lien Note 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 Notes and the Reimbursement Note; and

(2) Such amounts as are required to pay maturing principal of Outstanding Notes and the Reimbursement Note.

(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;

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

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

Seventh, to make all payments required to be made into the Repair and Renewal Fund under the terms of the Master Resolution, as the same may be amended from time to time, 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.

(c) *Lien on Available Revenue.* The Notes and the Reimbursement Note and the liens thereof created and established hereunder shall be obligations only of the Subordinate Lien Note Funds hereinbefore authorized to be created. The Notes and the Reimbursement Note shall be payable solely from and secured solely by Available Revenue, and by the proceeds of Notes and, in the case of the Notes, 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. However, any Future Subordinate Lien Parity Bonds and the Outstanding Subordinate Lien Parity Bonds shall not be secured by the Letter of Credit. Funds drawn under the Letter of Credit shall be held separately and not invested and shall not be available for payments with respect to the Outstanding Subordinate Lien Parity Bonds and Future Subordinate Lien Parity Bonds.

From and after the time of issuance and delivery of the Notes and so long thereafter as any Note or the Reimbursement Note remains Outstanding, the Port hereby irrevocably obligates and binds itself to set aside and pay into the Subordinate Lien Note Funds out of Available Revenue, on or prior to the date on which the interest on and principal of the Notes and the Reimbursement Note shall become due, the amount necessary to pay such principal and interest.

Said amounts so pledged to be paid into the Subordinate Lien Note Funds 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 Notes and the Reimbursement Note 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 Notes or the Reimbursement Note.

(d) *Reimbursement Note.* The obligations of the Port under the Reimbursement Agreement are evidenced by the "Reimbursement Note" issued by the Port thereunder. The "Reimbursement Note" is also secured by the Subordinate Lien Note Fund (but not by moneys drawn under a Credit Facility), all in accordance with the Reimbursement Agreement. The payment obligations of the Port represented by the Reimbursement Note, and subject to the limitation set forth in Section 5.03(b) hereof shall be included in any computation of Debt Service.

Section 4.02. Use of Moneys in the Subordinate Lien Note Funds and Moneys Drawn Under Credit Facility. Money in the Subordinate Lien Note Funds shall be used solely for the payment of the principal of and interest on, the Notes and the Reimbursement Note as the same shall become due and payable.

Funds for the payment of the principal of and interest on the Notes shall be derived from the following sources in the order of priority indicated:

- (a) moneys drawn by the Registrar under the Credit Facility for the payment of the principal of or interest on the Notes; and
- (b) proceeds from the sale of other Notes of the same Series; and
- (c) payments made by the Port pursuant to Section 4.01 hereof.

The Credit Facility shall be the obligation of the Bank 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 Notes 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 Credit Facility shall be reduced to the extent of any drawings thereunder and reinstated in accordance with the terms thereof. The Letter of Credit delivered on the Closing Date shall terminate at 3:30 p.m., Seattle time on the day before the fifth anniversary of its date of issuance or earlier upon the occurrence of one of the events resulting in early termination specified therein or later if extended as provided in the Reimbursement Agreement and Letter of Credit. A Credit Facility may not be replaced except on a date on which all then outstanding Notes are scheduled to mature.

The Port may request an extension of the termination date of the Letter of Credit or may provide for the delivery of an Alternate Credit Facility prior to the Expiration Date of the Letter of Credit or Alternate Credit Facility, as the case may be.

Section 4.03. Enforcement of Rights. The Registered Owner of each of the Notes, the Bank or a trustee for the Registered Owners of any of the Notes may by mandamus or other appropriate proceeding require the transfer and payment of money as directed in this resolution.

Section 4.04. Permitted Prior Lien Bonds and Future Subordinate Lien Parity Bonds

(a) *Permitted Prior Lien Bonds.* As provided in the Master Resolution, the Port reserves the right to issue from time to time one or more series of First Lien Bonds by means of a Series Resolution (as such term is defined and required under the 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 Master Resolution. In addition, and for so long as the Outstanding Subordinate Lien Bonds remain outstanding, subject to the further proviso (or until such date on which the Port receives consents of the issuers of the credit enhancements then in effect with respect to the Outstanding Subordinate Lien Bonds and the requisite number of owners of the Outstanding Subordinate Lien Bonds), that the Port is not in default of its obligations under this resolution or would be in default after giving effect to such issuance, 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 4.01(b) of this resolution, and having lien(s) on such Net Revenues prior to the lien of the Notes, the Outstanding Subordinate Lien Bonds and the Reimbursement Note. 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 Bank and the Registered Owners of each of the Notes for as long as any of the same or the Reimbursement Note 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 Notes or the Reimbursement Note, unless (i) for as long as the Outstanding Subordinate Lien Bonds remain Outstanding (or until such date on which the Port receives consents of the issuers of the credit enhancements then in effect with respect to the Outstanding Subordinate Lien Bonds and the requisite number of owners of the Outstanding Subordinate Lien Bonds) at the time of the issuance of such Future Subordinate Lien Parity Bonds the Port is not in default under this resolution, and (ii) either of the conditions (1) or (2) below is satisfied.

(1) Certificate Required. Unless the Port is able to meet the criteria set forth in (2) 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 (A) the Date of Commercial Operation of the Facilities to be financed with the proceeds of the Future Subordinate Lien Parity Bonds or (B) 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 Future Lien Parity Bonds, and (ii) for the following two fiscal years.

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 (A) commencing with the first full fiscal year following the earlier of (i) 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 (ii) 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 (B) for the following two fiscal years. Except as provided in the foregoing paragraphs, compliance with the coverage requirements of this Section 4.04 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/she/it deems reasonable.

(2) 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.

(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 therein the Notes and the Reimbursement Note 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 acquire credit enhancement 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 Subordinate Lien Parity Bonds which would have been Outstanding 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 obligations of the Port having a lien on Available Revenue prior to the lien of the Notes, provided that such bonds are Permitted Prior Lien Indebtedness, 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 acquire credit enhancement and the expenses of issuing the Future Subordinate Lien Parity Bonds to purchase or refund the same and of effecting such refunding without a certificate.

(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 or notes of the Port having a lien on Available Revenue on a parity with or prior to the lien of the Notes, 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 including the Reimbursement Note.

Section 4.05. Covenants. The Port hereby makes the following covenants and agrees with the owners and holders of each of the Notes for as long as any of the same remain Outstanding and agrees with the Bank until such time as the Reimbursement Note is no longer Outstanding and the Letter of Credit has been terminated.

(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 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 Funds and any other bond fund established or maintained for the benefit of Subordinate Lien Parity Bonds then Outstanding and any other amounts due to the Bank and the issuers of credit enhancement for Outstanding Subordinate Lien Parity Bonds but excluding from each of the

foregoing, payments made from refunding debt and capitalized debt service (herein referred to as the "Subordinate Lien Rate Covenant").

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 4.05(a) during such fiscal year, unless the Port fails to meet the Subordinate Lien Rate Covenant for two consecutive fiscal years.

(b) *Performance of Covenant.* 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 Notes and the Reimbursement Note at the times and places as provided in this resolution and in said Notes and the Reimbursement Note provided and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this resolution, in the Notes and the Reimbursement Note.

(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 liabilities 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 Bank and the owners of Subordinate Lien Parity Bonds.

Section 4.06. 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 Sections 4.04 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 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, as such resolutions may be amended or supplemented from time to time 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 a 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 no amendment shall be made which permits a payment under a Derivative Product to constitute a lien on Net Revenues superior to that of Subordinate Lien Parity Bonds (including the Reimbursement Note) without the consent of the Bank unless such payment constitutes Permitted Prior Lien Bonds and, *provided, further*, that termination payments under Derivative Products may not attain a parity lien with Subordinate Lien Parity Bonds (including the Reimbursement Note).

Section 4.07. Disposition of Note Proceeds

(a) *Series A Notes.* The proceeds of the Series A Notes (other than proceeds of Series A Notes issued to refund other Series A Notes or to pay the Reimbursement Note) specified from time to time by the Designated Port Representative shall be paid into the Capital Fund-A (hereinafter authorized to be created).

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 Capital Fund, A" (the "Capital Fund-A"). The money on deposit in the Capital Fund-A shall be utilized to pay or reimburse the Port for the Costs of Construction of the Series A Projects and costs incidental thereto, and costs incurred in connection with the issuance and sale of the Series A Notes, to the extent designated by the Port.

All or part of the proceeds of the Series A Notes 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 which 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 Series A Projects, the Port may apply the proceeds of the Series A Notes 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 4.08 of this resolution.

Any part of the proceeds of the Series A Notes remaining in the Capital Fund-A 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 4.08 hereof or may be transferred to the Subordinate Lien Note Fund for the uses and purposes therein provided.

(b) *Series B Notes.* The proceeds of the Series B Notes (other than proceeds of refunding Series B Notes or to pay the Reimbursement Note) designated by the Port representative from time to time shall be paid into the Capital Fund-B (hereinafter authorized to be created).

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 Capital Fund, B" (the "Capital Fund-B"). The money on deposit in the Capital Fund-B shall be utilized to pay or reimburse the Port for the Costs of Construction of the Series B Projects and costs incidental thereto, and costs incurred in connection with the issuance and sale of the Series B Notes, to the extent designated by the Port.

All or part of the proceeds of the Series B Notes 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 which 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 Series 1997B Projects, the Port may apply the proceeds of the Series 1997B Notes 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 4.08 of this resolution.

Any part of the proceeds of the Series 1997B Notes remaining in the Capital Fund-B 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 4.08 hereof or may be transferred to the Subordinate Lien Note Fund for the uses and purposes therein provided

(c) *Series C Notes.* The proceeds of the Series C Notes (other than the proceeds of refunding Series C Notes or to pay the Reimbursement Note) designated by the Designated Port Representative from time to time shall be paid into the Working Capital Fund-1997C (hereinafter authorized to be created).

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 Working Capital Fund, C" (the "Working Capital Fund-C"). The money on deposit in the Working Capital Fund-C shall be utilized to pay

or reimburse the Port for the Series C Project (Working Capital) and costs incidental thereto, and costs incurred in connection with the issuance and sale of the Series C Notes, to the extent designated by the Port.

All or part of the proceeds of the Series C Notes 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 which 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 Series C Projects, the Port may apply the proceeds of the Series C Notes 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 4.08 of this resolution.

Any part of the proceeds of the Series C Notes remaining in the Working Capital Fund-C 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 4.08 hereof or may be transferred to the Subordinate Lien Note Fund for the uses and purposes therein provided.

(d) *Series D Notes.* The proceeds of the Series D Notes (other than the proceeds of the refunding Series D Notes or the proceeds used to pay the Reimbursement Note) shall be deposited in any fund of the Port and may be used for any budgeted expenditure.

Section 4.08. Tax Covenants.

(a) *General Tax Exemption Covenant.* The Commission hereby covenants that it will not make any use of the proceeds of sale of the Notes if such Notes were issued as tax-exempt Notes or any other funds of the Port which may be deemed to be proceeds of such Notes pursuant to Section 148 of the Code which will cause the Notes to be "arbitrage bonds" within the meaning of said section. The Commission will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Notes) and the applicable regulations thereunder throughout the term of the Notes issued on a tax-exempt basis and so long as any obligation remains Outstanding under or in respect of the Reimbursement Note if such obligation arose in connection with a Drawing used to refinance said Notes. The Port hereby further covenants that it will not take any action that would adversely affect the exclusion from gross income for federal income tax purposes of interest on Notes intended to be tax-exempt.

(b) *No Bank Qualification.* The Series A Notes and the Series B Notes are not be qualified tax-exempt obligations pursuant to Section 265(b) of the Code for investment by financial institutions.

(c) *Arbitrage Rebate.* The Port will pay to the United States of America in accordance with the provisions of this section (i) rebate installment payments which, when added to the future value as of the Computation Date of all previous rebate payments made with respect to the Notes, equal at least 90% of the Rebate Amount with respect to the Notes, and (ii) a final rebate payment in an amount which, when added to the future value of all previous rebate payments made with respect to the Notes, equals 100% of the Rebate Amount.

As of any Computation Date, the Rebate Amount for the Notes is the excess of the future value, as of such date, of all Receipts over the future value, as of such date, of all Payments.

The first rebate installment payment will be made for a Computation Date that is no later than five years after the issue date of the Notes. Subsequent rebate installment payments will be made for a Computation Date that is not later than five years after the previous Computation Date for which rebate installment payment was made. Each rebate installment payment will be paid no later than 60 days after the Computation Date to which the payment relates.

A final rebate payment will be paid within 60 days of the date the Notes are Discharged or such other period as is permitted by Internal Revenue Service regulations.

Each payment of a Rebate Amount will be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19225 and will be accompanied by IRS Form 8038-T.

So long as any obligation remains Outstanding under or in respect of the Reimbursement Note, if such obligation arose in connection with a Drawing used to refinance any tax-exempt Notes, the Port will continue to comply with the terms of this Section 4.08(c).

(d) *Use of Proceeds of Series B Notes.*

(1) The Series B Projects include only facilities that are (A) directly related and essential to transferring passengers or cargo to or from airports, docks or wharves or (B) functionally related and subordinate to such airports, docks or wharves.

(2) The Port will, at all times while the Series B Notes are outstanding, be the owner of all elements of the Series B Projects. If any portion of the Series B Projects is the subject of a lease or management contract with an entity other than a governmental unit, then the lease or management contract must meet the requirements of Section 142(b)(1)(B) of the Code.

(3) The Series B Projects shall not include any:

- (i) lodging facility,
- (ii) retail facility (including food and beverage facilities) in excess of a size necessary to serve passengers and employees,
- (iii) retail facility (other than parking) for passengers or the general public located outside the airport or marine terminal,
- (iv) office building for persons who are not employees of a governmental unit or the Port, or

(v) industrial park or manufacturing facility that is to be used for any private business use (within the meaning of Section 141(b)(6) of the Code).

(4) Any element of the Series B Projects that is an office must be located at the marine or airport facility, and no more than a de minimis amount of the functions performed at such office may not be directly related to day-to-day operations of the marine or airport facility. Any storage or training facilities included in the Series B Projects must be located at the marine or airport facility and must be of a character and size commensurate with the character and size of the marine or airport facility.

(5) Any elements of the marine or airport projects that are functionally related and subordinate to the dock and wharf or airport will be of a character and size commensurate with the character and size of the marine or airport facilities and include only equipment needed to receive and discharge cargo and passengers from a vessel or aircraft, related storage, handling, office and passenger areas.

(6) So long as any obligation remains outstanding under or in respect of the Reimbursement Note, if such obligation arose in connection with a Drawing used to refinance any Series B Notes, the Port will continue to comply with the terms of this Section 4.08(d).

(e) *Private Person Use Limitation for Notes.* The Port covenants that for as long as the Series A Notes or the Reimbursement Note are outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Series A Notes to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Series A Notes in a Note Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the Port) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The Port further covenants that, if:

(3) More than five percent of the Net Proceeds of the Series A Notes are to be used for any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Series A Notes in a Bond Year are (under the terms of this resolution or any underlying arrangement) directly or indirectly:

(A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or

(B) derived from payments (whether or not made to the Port) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the Series A Projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the Series A Projects, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Series A Notes used for the state or local governmental use portion of the Series A Projects to which the Private Person Use of such portion of the Series A Projects relates. The Port further covenants that it will comply with any limitations on the use of the Series A Projects by other than state and local governmental users that are necessary, in the opinion of its Bond Counsel, to preserve the exclusion from gross income for federal income tax purposes of the interest on the Series A Notes. The covenants of this Section 4.08 are specified solely to assure the continued exclusion from gross income for federal income tax purposes of the interest on the Series A Notes.

(5) So long as any obligation remains outstanding under or in respect of the Reimbursement Note, if such obligation arose in connection with a Drawing used to refinance any Series A Notes, the Port will continue to comply with the terms of this Section 4.08(e).

(f) *Modification of Tax Covenants.* The covenants of this Section 4.08 are specified solely to assure the continued exclusion from gross income for federal income tax purposes of exemption from regular income taxation of the interest on the Notes. To that end, the provisions of this Section 4.08 may be modified or eliminated without any requirement for formal amendment of this resolution upon receipt of an opinion of the Port's Bond Counsel that such modification or elimination will not adversely affect exclusion from gross income for federal income tax purposes of the tax exemption of interest on any Notes issued as "tax-exempt".

Section 4.09. 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 Notes or the Reimbursement Note when the same shall become due and payable;

(b) The Port shall fail to make payments of any installment of interest on any Notes or the Reimbursement and Note 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 Registered Owners, 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 Notes unless the Registrar shall be assured that the Credit Facility has been fully reinstated.

Subject to provisions of the preceding paragraph, upon the occurrence of a Default and so long as such Default shall not have been remedied, a Registered Owners' Trustee may be appointed for the Notes by the owners of 51% in principal amount of the Outstanding Notes by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners or by their attorneys-in-fact duly authorized and delivered to such Registered Owners' Trustee, notification thereof being given to the Port. Any Registered Owners' 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 Registered Owners' Trustee shall be borne by the Registered Owners and not by the Port. The bank or trust company acting as a Registered Owners' Trustee may be removed at any time, and a successor Registered Owners' Trustee may be appointed by the owners of a majority in principal amount of the Notes Outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners or by their attorneys-in-fact duly authorized.

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

A Registered Owners' 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 Registered Owners 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 Registered Owners' Trustee hereunder shall be brought in its name as trustee for the Registered Owners and all such rights of action upon or under any of the Notes or the provisions of this resolution may be enforced by a Registered Owners' Trustee without the possession of any of said Notes, 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 Notes by taking and holding the same, shall be conclusively deemed irrevocably to appoint a Registered Owners' Trustee the true and lawful trustee to the respective owners of said Notes, 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 Notes; to execute any paper or documents for the receipt of such moneys, and to do all acts with respect thereto that the Registered Owner himself might have done in person. Nothing herein contained shall be deemed to authorize or empower any Registered Owners' Trustee to consent to accept or adopt, on behalf of any owner of said Notes, any plan of reorganization or adjustment affecting the said Notes or any right of any owner thereof, or to authorize or empower the Registered Owners' 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 Notes 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 Registered Owners' Trustee has been appointed as herein provided, but any remedy herein authorized to be exercised by a Registered Owners' Trustee may be exercised individually by any Registered Owner, in his own name and on his own behalf or for the benefit of all Registered Owners, in the event no Registered Owners' Trustee has been appointed, or with the consent of the Registered Owners' Trustee if such Registered Owners' Trustee has been appointed; provided however, that nothing in this resolution or in the Notes 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 Notes 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 Notes and to a Registered Owners' 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 Registered Owners' Trustee or by the owners of Notes, shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon. No delay or omission of the Registered Owners or of a Registered Owners' 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.

If the Port has received a default notice in the form of Annex C to the Letter of Credit, the Port shall notify the Dealer and shall cease issuing Notes and shall not instruct the Registrar to authenticate any additional Notes. Upon receipt of a default notice, the Registrar shall notify the Dealer and shall not authenticate and deliver any further Notes.

Section 4.10. Compliance with Parity Conditions. The Commission hereby finds and determines as required by Section 17(b) of the Resolution No. 3112, as amended, and Section 2.13 of the Resolution No. 3238, as amended, as follows:

First: The Port is not and will not be in default at the time of issuance of the Notes of its obligations under said Resolution No. 3112, as amended, and Resolution No. 3238, as amended; and

Second: This Commission has been assured that prior to the Closing Date, it will have on hand a certificate from the Designated Port Representative (prepared as prescribed in Section 17(b) of the Resolution No. 3112 and Section 2.13 of Resolution No. 3238) 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 Notes 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 17(b) of Resolutions No. 3112 and Section 2.13 of Resolution No. 3238 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 and interest on the Notes and the Reimbursement Note 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 V.

THE DEALER; THE REGISTRAR; SALE OF NOTES; EXECUTION OF AGREEMENTS

Section 5.01. Appointment of Dealer. The Port hereby approves the terms of and is hereby authorized to enter into the Dealer Agreement in the form attached as Exhibit B hereto.

The Dealer 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 Dealer Agreement. The Dealer may be removed upon notice set forth in the Dealer Agreement at the direction of the Port, by written notice to the Dealer, the Bank and the Registrar. Any successor Dealer shall be authorized by law to perform all the duties set forth in this resolution.

Section 5.02. 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 5.03. Reimbursement Agreement.

(a) The Port hereby approves the terms of and is hereby authorized to execute, deliver and perform a Reimbursement Agreement, in substantially the form presented to this Commission, with the Bank. Any successor Bank under the Reimbursement Agreement shall be subject to approval by the Port and a successor may be made only on a date when all Notes are scheduled to mature.

(b) The Designated Port Representative is hereby authorized and directed to execute and deliver the Reimbursement Note in an aggregate principal amount not to exceed \$107,671,233 to evidence its obligations to reimburse the Bank for drawings made under the Letter of Credit to pay the principal of and interest on maturing Notes. The Reimbursement Note shall bear interest, shall mature and shall otherwise have the terms and conditions set forth in the Reimbursement Agreement.

Section 5.04. Approval of Financing Documents. The Commission finds that entering into the Dealer Agreement and the Reimbursement 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 5.05. Specific Authorizations. The Designated Port Representative may, in his or her discretion, without further action by the Commission, negotiate extensions of the Expiration Date, and execute documents necessary to effect such changes. The Director of Finance and Budget is hereby specifically designated as an additional Designated Port Representative for each Subordinate Lien Resolution.

Section 5.06. Appointment of Successor to Dealer or Bank. The Commission authorizes the Designated Port Representative to appoint successor(s) to the Dealer (with the prior written consent of the Bank, which consent will not be unreasonably withheld), upon receipt of notice of resignation from the Dealer. The Commission additionally authorizes the Designated Port Representative to remove the Dealer 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 Dealer, as appropriate, and execute a contract with the successor so selected.

The Commission authorizes the Designated Port Representative to obtain an Alternate Credit Facility (and to issue a new Reimbursement Note upon the surrender of an existing

Reimbursement Note) 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 execute a contract with the new Bank so selected.

ARTICLE VI.

MISCELLANEOUS

Section 6.01. Contract; Severability. The covenants in this resolution and in the Notes shall constitute a contract among the Port, the Registrar, the Bank and the Registered Owner of each and every Note. 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 Notes.

Section 6.02. Notice. 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 Notes at their addresses appearing in the Note Register.

Section 6.03. References to Bank. Notwithstanding any provisions contained herein to the contrary, after the expiration or termination of the Credit Facility and after all obligations owed to the Bank pursuant to the Reimbursement Agreement have been paid in full or discharged, all references to the Bank and the Credit Facility contained herein shall be null and void and of no further force and effect. The Registrar shall not have any lien on moneys received under the Credit Facility for payment of its fees and expenses, and the Registrar shall not seek indemnity as a condition to making a drawing under the Credit Facility, making payments to then Registered Owners of Notes.

Section 6.04. Notices. All written notices to be given hereunder to any Notice Party or either Rating Agency 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:

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 Bank: Bank of America National Trust and Savings Association
Public Sector Banking
800 Fifth Avenue, Floor 34
P.O. Box 34662
Seattle, Washington 98104-1662
Attention: Mr. Alex Johnston, Vice President
Telephone: (206) 358-8938
Telefax: (206) 358-8818

The Dealer: Lehman Brothers Inc.
Columbia Center, Suite 7101
701 Fifth Avenue
Seattle, Washington 98104
Telephone: (206) 344-5838
Telefax: (206) 233-2817

Lehman Brothers Inc.
Three World Financial Center, Eighth Floor
New York, New York 10285-0800
Attention: Short Term Municipal Trading Desk
Telephone: (212) 528-1011
Telefax: (212) 528-2129

Registrar: The Bank of New York
101 Barclay Street, 21W
New York, New York 10286
Attention: Corporate Trust Registrar Administration
Telephone: (212) 815-5466
Telefax: (212) 815-5393

Moody's: Moody's Investors Service, Inc.
99 Church Street
New York, New York 10007
Attention: Structural Finance/LOC Group

S&P: Standard & Poor's Ratings Services,
a Division of the McGraw Hill Companies
25 Broadway
New York, New York 10004
Attention: Manager, Public Finance Department

Section 6.05. Notices to Rating Agencies. The Port shall give immediate notice to each Rating Agency then maintaining a rating on the Notes in the event:

- (a) The Dealer or the Registrar resigns or is replaced;
- (b) This resolution is amended or supplemented;
- (c) An Alternate Credit Facility is provided;
- (d) There has been a termination of the Note program; or
- (e) The Dealer Agreement, the Reimbursement Agreement or the Letter of Credit is amended, supplemented, extended, terminated or expired or replaced.

Section 6.06. 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 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

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

(d) 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 note purchase agreement or other security or liquidity arrangement; or

(e) 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 Notes, or in order to obtain or retain such rating on the Notes as is deemed necessary by the Port; or

(f) for any purpose, if such amendment becomes effective only on a date on which all Notes are scheduled to mature.

Section 6.07. Amendments With Registered Owners Consent. This resolution may be amended from time to time by a Supplemental Resolution approved by the Registered Owners of a majority in aggregate principal amount of the Notes 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 Notes without the consent of the Registered Owners of a majority in aggregate principal amount of the Notes so affected, and (b) except as expressly authorized hereunder, no amendment which alters the interest rates on any Notes, the maturity date or Interest Payment Dates of any Notes without the consent of the Registered Owners of all Outstanding Notes affected thereby.

Section 6.08 Amendments With Bank's Consent; Consent of Issuer of Credit Facility. Notwithstanding anything herein to the contrary, any amendment or supplement to this resolution shall require the prior written consent of the Bank. If any Notes are secured by a Credit Facility, the issuer of the Credit Facility shall be considered to be the Registered Owner of such Notes for purposes of granting any consent to an amendment or supplement pursuant to Section 6.07 hereof.

Section 6.09. 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 11th day of November 1997, and duly authenticated in open session by the signatures of the commissioners voting in favor thereof and the seal of the commission duly affixed.

PORT OF SEATTLE, WASHINGTON

Payge R Miller
Jay Kraft
Bob Blum
Patricia Davis

Commissioners

EXHIBIT A

DESCRIPTION OF SERIES B PROJECTS

(1) Acquisition of approximately 90 acres of property and relocation of existing uses in order to expand the existing terminal at Terminal 18, 2400 to 2900 11th Ave. S.W., Seattle, WA 98134. The properties are located on Harbor Island, which is bordered by Elliott Bay, the East and West Waterways and Spokane Street. Construction and improvements on existing and newly acquired portions at Terminal 18 which include, but are not limited to, environmental clean-up, acquisition of new container cranes, repair and upgrade of existing cranes, dredging, apron upgrades, preliminary planning and terminal construction at either the existing facility or the new expansion area. The land will be owned by the Port of Seattle and, through operating leases, the Terminal will be operated by Stevedoring Services of America.

(2) Dock restoration, repair and replacement and other improvements and repairs to docks, infrastructure, buildings and yard at Shilshole Bay Marina, 7001 Seaview Ave. N.W., Seattle, WA 98107, which is owned and operated by the Port.

(3) Improvements to Terminal 91, 2001 W. Garfield St., Seattle, WA 98119, including but not limited to berth and apron upgrade and infrastructure improvements including electrical system upgrade. Terminal 91 is owned by the Port and operated by the Port and existing tenants.

(4) Yard and building construction and improvements, access road construction, apron construction and improvements and crane acquisition, repair and upgrades at Terminal 46, 401 Alaskan Way, Seattle, WA 98134. Terminal 46 is owned by the Port and will be leased to an operator.

(5) Construction and improvements for a maritime center at Pier 66, 2201 Alaskan Way, Seattle, WA 98121. Pier 66 is owned by the Port and operated by the Port and its tenants.

(6) Repair and replacement of pilings at Pier 48, 101 Alaskan Avenue, Seattle, WA 98104. Pier 48 is owned by the Port and operated by the Port and its tenants.

(7) Crane repairs, upgrades and replacement at Terminal 25, 3225 East Marginal Way, Seattle, WA 98134, which is owned by the Port and operated by the Port and its tenants.

(8) Environmental clean-up and mitigation, traffic mitigation, repair, replacement and construction of terminal infrastructure and facilities, demolition of some existing facilities, crane acquisition, repair and upgrade at Terminal 30, 2715 East Marginal Way, Seattle, WA 98134. Terminal 30 and owned by the Port and operated by its tenants.

(9) Environmental clean-up and mitigation, construction and improvement of container yard, building apron and terminal infrastructure, crane acquisition, repair and upgrade at Terminal 5, 3200 West Marginal Way, Seattle, WA 98106. Terminal 5 is owned by the Port of Seattle and operated by American President Lines.

(10) Repair and replacement of infrastructure, docks and facilities at Fisherman's Terminal, 1735 West Thurman Avenue, Seattle, WA 98119. Fisherman's Terminal is owned by the Port and operated by the Port and its tenants.

(11) Repair, replacement and construction of docks, yard, building and infrastructure at Terminal 106, 7 South Nevada Street, Seattle, WA 98134. Terminal 106 is owned by the Port and operated by the Port and its tenants.

(12) Runway, apron, safety areas construction, repairs and improvements, airfield infrastructure repairs and upgrades including lighting, noise mitigation, Airport Terminal construction, repairs and improvements, on-Airport infrastructure construction, repairs and improvements at Seattle-Tacoma International Airport which is owned and operated by the Port.

EXHIBIT B

PORT OF SEATTLE, WASHINGTON
COMMERCIAL PAPER DEALER AGREEMENT

Dated as of November 12, 1997

Lehman Brothers Inc.
200 Vesey Street
New York, New York 10285

Ladies and Gentlemen:

PORT OF SEATTLE, WASHINGTON, a municipal corporation of the State of Washington (the "Issuer"), proposes to issue from time to time its Commercial Paper Notes (as defined below) and in connection therewith, is entering into this Dealer Agreement (the "Dealer Agreement") with Lehman Brothers Inc., as dealer ("Dealer") for such amount of the Commercial Paper Notes as set forth on Schedule A hereto, which Schedule may be amended, supplemented or modified by the Issuer at any time in its sole discretion.

Section 1. Definitions.

"Commercial Paper Notes" shall mean the Port of Seattle, Washington Subordinate Lien Revenue Notes (Commercial Paper), Series A, Series B, Series C and Series D in an aggregate authorized principal amount as determined by the Issuer from time to time but not exceeding \$100,000,000, to be sold by the Dealer from time to time and issued by the Issuer in one or more series from time to time, in Authorized Denominations and with maturities of 270 days or less, in the form of (i) certificated Notes or (ii) book-entry obligations evidenced by a Master Note substantially in the form set forth in to the Resolution and registered in the name of DTC or its nominee.

"Credit Agreement" shall mean the Letter of Credit Reimbursement Agreement dated as of November 1, 1997, between the Issuer and Bank of America National Trust and Savings Association, d/b/a Seafirst Bank (the "Bank"), as such agreement may be modified, amended or otherwise supplemented or replaced from time to time in accordance with the terms hereof.

"Resolution" shall mean Resolution No. 3255, as amended, adopted by the Port Commission on November 11, 1997, relating to the Commercial Paper Notes.

Terms used and not defined herein have the meanings given them in the Credit Agreement or, if not defined therein, in the Resolution.

Section 2. Issuance and Sale of Commercial Paper Notes.

Dealer hereby agrees to use its best efforts to solicit purchases of the Commercial Paper Notes. The parties hereto agree that any Commercial Paper Notes purchased by Dealer or sold by Dealer in a sale Dealer uses its best efforts to arrange will be purchased or sold by Dealer in reliance upon the representations, warranties, covenants and agreements of the Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein.

The Issuer hereby agrees to pay Dealer a fee for each purchase of Commercial Paper Notes by Dealer and for each sale of Commercial Paper Notes arranged by Dealer on behalf of the Issuer, at a rate of seven basis points (.07%) per annum for the Commercial Paper Notes (computed on the average daily balance outstanding on the basis of a 365 or 366 day year, as applicable). Such fee shall be payable by the Issuer quarterly in arrears, upon presentation of a statement by Dealer, on the first day of January, April, July and October in each year, commencing January 1, 1998. The Issuer also agrees to pay to Dealer on the date hereof an initial fee of \$50,000 and to pay to Orrick, Herrington & Sutcliffe LLP, counsel to the Dealer, upon receipt of an invoice therefor, fees and expenses in the amount of \$40,000.

Pricing scales for the marketing of all Commercial Paper Notes shall be established by consensus reached between the Issuer and the Dealer. Prior to any remarketing or refinancing of any Outstanding Commercial Paper Notes and prior to any proposed new issuance of Commercial Paper Notes, the Dealer will contact the Authorized Representative to discuss and agree upon the pricing scales for such marketing.

With respect to all Commercial Paper Notes marketed by Dealer or purchased for Dealer's own account, Dealer will provide to the Issuer and to the Registrar and Paying Agent no later than 12:30 P.M., New York City time, on the date the Commercial Paper Notes are to be issued the principal amount and series of Commercial Paper Notes sold. This trade information will be delivered to the Authorized Representative and to the Registrar and Paying Agent orally, electronically or telephonically and by facsimile transmission.

Section 3. Representations and Warranties of the Issuer.

The Issuer represents and warrants that:

(a) the Commercial Paper Notes have been duly authorized and, when issued and delivered as provided in Resolution and when paid for, will be duly and validly issued and delivered and will constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, except to the extent enforceability may be limited by the Issuer's bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally, and by general equitable principles, regardless of whether such enforceability is considered in a proceeding in equity or at law;

(b) the Issuer is duly organized and validly existing as a municipal corporation of the State of Washington (the "State") and under the Constitution and laws of the State, and has all requisite power and authority to execute, deliver and perform its obligations under this Dealer Agreement, the Credit Agreement, the Resolution, the Commercial Paper Notes and any other agreements executed and delivered by the Issuer in connection with the issuance of the Commercial Paper Notes (the "Financing Documents");

(c) the Resolution has been adopted and the other Financing Documents have been duly authorized, executed and delivered by the Issuer and constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, except to the extent enforceability may be limited by the Issuer's bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles, regardless of whether such enforceability is considered in a proceeding in equity or at law;

(d) there are no consents, authorizations or approvals of, or filings with, any federal or state government authority (other than the Issuer) required in connection with the issuance or sale by the Issuer of the Commercial Paper Notes or the performance of its obligations thereunder or under the Financing Documents, except as may be required by state securities laws and those that have already been obtained or made;

(e) the execution, delivery and performance by the Issuer of the Commercial Paper Notes and the Financing Documents does not result in a breach or violation of, conflict with, or constitute a default under any law, regulation, order, judgment, agreement, resolution or instrument to which the Issuer is a party or by which the Issuer or any of its property is bound; and

(f) each delivery of Commercial Paper Notes to Dealer shall be deemed a representation and warranty by the Issuer, as of the date thereof, that (i) the Commercial Paper Notes issued on such date have been duly authorized, issued and delivered and, upon payment therefor, will constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, and (ii) the representations and warranties of the Issuer set forth in paragraphs (a) through (e) of this Section 3 are true and correct as if made on such date.

Section 4. Covenants and Agreements of the Issuer.

The Issuer covenants and agrees that it:

(a) will give Dealer notice forthwith of the occurrence of (i) any Default under the Resolution or any Event of Default under the Credit Agreement or (ii) any event that, with notice or lapse of time or both, will to the knowledge of the Issuer become a Default or an Event of Default if, in any case set forth in (ii) that requires notice, such notice has been received by the Issuer;

(b) will comply with the requirements set forth in the Resolution and will provide Dealer with any notices or instructions required by Sections 2.02, 2.05, 2.08, 3.01, 3.02, 3.04, 3.05 and 3.06 of the Resolution;

(c) The Issuer will give Dealer notice of any proposed amendment to or modification of the Financing Documents prior to the effective date thereof;

(d) will provide to Dealer copies of the Issuer's most recent audited financial statements. The Issuer further agrees to notify Dealer promptly upon the occurrence of any event that would render any material fact disclosed in any financial or other report or document provided by the Issuer hereunder untrue or misleading in any material respect;

(e) will not sell Commercial Paper Notes to Dealer or in sales arranged by Dealer hereunder in the event that opinions of Counsel delivered in connection with the initial issuance of the Commercial Paper Notes have been withdrawn, adversely modified or retracted;

(f) will take all action within its control necessary to maintain the exclusion of interest on the Commercial Paper Notes (other than Series D Notes) from the gross income of the holders thereof for federal income tax purposes; and

(g) will notify Dealer of the proposed replacement or substitution of any Credit Facility or Liquidity Facility and of any modification of the terms of any Credit Facility or Liquidity Facility.

Section 5. Conditions Precedent.

(a) At or promptly following the execution of this Dealer Agreement and as a condition precedent to any obligations of Dealer hereunder, the Issuer shall furnish or cause to be furnished to Dealer the following documents, in form and substance satisfactory to Dealer:

(i) certified copies of the Resolution and documents authorizing the execution and delivery of this Dealer Agreement;

(ii) an opinion of Preston, Gates & Ellis LLP, bond counsel to the Issuer, substantially in the form attached as Appendix A to the Dealer's Memorandum for the Commercial Paper Notes and addressed to the Dealer;

(iii) an opinion of the General Counsel of the Issuer, addressed to the Dealer and substantially in the form theretofore approved by Dealer;

(iv) an opinion of counsel to the Bank, addressed to the Dealer and substantially in the form theretofore approved by Dealer, and a certificate of the Bank to the effect that the information contained in the Dealer Memorandum concerning the Bank is true and correct; and

(v) all other pertinent legal documents customarily contained in a closing transcript provided by bond counsel

(b) Prior to the issuance of any Commercial Paper Notes, Series C and as a condition precedent to any of Dealer's obligations in respect of the Commercial Paper Notes, Series C, the Issuer shall deliver or cause to be delivered to Dealer an opinion of Preston, Gates & Ellis LLP as to such Commercial Paper Notes, substantially in the form theretofore approved by Dealer and if the Credit Agreement and/or the Letter of Credit is modified in connection therewith, opinions of the General Counsel of the Issuer and of counsel to the Bank relating to such modifications, each addressed to Dealer and in substantially the form theretofore approved by Dealer.

(c) Prior to the substitution for the Credit Facility then in effect of (i) any Liquidity Facility or (ii) any Credit Facility that is not a direct-pay letter of credit covering payments of all principal and interest on the Commercial Paper Notes, the Issuer shall deliver to the Dealer (A) in such quantities as Dealer may request, conformed copies of the Issuer's official statement or other disclosure document relating to the Commercial Paper Notes, and from time to time shall amend or supplement such official statement or other disclosure document, such that the official statement or other disclosure document, as theretofore amended or supplemented, does not contain any statement or information that is untrue or incorrect in any material respect and does not omit any statement or information which should be contained therein for the purpose for which it is to be used or which is necessary to make the statements and information contained therein, in light of the circumstances under which they were made, not misleading in any material respect; and (B) a certificate of the chief financial officer of the Issuer to the effect of the foregoing.

Section 6. Miscellaneous.

(a) The representations and warranties of the Issuer contained herein shall survive the delivery of the Commercial Paper Notes and shall remain in full force and effect, regardless of any termination or cancellation of this Dealer Agreement or any investigation made by or on behalf of any party hereto.

(b) All notices required under the terms and provisions hereof shall be in writing, given in person, by mail (postage prepaid), or by telex or telecopier, and any such notice shall be effective when received at the address specified below (or at such other address as such recipient may designate from time to time by notice to the other party):

Port of Seattle, Washington
2711 Alaskan Way
Seattle, Washington 98121
Attention: Mr. Daniel R. Thomas
Telephone No. (206) 728-3262
Fax No. (206) 728-3754

Lehman Brothers Inc.
3 World Financial Center
New York, NY 10285-2000
Attention: Short-term Finance Desk
Telephone No. (212) 528-1022
Fax No. (212) 528-2129

(c) The obligations of the Issuer under this Dealer Agreement shall be governed by and construed in accordance with the laws of the State of Washington, and the obligations of Dealer shall be governed and construed in accordance with the laws of the State of New York.

(d) The terms of this Dealer Agreement shall not be waived, altered, modified, amended or supplemented in any manner whatsoever except by written instrument signed by each of the parties hereto.

Section 7. Term and Termination of Dealer Agreement.

This Dealer Agreement may be cancelled by Dealer or by the Issuer at any time upon written notice. To be effective, such written notice must be given no less than 30 days prior to such cancellation date if cancelled by the Issuer and, except as provided below, no less than 30 days prior to such cancellation if cancelled by Dealer.

The Dealer

(A) shall suspend its efforts to arrange sales of the Commercial Paper Notes, upon the receipt of notice of the occurrence of an event of default under either the Resolution or the Credit Agreement; and

(B) may suspend its efforts to arrange sales of the Commercial Paper Notes, immediately upon the occurrence of any of the following events, which suspension shall continue so long as the situation continues to exist:

(1) suspension or material limitation in trading in securities generally on the New York Stock Exchange;

(2) a general moratorium on commercial banking activities in New York is declared by either federal or New York State authorities;

(3) the engagement by the United States in hostilities or the escalation of hostilities if the effect, in the Dealer's judgment, makes it impractical or inadvisable to proceed with the solicitation of offers to purchase the Commercial Paper Notes;

(4) legislation shall be introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission (the "SEC") or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the offering or sale of obligations of the general character of the Commercial Paper Notes, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended (the "Securities Act") and as then in effect, or the Securities Exchange Act of 1934, as amended (the "Exchange Act") and as then in effect, or the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and as then in effect, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Commercial Paper Notes, or the Commercial Paper Notes, as contemplated hereby;

(5) any event shall occur or information shall become known, which, in Dealer's reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information contained in the disclosure documents provided to the Dealer in connection with the performance of its duties hereunder, or causes such documents to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(6) any governmental authority shall impose, as to the Commercial Paper Notes, or obligations of the general character of the Commercial Paper Notes, any material restrictions not now in force, or increase materially those now in force, which, in Dealer's judgment, materially affects the marketability of the Commercial Paper Notes;

(7) any of the representations and warranties of the Issuer made hereunder shall not have been true and correct on the date made; or

(8) the Issuer fails to observe any of the covenants or agreements made herein or the Issuer is no longer a municipal corporation under the laws of the State of Washington (the "State") or no longer has the authority to, or does not perform and observe, the covenants and agreements on its part contained in this Agreement or the Resolution.

If Dealer suspends its marketing efforts, it shall immediately notify the Issuer, the Bank and the Registrar. When Dealer has determined that the situation that caused the suspension has been rectified or no longer applies, Dealer shall give written notice to the Issuer, the Registrar and the Bank that it will resume soliciting purchases of the Commercial Paper Notes.

Section 8. Covenants of the Dealer.

The Dealer hereby covenants to comply with the limitations set forth in the Resolution as limitations to be complied with by the Dealer and hereby further covenants that upon receipt by the Dealer of notice from the Registrar or from the Bank to the effect that an Event of Default under the Credit Agreement has occurred and that the Bank has delivered to the Registrar a notice in the form of Annex C to the Letter of Credit, the Dealer will cease its efforts to arrange for the sale of any Commercial Paper Notes.

This Dealer Agreement may be executed in several counterparts, which together shall constitute one and the same instrument.

PORT OF SEATTLE, WASHINGTON

Designated Port Representative

Accepted and Agreed:

LEHMAN BROTHERS INC.

Richard B. King
Senior Vice President

PORT OF SEATTLE, WASHINGTON
COMMERCIAL PAPER NOTES

Series A

Series B

Series C

Series D

CERTIFICATE

I, the undersigned, Secretary of the Port Commission (the "Commission") of the Port of Seattle, Washington (the "Port"), DO HEREBY CERTIFY:

1. That the attached resolution numbered 3255, as amended (the "Resolution"), is a true and correct copy of a resolution of the Port, as finally adopted at a meeting of the Commission held on the 11th day of November, 1997, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Commission was present throughout the meeting and a legally sufficient number of members of the Commission voted in the proper manner for the adoption of said Resolution; that all other requirements and proceedings incident to the proper adoption of said Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of November, 1997.


Secretary