

PORT OF SEATTLE, WASHINGTON

RESOLUTION NO. 3271, AS AMENDED

A RESOLUTION of the Port Commission of the Port of Seattle, Washington, authorizing the sale and issuance of revenue bonds in one or more series in the aggregate principal amount of not to exceed \$190,000,000 for the purpose of financing additions and improvements to its properties and to accessways and other properties related thereto; fixing the forms and terms for such bonds; and authorizing and approving the sale of such bonds pursuant to a forward delivery bond purchase contract.

ADOPTED December 23 1997

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RESOLUTION NO. 3271, AS AMENDED

A RESOLUTION of the Port Commission of the Port of Seattle, Washington, authorizing the sale and issuance of revenue bonds in one or more series in the aggregate principal amount of not to exceed \$190,000,000 for the purpose of financing additions and improvements to its properties and to accessways and other properties related thereto; fixing the forms and terms for such bonds; and authorizing and approving the sale of such bonds pursuant to a forward delivery bond purchase contract.

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 other properties; and

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

WHEREAS, the Port has authorized the issuance of revenue bonds in one or more series pursuant to Resolution No. 3059, adopted on February 2, 1990, as amended by Resolution No. 3214, adopted on March 26, 1996 and Resolution No. 3241, adopted on April 8, 1997 (the "Master Resolution"); and

WHEREAS, the Port has issued and currently has outstanding sixteen series of 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 (12/2/97)</u> | <u>Final Maturity Dates</u> |
|--------------------------|----------------------|--------------------------------|--|-----------------------------|
| 3060 | 2/1/90 | (A) \$ 66,240,492.05 | \$ 40,290,492.05 | 12/1/14 |
| 3060 | 2/1/90 | (B) 59,969,771.35 | 57,229,771.35 | 12/1/14 |
| 3060 | 2/1/90 | (C) 24,805,000.00 | 15,250,000.00 | 12/1/05 |
| 3111 | 4/1/92 | (A) 25,450,000.00 | 20,545,000.00 | 11/1/17 |
| 3111 | 4/1/92 | (B) 115,440,000.00 | 93,510,000.00 | 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 | 28,455,000.00 | 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 | 25,900,000.00 | 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, the Master Resolution permits the Port to issue its revenue bonds having a lien on Net Revenues (as such term is defined in the Master Resolution) on a parity with and/or subordinate to the lien thereon of the Outstanding First Lien Bonds; and

WHEREAS, the Port has issued and currently has outstanding or has authorized to be outstanding series of revenue bonds having a subordinate lien on Net Revenues, as follows:

| Resolution Number | Date of Issue | Original Principal Amt. | Currently Outstanding (12/2/97) | Final Maturity Dates |
|-------------------|---------------|-------------------------|---------------------------------|----------------------|
| 3112 | 4/1/92 | \$ 27,500,000 | \$ 25,145,000 | 8/1/17 |
| 3238 | 3/26/97 | 108,830,000 | 108,830,000 | 9/1/22 |
| 3255 | 11/12/97 | 100,000,000 | Commercial Paper | |

(the "Outstanding Subordinate Lien Bonds"); and

WHEREAS, each of the resolutions authorizing the issuance of the Outstanding Subordinate Lien Bonds permits the Port to issue revenue obligations with liens on Net Revenues senior to, on a parity with or subordinate to the lien thereon of the Outstanding Subordinate Lien Bonds; and

WHEREAS, the Port Commission has held a public hearing on the issuance of revenue bonds as required by Section 147(f) of the Internal Revenue Code, as amended; and

WHEREAS, it is necessary that the form and terms of such revenue bonds of each series be fixed in accordance with the terms and provisions of the Bond Purchase Contract hereinafter authorized; and

WHEREAS, it is deemed necessary and desirable that such series of bonds be sold pursuant to negotiated sale as herein provided;

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

Section 1. Definitions. The following terms shall have the following meanings in this resolution:

"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 the resolution authorizing a series of Parity Bonds as the amount representing the initial principal amount of such 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 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 resolution authorizing the issuance of such Parity Bonds.

"Aggregate Annual Debt Service" means Annual Debt Service for all Outstanding Parity Bonds and all Parity Bonds authorized but unissued under a resolution unless such Parity Bonds are authorized to provide permanent financing in connection with the issuance of short-term obligations.

"Annual Debt Service" means the total amount of Debt Service for any Parity Bond or series of Parity Bonds in any fiscal year or Base Period.

"Arbitrage Certificate" means the certificate of that named executed and delivered by the Port at the time of issuance and delivery of the Bonds.

"Balloon Maturity Bonds" means the any Parity Bonds which are so designated in the resolution pursuant to which such 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.

"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 Parity Bonds.

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

"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 Fund" means the bond fund authorized by Section 7(a) of this resolution to be created in the office of the Treasurer prior to the Settlement Date for the Bonds of each Series.

"Bond Purchase Contract" means the Forward Delivery Bond Purchase Contract dated this date between the Port and the Purchaser.

"Bonds" means, collectively, all revenue bonds authorized to be issued in Section 3 of this resolution.

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

"Bond Year" means, for each Series of Bonds, each one-year period that ends on the date selected by the Port. The first and last Bond Years may be short periods. If no day is selected by the Port before the earlier of the final maturity date of the Bonds of a Series or the date that is five years after the date of issuance of the Bonds of such Series, Bond Years will end on each anniversary of the date of issue and on the final maturity date of the Bonds of each Series.

"Capital Appreciation Bonds" means 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 Bonds. If so provided in the resolution authorizing their issuance, Parity Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

"Code" means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

"Commission" means the Commission 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.

"Construction Account" means the account to be created by the Port prior to the issuance of each Series of the Bonds for the purpose of holding proceeds of the Series other than proceeds, if any, deposited into the Reserve Account.

"Consultant" means at any time an independent consultant nationally recognized in marine or aviation matters or an engineer or engineering firm or other expert appointed by the Port to perform the duties of the Consultant as required by this resolution. For the purposes of delivering any certificate required by Section 5 of this resolution and making the calculation required by Section 5 of this resolution, 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 Parity Bonds or any portion thereof issued to finance the costs of such improvements during the period of construction of such improvements, and for a period of time thereafter, paying amounts required to meet any reserve requirement for the fund or account established or maintained for such Parity Bonds from the proceeds thereof, paying or reimbursing the Port or any fund thereof or any other person for expenses, including planning, permitting and design expenses, incident and properly allocable to the acquisition and construction of said improvements or to acquiring and preparing the site thereof 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 a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement or other financial instrument 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 principal of, interest on or purchase price of Parity Bonds or meeting reserve requirements therefor.

"Date of Commercial Operation" means the date upon which any Facilities are first ready for normal continuous operation or, if portions of the Facilities are placed in normal continuous

operation at different times, shall mean the midpoint of the dates of continuous operation of all portions of such Facilities, as estimated by the Port or, if used with reference to Facilities to be acquired, shall mean the date on which such acquisition is final.

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

(a) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds which are not designated as Balloon Maturity Bonds in the 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 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 Parity Bonds, plus (3) all interest payable during such period on any such Parity Bonds Outstanding and with respect to 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 Parity Bonds on the date specified in the resolution authorizing such Parity Bonds;

(c) with respect to all other series of 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 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 Parity Bonds during such period computed on the assumption that the amount of 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 resolution authorizing the issuance of such 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 published in the edition of *The Bond Buyer* (or comparable publication or such other similar index selected by the Port with the approval of the Consultant, if applicable) selected by the Port and published within ten days prior to the date of calculation or, if such calculation is being made in connection with the certificate required by Section 20 hereof, then within ten days of the date of such certificate; and

(d) with respect to Derivative Products, the Port Payments required by contract to be paid to a Reciprocal Payor under any existing Derivative Product, offset by the Reciprocal Payments during the same period during the relevant period, on the assumption that if

any such payment is not fixed at the time of execution of the Derivative Product, the amount of such payment will be calculated at the Estimated Average Derivative Rate prevailing during the remaining term of the Derivative Product; provided, however, that the computation of Debt Service for First Lien Parity Bonds may not take Port Payments into account until the Outstanding First Lien Bonds are no longer Outstanding or until the requisite consents of owners of the Outstanding First Lien Bonds are received, and the computation of Debt Service for Subordinate Lien-I Parity Bonds issued prior to April 1997 may not take Port Payments into account until the earlier of (A) the date on which the issuers of credit enhancements then in effect with respect to the Outstanding Subordinate Lien-I Parity Bonds originally issued prior to April 1997 and the requisite owners of Outstanding Subordinate Lien-I Bonds issued prior to April 1997 consent and (B) the first date on which Outstanding Subordinate Lien-I Bonds are no longer Outstanding.

With respect to any Parity Bonds payable in other than U. S. Dollars, Debt Service shall be calculated as provided in the resolution authorizing the issuance of such Parity Bonds.

Debt Service shall be net of any interest funded out of Parity Bond proceeds or the proceeds of other funds or indebtedness.

Debt Service computed for First Lien Parity Bonds also shall be net of any principal funded out of bond proceeds following the date on which Outstanding First Lien Bonds are no longer Outstanding or until the requisite consents of owners of the Outstanding First Lien Bonds are received.

Debt Service computed for Subordinate Lien-I Parity Bonds issued prior to April 1997 also shall be net of any principal funded out of Subordinate Lien-I 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 commencing on the earlier of (A) the date on which the issuers of credit enhancements then in effect with respect to the Outstanding Subordinate Lien-I Parity Bonds originally issued prior to March 1997 and the requisite owners of Outstanding Subordinate Lien-I Bonds issued prior to April 1997 consent and (B) the first date on which Outstanding Subordinate Lien-I Bonds are no longer Outstanding.

Debt Service with respect to Second Lien Bonds and Subordinate Lien-II Parity Bonds also shall be net of any principal funded out of Subordinate Lien-I 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 to providers of Credit Facilities to the extent such reimbursement obligations are outstanding or as otherwise authorized in a resolution.

"Default", with respect to the First Lien Bonds, has the meaning given such term in Section 14(c) of this resolution and with respect to the other Series of Bonds, has the meaning given such term in Section 24 of this 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 Parity Bonds;

(c) under which Reciprocal Payments are to be made directly into a bond fund for Outstanding 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 20 hereof.

"Designated Port Representative" means the Executive Director, chief financial officer of the Port, the Director of Finance 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 an Outstanding Bond is actually and unconditionally due if cash is available at the place of payment, and no interest accrues with respect to such Bond after such date.

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds of each Series pursuant to Section 6 hereof.

"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 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 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.

"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 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 under applicable resolutions of the Commission, including this resolution and will not impair the exclusion of interest on a Bond 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 Bond).

"First Lien Bonds" means the Bonds of any Series identified as "First Lien Parity Bonds" in the Notification with respect to such Series.

"First Lien Parity Bonds" means the Outstanding First Lien Bonds identified in the fourth recital to this resolution, the First Lien Bonds 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 Section 5 of the Master Resolution.

"First Lien Parity Test" means Net Revenues equal to or greater than 135% of Aggregate Annual Debt Service with respect to all First Lien Parity Bonds.

"First Lien Rate Covenant" means Net Revenues in each fiscal year at least equal to the greater of (i) 135% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on First Lien Parity Bonds, or (ii) amounts required to be deposited during such fiscal year from Net Revenues into bond funds and reserve funds established for First Lien Parity Bonds and into the Repair and Renewal Fund, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service.

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

"Government Obligations" has the meaning given such term in RCW Ch. 39.53, as now or hereafter amended.

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

- (1) the proceeds of any borrowing by the Port and the earnings thereon (other than earnings on proceeds deposited in reserve funds),
- (2) income and revenue which may not legally be pledged for revenue bond debt service,
- (3) passenger facility charges, head taxes, federal grants or substitutes therefor allocated to capital projects;

(4) payments made under Credit Facilities issued to pay or secure the payment of a particular series of Parity Bonds;

(5) proceeds of insurance or condemnation proceeds other than business interruption insurance;

(6) 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 (6) 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

(7) 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 or additional Gross Revenue for any one or more series of obligations

"Insurance Commitment" means the commitment for the issuance of the Insurance Policy or Policies to be issued by the Insurer.

"Insurance Policy" means the policy of municipal bond insurance delivered by the Insurer at the time of issuance and delivery of a Series of Bonds.

"Insurer" means a municipal bond insurance company issuing one or more Insurance Policies with respect to the Bonds of a Series.

"Interest Payment Date", with respect to a Series, means each March 1 and September 1, commencing on the first March 1 or September 1 that is at least five months after the Settlement Date for such Series.

"Letter of Representations" means a blanket issuer letter of representations from the Port to DTC, dated August 28, 1995.

"Master Resolution" means Resolution No. 3059, as amended, of the Commission adopted on February 2, 1990, as amended by Resolution No. 3214, adopted on March 26, 1996 and Resolution No. 3241, adopted on April 8, 1997.

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

"MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.

"Net Proceeds," when used with reference to a Series of Bonds, means the principal amount of such Series of Bonds, plus accrued interest and original issue premium, if any, and less original issue discount and proceeds, if any, deposited in such Reserve Account.

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

"Notification" means the notice and election of the Port referred to in Section 2(b) of the Bond Purchase Contract.

"NRMSIR" means a nationally recognized municipal securities information repository for purposes of the Rule.

"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 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 resolution authorizing their issuance.

"Outstanding" means, as of any date, any Parity Bonds theretofore issued except such Parity Bonds deemed to be no longer Outstanding as provided in the resolution authorizing the issuance thereof.

"Outstanding First Lien Bonds" means the bonds identified in the recitals to this resolution as "Outstanding First Lien Bonds."

"Outstanding Subordinate-I Lien Bonds" means the bonds identified in the recitals to this resolution as "Outstanding Subordinate-I Lien Bonds."

"Paying Agent" shall mean any person, firm, association, corporation or public body as designated and appointed from time to time by resolution of the Commission or by a Series Resolution to act as paying agent for one or more series of Bonds.

"Parity Bonds" means any bonds currently outstanding or issued in the future that have a lien on Net Revenues on a parity with the lien of the Bonds of a Series. Used in the context of the Master Resolution, the term "Parity Bonds" refers only to those bonds having a parity of lien with the First Lien Bonds. In the context of this resolution, the term "Parity Bonds" may refer to First Lien Parity Bonds or Second Lien Parity Bonds or Subordinate Lien-I Parity Bonds or Subordinate Lien-II Parity Bonds.

"Payments" means:

- (a) Amounts actually or constructively paid to acquire an investment.

(b) In the case of an investment that is first allocated to the Bonds or becomes subject to a rebate requirement on a date after it is actually acquired, the value of the investment at the beginning of the Computation Period.

(c) In the case of an investment that was allocated to the Bonds 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 the Bonds and subject to the rebate requirements, and on the final maturity date of the Bonds, a computation credit of \$1,000.

(e) Any Yield Reduction Payments.

"Permitted Prior Lien Bonds" means:

(a) with respect to the Second Lien Bonds, only First Lien Parity Bonds;

(b) with respect to the Subordinate Lien-I Bonds, the First Lien Parity Bonds, the Second Lien Parity Bonds and any other revenue bonds that may be issued in the future at the discretion of the Port payable from Net Revenues available after the payment of the amounts described in paragraphs First, through Fifth of Section 15 of this resolution, all as permitted in Section 20 of this resolution;

(c) with respect to the Subordinate Lien-II Bonds, the First Lien Parity Bonds, the Second Lien Parity Bonds, Subordinate Lien-I Parity Bonds and any other revenue bonds that may be issued in the future at the discretion of the Port payable from Net Revenues available after the payment of the amounts described in paragraphs First, through Eighth of Section 15 of this resolution, all as permitted in Section 20 of this resolution.

All Permitted Prior Lien Bonds with respect to the Subordinate Lien-I Bonds shall have liens on Net Revenues superior to the lien thereon of the Subordinate Lien-I Parity Bonds.

All Permitted Prior Lien Bonds with respect to the Subordinate Lien-II Bonds shall have liens on Net Revenues superior to the lien thereon of the Subordinate Lien-II Parity Bonds, and no Permitted Prior Lien Bonds may be issued having a lien on Net Revenues subordinate to the lien thereon of the Subordinate Lien-I Parity Bonds, but prior to the lien thereon of Subordinate Lien-II Parity Bonds.

All Permitted Prior Lien Bonds with respect to the Second Lien Bonds shall have liens on Net Revenues superior to the lien thereon of the Second Lien Parity Bonds, and no Permitted Prior Lien Bonds may be issued having a lien on Net Revenues subordinate to the lien thereon of the First Lien Parity Bonds, but prior to the lien thereon of Second Lien Parity Bonds.

"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 and the Series B Projects.

"Purchaser" means Goldman, Sachs & Co.

"Qualified Insurance" means any non-cancellable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) (i) which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest Rating Categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability or (ii) by issuing its policies causes obligations insured thereby to be rated in one of the two highest Rating Categories by one or more of the Rating Agencies.

"Qualified Letter of Credit" means any irrevocable letter of credit issued by a financial institution, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest Rating Categories by one or more of the Rating Agencies.

"Rating Agencies" means Moody's Investors Service or its successors and assigns, Standard & Poor's Ratings Service or its successors and assigns, Fitch IBCA or its successors and

assigns and/or such other securities rating agency selected by the Port to provide a rating with respect to a series of Parity Bonds, or any portion thereof, which Rating Agency, as of the applicable date, shall have assigned a rating to any series of Parity Bonds or any portion thereof.

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

"Rebatable Arbitrage" means the payment obligations of the Port calculated as provided in the Arbitrage Certificate and Section 10(c) of this resolution.

"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 the Bonds before its disposition or redemption date, the value of that investment on the date it ceases to be allocated to the Bonds.

(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.

"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 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 Bond on the Bond Register. For so long as the Bonds are held by a Securities Depository or its nominee, such Securities Depository shall be deemed to be the Registered Owner.

"Registered Owners' Trustee" means the bank or financial institution selected by the Registered Owners of Bonds pursuant to Section 24 hereof or pursuant to the Master Resolution or pursuant to any other resolution authorizing the issuance of Outstanding Subordinate Lien-I Bonds.

"Registrar" means, collectively, the fiscal agency of the State of Washington in Seattle, Washington, and New York, New York, appointed by the Treasurer for the purposes of registering and authenticating the Bonds, maintaining the Bond Register and effecting transfer of ownership of the Bonds. The term "Registrar" shall include any successor to the fiscal agency, if any, hereinafter appointed by the Treasurer.

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

"Reserve Account" means the special account authorized to be created pursuant to Section 7(b) of this resolution prior each Settlement Date.

"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.

"Rule" means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

"Second Lien Bonds" means the Bonds of any Series identified as "Second Lien Bonds" in the Notification with respect to such Series.

"Second Lien Parity Bonds" means the Second Lien Bonds and any bonds issued in the future on a parity therewith.

"Second Lien Parity Test" means Net Revenues equal to or greater than 115% of Aggregate Annual Debt Service with respect to all Second Lien Parity Bonds and First Lien Parity Bonds.

"Second Lien Rate Covenant" means Net Revenues in each fiscal year at least equal to 115% of the amounts required to be deposited during such fiscal year from Net Revenues into the bond funds for the Second Lien Bonds and any other bond fund established or maintained for the benefit of First Lien Parity Bonds, Second Lien Parity Bonds then Outstanding and any other amounts due to issuers of credit enhancement for Second Lien Parity Bonds but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service

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

"Series" means any separate series of Bonds issued pursuant to this resolution. A Series of Bonds may be First Lien Bonds, Second Lien Bonds, Subordinate-I Lien Bonds or Subordinate-II Lien Bonds.

"Series A Projects" means those capital improvement projects or portions thereof 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 and may include additional capital purposes upon receipt of a Favorable Opinion of Bond Counsel.

"Settlement Date" means the date of initial issuance and delivery of each Series of the Bonds.

"SID" means any public or private repository or entity designated by the State of Washington as the state repository for the purposes of the Rule and recognized as such by the SEC. As of the date of adoption of this resolution, there is no such state repository.

"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-I Bonds" means the Bonds of any Series identified as "Subordinate Lien-I Bonds" in the Notification with respect to such Series.

"Subordinate Lien-I Available Revenue" means the Gross Revenue of the Port after providing for the payments set forth in paragraphs First through Sixth of Section 15 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-I Parity Bonds.

"Subordinate Lien-I Parity Bonds" means the Outstanding Subordinate Lien-I Bonds, the Subordinate Lien-I Bonds and any bonds issued in the future on a parity therewith, pursuant to the Subordinate Lien-I Resolutions.

"Subordinate Lien-I Parity Test" means, for so long as the Outstanding Subordinate Lien-I Bonds issued prior to April 1997 remain Outstanding (or such earlier date as the issuers of credit enhancements then in effect with respect to such Outstanding Subordinate Lien-I Bonds and the requisite owners of such Outstanding Subordinate Lien-I Bonds consent), Subordinate Lien-I Available Revenue equal to or greater than two times Aggregate Annual Debt Service with respect to all Subordinate Lien-I Parity Bonds and thereafter 1.5 times Aggregate Annual Debt Service with respect to all Subordinate Lien-I Parity Bonds.

"Subordinate Lien-I Rate Covenant" means Subordinate Lien-I 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 bond funds for the Subordinate Lien-I Bonds and any other bond fund established or maintained for the benefit of Subordinate Lien-I Parity Bonds then Outstanding and any other amounts due to issuers of credit enhancement for Subordinate Lien-I Parity Bonds but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service

"Subordinate Lien-I Resolutions" means Resolution Nos. 3112, 3238 and 3255 of the Commission.

"Subordinate Lien-II Available Revenue" means the Gross Revenue of the Port after providing for the payments set forth in paragraphs First through Eighth of Section 15 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-II Parity Bonds.

"Subordinate Lien-II Bonds" means the Bonds of any Series identified as "Subordinate Lien-II Bonds" in the Notification with respect to such Series.

"Subordinate Lien-II Parity Bonds" means the Subordinate Lien-II Bonds and any bonds issued in the future on a parity therewith.

"Subordinate Lien-II Parity Test" means Subordinate Lien-II Available Revenue equal to or greater than Aggregate Annual Debt Service with respect to all Subordinate Lien-II Parity Bonds.

"Subordinate Lien-II Rate Covenant" means Subordinate Lien-II 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 bond funds for the Subordinate Lien-II Bonds and any other bond fund established or maintained for the benefit of Subordinate Lien-II Parity Bonds then Outstanding and any other amounts due to issuers of credit enhancement for Subordinate Lien-II Parity Bonds but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service

"Subordinate Lien-II Reserve Requirement" means with respect to each Series of Subordinate Lien-II Parity Bonds, an amount to be determined at the time of issuance of each Series of Subordinate Lien-II Parity Bonds.

"Term Bonds" means the Bonds of any Series identified as "Term Bonds" in the final official statement with respect thereto.

"Treasurer" means the King County Finance Department, as *ex officio* treasurer of the Port, or any successor to the functions of the Treasurer.

"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.

Rules of 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.

Section 2. Plan of Finance. 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 also 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"). Each Notification from the Port shall identify whether the Port intends to finance Series A Projects or Series B Projects. The Port may at its option use the proceeds of a Series of Bonds issued to finance Series A Projects for any capital purpose so long as such use shall not cause any Bond of such Series to be considered a "private activity bond." In addition, the Port may at its option use the proceeds of a Series of Bonds issued to finance Series B Projects for other capital purposes upon receipt of a Favorable Opinion of Bond Counsel.

Section 3. Authorization of Bonds.

(a) *Authorization.* The Port is hereby authorized to borrow from time to time, and to issue Bonds in one or more Series to evidence such borrowing, in an aggregate principal amount outstanding at any time or from time to time that, together with the principal amount of all other Bonds then Outstanding, will not exceed \$190,000,000 (subject to the further limitations of Section 21), for the purpose of providing part of the funds necessary to pay or reimburse the Port for the Costs of Construction of the Projects, and to pay all costs incidental thereto and to the issuance of the Bonds, including fees and to pay costs and termination amounts associated

with the Bond Purchase Contract. The Bonds of each Series shall be designated "Port of Seattle, Washington Revenue Bonds, followed by a series designation, including a lien designation, and such other designations as shall be approved by the Designated Port Representative for use in the official statement with respect to each Series.

(b) *Issuance; Interest; Dating.* The Bonds of each Series shall be issued in fully registered form, shall be issued in the denomination of \$5,000 or integral multiples thereof within a maturity, 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 Settlement Date for such Series and shall mature or be subject to mandatory redemption, in principal amounts specified in Schedule I of the Bond Purchase Contract and bear interest payable on each Interest Payment Date at the interest rates for such Series specified in Schedule I of the Bond Purchase Contract, all subject to the adjustments provided for in Section 4(b)(ii) of the Bond Purchase Contract.

The Bonds of each Series shall be obligations only of the Bond Fund and Reserve Account, if any, established for such Series and shall be payable and secured as provided herein. The Bonds do not constitute an indebtedness of the Port within the meaning of the constitutional provisions and limitations of the State of Washington.

Section 4. Redemption and Purchase.

(a) *Optional Redemption.* The Bonds of each Series shall be subject to optional redemption as set forth in Part E of Schedule I of the Bond Purchase Contract.

(b) *Mandatory Redemption.* The Purchaser may designate one or more maturities of the Bonds of each Series as Term Bonds subject to mandatory redemption at par on the principal payment dates otherwise designated for such Series in Schedule I of the Bond Purchase Contract.

(c) *Purchase of Bonds for Retirement.* The Port reserves the right to use at any time any surplus Gross Revenue available after providing for the payment of all debt service with respect to Parity Bonds and required deposits into the Reserve Account, if any, and the Repair and Renewal Fund, if any, to purchase for retirement any of the Bonds offered to the Port at any price deemed reasonable to the Port's Chief Financial Officer.

(d) *Effect of Optional Redemption/Purchase.* To the extent that the Port shall have optionally redeemed or purchased any Term Bonds since the last scheduled mandatory redemption of such Term Bonds, the Port may reduce the principal amount of the Term Bonds to be redeemed in like aggregate principal amount. Such reduction may be applied in the year specified by the Designated Port Representative.

(e) *Selection of Bonds for Redemption.* As long as the Bonds of a Series are held in book-entry only form, the maturities to be redeemed shall be selected by the Port and,

within a maturity, the selection of Bonds of such series to be redeemed shall be made in accordance with the operational arrangements in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed shall be made as provided in this subsection (e). If the Port redeems at any one time fewer than all of the Bonds having the same series and maturity date, the particular Bonds or portions of Bonds of such Series and maturity to be redeemed shall be selected by lot (or in such other manner determined by the Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the Port and Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of the such Bond at the principal office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like Series, maturity and interest rate in any of the denominations herein authorized.

(f) *Notice of Redemption*

(i) Official Notice. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which notice, in the case of an optional redemption, shall state that redemption is conditioned by the Registrar on the receipt of sufficient funds for redemption) shall be given by the Registrar on behalf of the Port by mailing a copy of an official redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds of the Series to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Registrar.

All official notices of redemption shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,
- (C) if fewer than all Outstanding Bonds of a Series are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds of such Series to be redeemed,
- (D) that on the redemption date, provided that in the case of optional redemption the full amount of the redemption price is on deposit therefor, the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,
- (E) in the case of optional redemption, that such notice may be revoked by the Port; and

(F) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar.

Unless the Port has revoked a the notice of redemption, on or prior to any redemption date, the Treasurer shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Failure to give notice as to redemption of any Bond or any defect in such notice shall not invalidate redemption of any other Bond.

Notwithstanding the foregoing, if the Bonds are then held in book-entry only form, notice of redemption shall be given only in accordance with the operational arrangements then effect at DTC but not less than thirty (30) days prior to the date of redemption.

(ii) Effect of Notice, Bonds Due. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date (unless in the case of optional redemption the Port shall have revoked its notice or shall have failed to make the payment of the redemption price), become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to a mandatory redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same series and maturity in the aggregate amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

(iii) Additional Notice. In addition to the foregoing notice, further notice shall be given by the Port as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 35 days before the redemption date to the Insurer and to each NRMSIR, the SID, if any, and to the Purchaser or to its business successors, if any, and to such persons (including securities repositories who customarily at the time receive notices of redemption in accordance with rules

promulgated by the SEC) and with such additional information as the Registrar deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(iv) Use of CUSIP Numbers. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by maturity and series, the Bonds being redeemed with the proceeds of such check or other transfer.

(v) Amendment of Notice Provisions. The foregoing notice provisions of this Section 4, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 5. Place and Medium of Payment. The principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a 360-day year (twelve 30-day months). For so long as all Bonds of a Series are in fully immobilized form, such payments of principal and interest thereon shall be made as provided in the operational arrangements of DTC as referred to in the Letter of Representations.

In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed (or by wire transfer to a Registered Owner of such Bonds of a Series in aggregate principal amount of \$1,000,000 or more who so requests) to the Registered Owners of the Bonds at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal and premium, if any, of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Registrar.

Section 6. Registration.

(a) Registrar/Bond Register. The Port hereby requests that the Treasurer appoint the fiscal agency of the State of Washington as the Registrar for the Bonds. The Port shall cause a bond register to be maintained by the Registrar. So long as any Bonds remain Outstanding, the Registrar shall make all necessary provisions to permit the exchange and registration of transfer of Bonds at its principal corporate trust office. The Registrar may be removed at any time at the option of the Treasurer upon prior notice to the Registrar, the Insurer, DTC, each NRMSIR and SID, if any, and a successor Registrar appointed by the Treasurer. 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. The Registrar is authorized, on behalf of the Port, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this resolution and

to carry out all of the Registrar's powers and duties under this resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) *Registered Ownership.* The Port and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except for purposes of any undertaking for ongoing disclosure), and neither the Port nor the Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 5 hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 5 shall be valid and shall satisfy and discharge the liability of the Port upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* To induce DTC to accept the Bonds as eligible for deposit at DTC, the Port has executed and delivered to DTC a Letter of Representations.

Neither the Port nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the Port to the Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

If any Bond shall be duly presented for payment and funds have not been duly provided by the Port on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until such Bond is paid.

(d) *Use of Depository.*

(i) The Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond maturing on each of the maturity dates for each series of the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Commission pursuant to

subsection (ii) below or such substitute depository's successor; or (C) to any person as provided in subsection (iv) below.

(ii) 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 to discontinue 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.

(iii) In the case of any transfer pursuant to clause (A) or (B) of subsection (i) above, the Registrar shall, upon receipt of all Outstanding Bonds of such Series, together with a written request on behalf of the Commission, issue a single new Bond for each maturity of the Bonds of such Series then Outstanding, 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.

(iv) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Commission determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and 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 Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Registrar of all then Outstanding Bonds together with a written request on behalf of the Commission to the Registrar, new Bonds shall be issued in the appropriate denominations and series and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless such Bond is surrendered to the Registrar with the assignment form appearing on such Series 1998 Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same Series, date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be

surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, Series, maturity and interest rate, in any authorized denomination or denominations. The Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding the date any such Bond is to be redeemed.

(f) *Registrar's Ownership of Bonds.* The Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

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

Section 7. Bond Fund and Reserve Account.

(a) *Bond Fund.* On or prior to each Settlement Date for a Series, the Port shall establish in the office of the Treasurer a special fund (each, a "Bond Fund") for the purpose of paying and securing the payment of the Series of Bonds to be issued on such Settlement Date. Each Bond Fund shall be held separate and apart from all other funds and accounts of the Port and shall be a trust fund for the owners, from time to time, of the Bonds of such Series.

The Port hereby irrevocably obligates and binds itself for so long as any Bonds remain Outstanding to set aside and pay into the Bond Fund from Net Revenues or money in the Revenue Fund, on or prior to the respective dates on which the same become due:

(A) such amounts as are required to pay the interest scheduled to become due and redemption premium, if any, on Outstanding Bonds of the Series payable from such Bond Fund; and

(B) such amounts as are required to pay maturing principal or principal being redeemed of Outstanding Bonds of the Series payable from such Bond Fund.

(b) *Reserve Account.* If the payment of the principal of and interest on the Bonds of any Series are to be secured by a reserve account, the Port shall establish in the office of the Treasurer on or before the Settlement Date for such Series a separate reserve account for such Series (each a "Reserve Account").

Any Bond reserve requirement may be maintained by deposits of cash, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the extent that the Port obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the respective Reserve Account, all or a portion of the money on hand in such

shall be transferred to the fund or account, specified by the Designated Port Representative within the limitations permitted by Section 10(c) of this resolution. In computing the amount on hand in each Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the face amount thereof, and all other obligations purchased as an investment of moneys therein shall be valued at cost. As used herein, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check; and the deposit to the Reserve Account may be satisfied by the transfer of qualified investments to such account.

If the balance on hand in any Reserve Account is sufficient to satisfy the minimum balance required therein, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the Bond Fund and the Reserve Account for a Series to pay the principal of, premium, if any, and interest on all Outstanding Bonds of such Series, the money in the Reserve Account may be used to pay such principal and interest. So long as the money left remaining on deposit in the Reserve Account is equal to the minimum balance required therein, money in a Reserve Account may be transferred to the fund or account specified by the Designated Port Representative within the limitations permitted by Section 10 of this resolution. The Port also may transfer out of a Reserve Account any money required in order to prevent any Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in a Bond Fund shall occur, such deficiency shall be made up from the Reserve Account, if any, for such Series by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Account, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency with respect to the Bonds, and if a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the Port shall then draw from any Qualified Letter of Credit or Qualified Insurance for the Bonds in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement may be made to the issuer of any Qualified Letter of Credit for a Series in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments required to be made in Section 2 of the Master Resolution and Section 15 of this resolution. If the Port shall have failed to make any payment required to be made under such reimbursement agreement for the Bonds, the issuer shall be entitled to exercise all remedies available at law or under this resolution; provided, however, that no acceleration of the Bonds shall be permitted, and no remedies which adversely affect Registered Owners of Parity Bonds shall be permitted. Any deficiency created in a Reserve Account by reason of any such withdrawal shall be made up within one year from Qualified Insurance or a Qualified Letter of Credit or out of Net Revenues (or out of any other moneys on

hand legally available for such purpose) (in 12 equal installments) after making necessary provision for the payments required to be made into the Bond Fund for such Series within such year.

In making the payments and credits to a Reserve Account required by this Section 7(b), to the extent that the Port has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Reserve Account such amounts so covered by Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Account by this Section 7(b) to the extent that such payments and credits to be made are to be made or insured by an insurance company, or are to be made or guaranteed by a letter of credit from a financial institution. In the event of termination of a Qualified Letter of Credit or if the issuer of the Qualified Insurance or the Qualified Letter of Credit shall be insolvent or no longer in existence, a reserve requirement shall be satisfied (A) within one year of the insolvency or incapacity, but no later than the date of cancellation, with other Qualified Insurance or another Qualified Letter of Credit, or (B) within three years (in three equal installments) after the insolvency of the issuer of a Qualified Letter of Credit or Qualified Insurance or termination of a Qualified Letter of Credit, out of Net Revenues (or out of other money on hand and legally available for such purpose) after making necessary provisions for the payments required to be made into the Bond Fund for such Series.

(c) *Pledge and Lien.* The Bonds and the liens thereof created and established hereunder shall be obligations only of the respective Bond Funds hereinbefore authorized to be created. The First Lien Bonds shall be payable solely from and secured solely by Net Revenues, and net revenues are hereby pledged to the payment of First Lien Bonds on a parity with all other First Lien Parity Bonds. The Second Lien Bonds shall be payable solely from and secured solely by Gross Revenue available after payment of the obligations described in paragraphs First through Third of Section 15 hereof, and such revenues are hereby pledged to the payment of Second Lien Bonds on a parity with all other Second Lien Parity Bonds. The Subordinate Lien-I Bonds shall be payable solely from and secured solely by Subordinate Lien-I Available Revenue, and Subordinate Lien-I Available Revenue is hereby pledged to the payment of Subordinate Lien-I Bonds on a parity with all other Subordinate Lien-I Parity Bonds. The Subordinate Lien-II Bonds shall be payable solely from and secured solely by Subordinate Lien-II Available Revenue, and Subordinate Lien-II Available Revenue are hereby pledged to the payment of Subordinate Lien-II Bonds on a parity with all other Subordinate Lien-II Parity Bonds. Notwithstanding the foregoing, any Series of Bonds also may be secured by one or more Credit Facilities.

The Bonds shall not in any manner or to any extent constitute general obligations of the Port or of the State of Washington, or of any political subdivision of the State of

Washington, and no tax revenues of the Port may be used to pay the principal of and interest on the Bonds.

(1) *First Lien Bonds.* Said amounts so pledged to be paid into each Bond Fund for First Lien Bonds and the Reserve Account therefor, if any, are hereby declared to be an equal and 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 that the amounts so pledged are of equal lien to the lien and charge thereon of the Outstanding First Lien Bonds, and to any lien and charge thereon which may hereafter be made to pay and secure the payment of the principal of, premium, if any, and interest on any First Lien Parity Bonds hereafter issued.

(2) *Second Lien Bonds.* Said amounts so pledged to be paid into the Bond Fund(s) for Second Lien Bonds 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 which may hereafter be made to pay and secure the payment of the principal of and interest on any Second Lien Parity Bonds hereafter issued.

(3) *Subordinate Lien-I Bonds.* Said amounts so pledged to be paid into the Bond Fund(s) for Subordinate Lien-I Bonds 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-I 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 Subordinate Lien-I Parity Bonds hereafter issued.

(4) *Subordinate Lien-II Bonds.* Said amounts so pledged to be paid into the Bond Fund(s) for Subordinate Lien-II Bonds 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 which may hereafter be made to pay and secure the payment of the principal of and interest on any Subordinate Lien-II Parity Bonds hereafter issued.

(d) *Use of Excess Money.* Money in any Bond Fund not needed to pay the interest or principal and interest next coming due on any Outstanding Bonds payable from such Bond Fund or to maintain required reserves therefor may be used to purchase or redeem and retire Bonds of such Series. Money in each Bond Fund and Reserve Account and money in the

Revenue Fund of the Port may be invested in any investments legal for port districts, subject to the limitations set forth in Section 10 hereof.

Section 8. Disposition of the Proceeds of Sale of Bonds. The proceeds of sale of each Series of Bonds shall be applied as follows:

(i) A sum equal to a reserve requirement for such Series, if applicable, shall be deposited in a Reserve Account;

(ii) All or a portion of the premium cost for the Insurance Policy for the Bonds designated by the Designated Port Representative, shall be paid from the proceeds of the Bonds on the date of issuance and delivery of the Bonds; and

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

The Treasurer, at the direction of the Port, may create a special fund or account of the Port for one or more Series of the Bonds (each, a "Construction Account"). The money on deposit in a Construction Account shall be utilized to pay costs of the Projects and costs incidental thereto, and costs incurred in connection with the issuance and sale of the Bonds, including termination amount and other costs under the Bond Purchase Contract, to the extent designated by the Port.

All or part of the proceeds of the Bonds may be temporarily invested in or with such institutions or in such obligations as may now or hereafter be permitted to port districts of the State of Washington by law 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 Projects, the Port may apply the proceeds of the Bonds to pay the costs of such portion thereof or such other projects as the Commission shall determine to be in the best interests of the Port, subject to the limitations of Section 10 of this resolution.

Any part of the proceeds of the Bonds of any Series remaining in the Construction Account after all costs referred to in this section have been paid may be used to acquire, construct, equip and make other improvements to the Facilities of the Port subject to the limitations of Section 10 hereof or may be transferred to the Bond Fund or the Reserve Account for such Series for the uses and purposes therein provided.

Section 9. Defeasance. In the event that money and/or noncallable Government Obligations maturing or having guaranteed redemption prices at the option of the owner at such time or times and bearing interest to be earned thereon in amounts (together with such money, if any) sufficient to redeem and retire part or all of any Bonds of a Series in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, and, if such Bonds are to be redeemed prior to maturity, irrevocable

notice, or instructions to give notice of such redemption has been delivered to the Registrar, then no further payments need be made into the Bond Fund for such Series or any account therein for the payment of the principal of, premium, if any, and interest on the Bonds of a Series so provided for and such Bonds shall then cease to be entitled to any lien, benefit or security of this resolution, except the right to receive the funds so set aside and pledged and notices of early redemption, if any, and such Bonds shall no longer be deemed to be Outstanding hereunder, or under any resolution authorizing the issuance of bonds or other indebtedness of the Port.

Within 45 days of any defeasance of Bonds, the Port shall provide notice of defeasance of Bonds to Registered Owners of Bonds being defeased, to the Insurer and to each NRMSIR and SID, if any, in accordance with any agreement for ongoing disclosure.

Section 10. Tax Covenants. The Port covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Bonds and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bonds.

(a) *Arbitrage Covenant.* Without limiting the generality of the foregoing, the Port covenants that it will not take any action or fail to take any action with respect to the proceeds of sale of the Bonds or any other funds of the Port which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code and the regulations promulgated thereunder which, if such use had been reasonably expected on the dates of delivery of the Bonds to the initial purchasers thereof, would have caused the Bonds as "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code.

The Port represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may not be relied upon. The Port will comply with the requirements of Section 148 of the Code and the applicable regulations thereunder throughout the term of the Bonds.

(b) *Rebatable Arbitrage.*

(i) General Rule. The Port will pay to the United States of America in accordance with the provisions of this Section 10(b): (A) 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 Bonds of each Series, equal at least 90% of the Rebatable Arbitrage with respect to the Bonds; and (B) a final rebate payment in an amount which, when added to the future value of all previous rebate payments made with respect to the Bonds, equals 100% of the Rebatable Arbitrage.

(ii) Computation of Rebatable Arbitrage. As of any Computation Date, the Rebatable Arbitrage for the Bonds 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.

(iii) Payment Procedure. (A) The first rebate installment payment shall be made for a Computation Date that is no later than five years after the issue date of the Bonds. Subsequent rebate installment payments shall 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 shall be paid no later than 60 days after the Computation Date to which the payment relates.

(B) A final rebate payment shall be paid within 60 days of the date the Bonds are Discharged or such other period as is permitted by Internal Revenue Service regulations.

(C) Each payment of Rebatable Arbitrage shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19445 and shall be accompanied by IRS Form 8038-T.

(c) Private Person Use Limitation for Certain Bonds. The Port covenants that for as long as the Bonds issued to finance Series A Projects ("Governmental Bonds") are outstanding, it will not permit:

(i) More than 10% of the Net Proceeds of the Governmental Bonds to be used for any Private Person Use; and

(ii) More than 10% of the principal or interest payments on the Governmental Bonds in a Bond 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:

(iii) More than five percent of the Net Proceeds of the Governmental Bonds are to be used for any Private Person Use; and

(iv) More than five percent of the principal or interest payments on the Governmental Bonds 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, (1) any Private Person Use of the projects described in subsection (iii) hereof or Private Person Use

payments described in subsection (iv) hereof that is in excess of the five percent limitations described in such subsections (iii) or (iv) will be for a Private Person Use that is related to the state or local governmental use of the respective Series A Project, and (2) any Private Person Use will not exceed the amount of Net Proceeds of the Governmental Bonds used for the state or local governmental use portion of the project to which the Private Person Use of such portion of the Series A Project relates.

(d) *Use of Proceeds of the Bonds for Series B Projects.* The Series B Projects

(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 Bonds issued to finance Series B Projects ("Exempt Facility Bonds") 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.

(e) *Modification of Tax Covenants.* The covenants of this Section 10 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 Bonds. To that end, the provisions of this Section 10 may be modified or eliminated without any requirement for formal amendment of this resolution upon receipt of a Favorable Opinion of 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 Bonds issued as "tax-exempt".

Section 11. Lost, Stolen, Mutilated or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen, mutilated or destroyed, the Registrar may execute and deliver a new Bond or Bonds of like Series, date, number and tenor to the Registered Owner thereof upon the owner's paying the expenses and charges of the Port in connection therewith and upon his/her filing with the Port evidence satisfactory to the Port that such Bond was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the Port with indemnity satisfactory to the Port.

Section 12. Forms of Bonds and Registration Certificate. The Bonds shall be in substantially the following form:

[Insert Insurance Rider, if any]

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON
PORT OF SEATTLE

REVENUE BOND, SERIES _____

Maturity Date:

CUSIP No. _____

Interest Rate:

Registered Owner:

Principal Amount:

THE PORT OF SEATTLE, a municipal corporation organized and existing under and by virtue of the laws of the State of Washington (the "Port"), promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, solely from the special fund of the Port known as the "Port of Seattle Revenue Bond Fund, Series _____" (the "Bond Fund") created by Resolution No. _____ of the Port Commission, as amended (together with Resolution No. _____, as amended, most recently by Resolution No. _____, hereinafter collectively referred to as the "Bond Resolution") the Principal Amount indicated above and to pay interest thereon from the Bond Fund from _____ 1, _____, or the most recent date to which interest has been paid or duly provided for or until payment of this bond at the Interest Rate set forth above, payable semiannually on the first days of each March and September, beginning on _____ 1, _____. The principal of, premium, if any, and interest on this bond are payable in lawful money of the United States of America. Interest shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") by the Port to The Depository Trust Company ("DTC"). Principal shall be paid as provided in the Letter of

Representations to the Registered Owner or assigns upon presentation and surrender of this bond at the principal office of the fiscal agency of the State of Washington in either Seattle, Washington, or New York, New York (collectively the "Registrar"). Capitalized terms used in this bond which are not specifically defined have the meanings given such terms in the Bond Resolution.

This bond is one of a series of bonds of the Port in the aggregate principal amount of \$ _____ of like date, tenor and effect, except as to number, amount, rate of interest and date of maturity and is issued pursuant to the Bond Resolution to finance additions and improvements to its properties and facilities.

The bonds of this issue maturing on and after _____ 1, _____ shall be subject to optional redemption in advance of their scheduled maturity on and after _____ 1, _____ in whole or in part on any date at the following prices, expressed as a percentage of par, plus accrued interest to the date of redemption.

| Redemption Periods | Redemption Prices |
|---------------------------------------|-------------------|
| _____ 1, _____ through _____ 1, _____ | % |
| _____ 1, _____ and thereafter | % |

Unless redeemed pursuant to the foregoing optional redemption provisions, the bonds of this series maturing on _____ 1, _____ shall be redeemed by the Port on _____ 1 of the following years in the following principal amounts at a price of par, plus accrued interest to the date of redemption:

| Redemption Year | Redemption Amount |
|-----------------|-------------------|
| | \$ |

*** Maturity**

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

So long as this bond is held by DTC or its nominee, the manner of selection of bonds of this issue within a maturity for redemption and transfer of bonds and the provision of notice of redemption shall be governed by the Letter of Representations and DTC's operational arrangements. The Port and Registrar shall deem the person in whose name this bond is registered to be the absolute owner hereof for the purpose of receiving payment of the principal of, premium, if any, and interest on the bond and for any and all other purposes whatsoever.

The Port hereby covenants and agrees with the owner and holder of this bond that it will keep and perform all the covenants of this bond and the Bond Resolution.

The Port does hereby pledge and bind itself to set aside from Gross Revenue after payment of Operating Expenses, and to pay into the Bond Fund and the Reserve Account the various amounts required by the Bond Resolution to be paid into and maintained in said Funds, all within the times provided by said Bond Resolution.

Said amounts so pledged to be paid out of Gross Revenue into the Bond Fund and Reserve Account are hereby declared to be a first and prior lien and charge upon the Gross Revenue, subject to payment of 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 [Permitted Prior Lien Bonds], Outstanding _____, and any revenue bonds of the Port hereafter issued on a parity with the bonds 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 bonds of this issue are outstanding that it will make available, for the payment of the principal thereof and interest thereon as the same shall become due, Net Revenues (as the same are defined in the Bond Resolution) in an amount equal to or greater than the _____ Rate Covenant.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Registrar.

It is hereby certified and declared that this bond and the bonds of this issue are issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and resolutions of the Port and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed.

IN WITNESS WHEREOF, the Port of Seattle, Washington, has caused this bond to be executed by the manual or facsimile signatures of the President and Secretary of the Port Commission, and the corporate seal of the Port to be impressed or a facsimile thereof imprinted hereon as of the 1st day of _____, _____.

PORT OF SEATTLE, WASHINGTON

By _____ /s/ _____
President, Port Commission

ATTEST:

_____/s/_____
Secretary, Port Commission

King County Comptroller's Reference No. _____

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the bonds described in the within mentioned Bond Resolution and is one of the _____ Revenue Bonds, Series _____ of the Port of Seattle, Washington, dated _____, _____.

WASHINGTON STATE FISCAL
AGENCY, Registrar

By _____
Authorized Signer

In the event any Bonds are no longer in fully immobilized form, the form of such Bonds may be modified to conform to printing requirements and the terms of this resolution.

Section 13. Execution. The Bonds shall be executed on behalf of the Port with the manual or facsimile signature of the President of its Commission, shall be attested by the manual or facsimile signature of the Secretary thereof and shall have the seal of the Port impressed or a facsimile thereof imprinted thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Registrar, shall be valid or obligatory for any

purpose or entitled to the benefits of this resolution. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this resolution.

In case either of the officers of the Port who shall have executed the Bonds shall cease to be such officer or officers of the Port before the Bonds so signed shall have been authenticated or delivered by the Registrar, or issued by the Port, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the Port as though those who signed the same had continued to be such officers of the Port. Any Bond may also be signed and attested on behalf of the Port by such persons as at the actual date of execution of such Bond shall be the proper officers of the Port although at the original date of such Bond any such person shall not have been such officer.

Section 14. First Lien Bond Covenants; Additional Covenant; Defaults and Remedies.

The provisions of this Section 14 shall be for the exclusive benefit of the Registered Owners of the First Lien Bonds.

(a) *Incorporation of Master Resolution.* With respect to each Series of First Lien Bonds, the terms of this resolution shall be considered to be a Series Resolution for such Series. The Port hereby covenants for the benefit of each Registered Owner of First Lien Bonds that it will observe and perform the First Lien Rate Covenant and each additional covenant set forth in Section 7 of the Master Resolution.

(b) *Disposal of Income Properties.* In the event of voluntary or involuntary sale, lease, or other conveyance, transfer or disposal of all or substantially all of the marine or aviation properties, assets or facilities, the Port shall require that contemporaneously with such disposition, there shall be paid into a special fund a sum which shall be sufficient to defease all First Lien Bonds then Outstanding; provided, however, that such defeasance will not be required so long as the Port of Seattle maintains primary responsibility for the management and operation of the affected facilities and provided further that all Gross Revenue from such facilities continues to be pledged to all First Lien Bonds then Outstanding.

(c) *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 moneys, funds and securities to the purposes herein set forth. Any one or more of the following shall constitute a Default under this resolution:

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

(2) The Port shall fail to make payments of any installment of interest on any First Lien Bond when the same shall become due and payable; or

(3) The Port shall default in the observance or performance of any other covenants other than conditions, or agreements on the part of the Port contained in any agreement for ongoing disclosure, and such default shall have continued for a period of 90 days.

In determining whether a payment default has occurred or whether a payment on the First Lien Bonds has been made under this resolution, no effect shall be given to payments made under the Insurance Policy. Upon the occurrence and continuation of any Default, the Registered Owners of the First Lien Bonds shall be entitled to exercise the remedies specified in Section 20 of the Master Resolution; but only with respect to the particular Series in Default. Such remedies are hereby incorporated by this reference herein for the benefit of the First Lien Bonds.

Section 15. Revenue Fund; Flow of Funds. 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 Parity Bonds to pay the principal of and interest and premium, if any, on any First Lien Parity Bonds;

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

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

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

Sixth, 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 Second Lien Parity Bonds, but prior to the lien thereon of Subordinate Lien-I Parity Bonds;

Seventh, 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-I Parity Bonds,

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

Ninth, 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-II Parity Bonds,

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

Eleventh, 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

Twelfth, 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.

Section 16. Covenants For Subordinate Lien-I Bonds. The Port hereby makes the following covenants and agrees with the owners and holders of each of the Subordinate Lien-I Bonds for as long as any of the same remain Outstanding.

(a) *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 Subordinate Lien-I Available Revenue in each fiscal year at least equal to the Subordinate Lien-I Rate Covenant.

If the Subordinate Lien-I Available Revenue in any fiscal year is less than required to fulfill the Subordinate Lien-I 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-I 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 Subordinate Lien-I Available Revenue in the fiscal year in which adjustments are made nevertheless is not sufficient to meet the Subordinate Lien-I Rate Covenant, there shall be no default under this Section 16 during such fiscal year, unless the Port fails to meet the Subordinate Lien-I 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 Bond Fund for each Series of Subordinate Lien-I Bonds the principal of and

interest on the Subordinate Lien-I Bonds at the times and places as provided in this resolution and in said Subordinate Lien-I Bonds provided and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this resolution, in the Subordinate Lien-I Bonds.

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

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

Section 17. Covenants For Second Lien Bonds. The Port hereby makes the following covenants and agrees with the owners and holders of each of the Second Lien Bonds for as long as any of the same remain Outstanding.

(a) *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 Net Revenues in each fiscal year at least equal to the Second Lien Rate Covenant.

If the Net Revenues in any fiscal year is less than required to fulfill the Second 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 Second 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 Net Revenues in the fiscal year in which adjustments are made nevertheless is not sufficient to meet the Second Lien Rate Covenant, there shall be no default under this Section 17 during such fiscal year, unless the Port fails to meet the Second 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 Bond Fund for each Series of Second Lien Bonds the principal of and interest on the Second Lien Bonds at the times and places as provided in this resolution and in said Second Lien Bonds provided and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this resolution, in the Second Lien Bonds.

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

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

Prior to the Settlement Date for the first Series of Second Lien Bonds, the foregoing covenants may be altered by the Port in any respect with the prior consent of the Purchaser.

Section 18. Covenants For Subordinate Lien-II Bonds. The Port hereby makes the following covenants and agrees with the owners and holders of each of the Subordinate Lien-II Bonds for as long as any of the same remain Outstanding.

(a) *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 Subordinate Lien-II Available Revenue in each fiscal year at least equal to the Subordinate Lien-I Rate Covenant.

If the Subordinate Lien-II Available Revenue in any fiscal year is less than required to fulfill the Subordinate Lien-II 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-II 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 Subordinate Lien-II Available Revenue in the fiscal year in which adjustments are made nevertheless is not sufficient to meet the Subordinate Lien-I Rate Covenant, there shall be no default under this Section 18 during such fiscal year, unless the Port fails to meet the Subordinate Lien-II 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 Bond Fund for each Series of Subordinate Lien-II Bonds the principal of and interest on the Subordinate Lien-II Bonds at the times and places as provided in this resolution and in said Subordinate Lien-II Bonds provided and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this resolution, in the Subordinate Lien-II Bonds.

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

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

Prior to the Settlement Date for the first Series of Subordinate Lien-II Bonds, the foregoing covenants may be altered by the Port in any respect with the prior consent of the Purchaser.

Section 19. Derivative Products. The following shall be conditions precedent to the use of any Derivative Product on a parity with Subordinate Lien-I Parity Bonds, Subordinate Lien-II Parity Bonds or Second Lien Parity Bonds:

(a) *General Parity Tests.* The Derivative Product must satisfy the requirements for Subordinate Lien-I Parity Bonds, Subordinate Lien-II Parity Bonds or Second Lien Parity Bonds, as the case may be, all as described in Section 20 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 Subordinate Lien-I Parity Bonds, Subordinate Lien-II Parity Bonds or Second Lien Parity Bonds and is not prohibited by the resolutions that authorized the issuance of the Outstanding Subordinate Lien-I 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-I Parity Bonds, Subordinate Lien-II Parity Bonds or Second Lien 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-I Parity Bonds, Subordinate Lien-II Parity Bonds or Second 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-I Parity Bonds without the consent of the issuer of a Credit Facility with respect to such Subordinate Lien-I Parity Bonds 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-I Parity Bonds, Subordinate Lien-II Parity Bonds or Second Lien Bonds, as the case may be.

Section 20. Permitted Prior Lien Bonds and Parity Bonds.

(a) *Permitted Prior Lien Bonds.* The Port hereby reserves the right to issue Permitted Prior Lien Bonds. Such obligations shall be subject to such terms, conditions and covenants set forth in their respective authorizing resolutions.

(b) *First Lien Parity 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.

(c) *Subordinate Lien-I Parity Bonds.* The Port hereby covenants with the Registered Owners of each of the Subordinate Lien-I Parity Bonds for as long as any of the same remain Outstanding that it will not issue any additional Subordinate Lien-I Parity Bonds that constitute a charge and lien upon the Subordinate Lien-I Available Revenue equal to the lien thereon of the Subordinate Lien-I Bonds except upon compliance with the conditions for the issuance of such Subordinate Lien-I Parity Bonds specified in Section 4.04 of Resolution No. 3255, as amended, which conditions are herein incorporated by reference.

(d) *Future Subordinate Lien-II Parity Bonds - General Provisions.* The Port hereby further covenants and agrees with the Registered Owners of each of the Subordinate Lien-II Bonds for as long as any of the same remain Outstanding that it will not issue any additional Subordinate Lien-II Parity Bonds that constitute a charge and lien upon the Subordinate Lien-II

Available Revenue equal to the lien thereon of the Subordinate Lien-II Parity Bonds, unless 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 (d) or subsection (e) below) demonstrating fulfillment of the Subordinate Lien-II 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 proposed Subordinate Lien-II Parity Bonds or (B) the date on which any portion of interest on the proposed Subordinate Lien-II Parity Bonds then being issued no longer will be paid from the proceeds of such proposed Subordinate Lien-II Parity Bonds, and (ii) for the following two fiscal years.

A certificate may be delivered by the Port without a Consultant if the Subordinate Lien-II 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-II 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 proposed Subordinate Lien-II Parity Bonds as reasonably estimated by the Port, or (ii) the date on which any portion of interest on the proposed Subordinate Lien-II Parity Bonds then being issued will not be paid from the proceeds of such proposed Subordinate Lien-II 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 20(d) shall be demonstrated conclusively by a certificate of a Consultant.

In making the computations of Subordinate Lien-II Available Revenue for the purpose of certifying compliance with the Subordinate Lien-II Parity Test, the Consultant shall use as a basis the Subordinate Lien-II 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 Subordinate Lien-II Parity Bonds:

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

(ii) if the proposed Subordinate Lien-II 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.

(e) *Future Subordinate Lien-II Parity Bonds For Refunding Purposes.* The Port may issue Subordinate Lien-II Parity Bonds for refunding purposes, as follows:

(1) Subordinate Lien-II Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) Subordinate Lien-II Parity Bonds including therein the Subordinate Lien-II Bonds including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase), any deposits to a reserve account or to acquire credit enhancement and the expenses of issuing the proposed Subordinate Lien-II Parity Bonds to purchase or refund the same and of effecting such refunding upon delivery of a certificate as provided in subsection (d)(1) above. Such refunding Subordinate Lien-II Parity Bonds also may be issued without a certificate if the Maximum Annual Debt Service on all Subordinate Lien-II Parity Bonds to be Outstanding after the issuance of the refunding Subordinate Lien-II Parity Bonds shall not be greater than the Maximum Annual Debt Service on the Subordinate Lien-II 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 Subordinate Lien-II Available Revenue prior to the lien of the Subordinate Lien-II Bonds, provided that such bonds are Permitted Prior Lien Bonds, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption of such bonds (or purchase), any deposits to a reserve account or to acquire credit enhancement and the expenses of issuing the Subordinate Lien-II Parity Bonds to purchase or refund the same and of effecting such refunding without a certificate.

(3) Subordinate Lien-II 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 Subordinate Lien-II Available Revenue on a parity with or prior to the lien of the Subordinate Lien-II Bonds, provided that such bonds are Permitted Prior Lien Bonds or Subordinate Lien-II Parity Bonds, for the payment of which sufficient Subordinate Lien-II Available Revenue or other money are not available, without the requirement of a certificate pursuant to this section.

(f) *Liens Subordinate to Subordinate Lien-II Parity Bonds.* Nothing herein contained shall prevent the Port from issuing revenue bonds or other obligations which are a charge upon the Subordinate Lien-II Available Revenue junior or inferior to the payments

required by this resolution to be made out of such Subordinate Lien-II Available Revenue to pay and secure the payment of any Subordinate Lien-II Parity Bonds.

(g) *Future Second Lien Parity Bonds - General Provisions.* The Port hereby further covenants and agrees with the Registered Owners of each of the Second Lien Bonds for as long as any of the same remain Outstanding that it will not issue any additional Second Lien Parity Bonds that constitute a charge and lien upon the Gross Revenue available after payment of the costs described in Section 15, paragraphs First through Third equal to the lien thereon of the Second Lien Parity Bonds, unless 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 (g) or subsection (h) below) demonstrating fulfillment of the Second 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 proposed Second Lien Parity Bonds or (B) the date on which any portion of interest on the proposed Second Lien Parity Bonds then being issued no longer will be paid from the proceeds of such proposed Second Lien Parity Bonds, and (ii) for the following two fiscal years.

A certificate may be delivered by the Port without a Consultant if the Net Revenues, 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 Second 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 proposed Second Lien Parity Bonds as reasonably estimated by the Port, or (ii) the date on which any portion of interest on the proposed Second Lien Parity Bonds then being issued will not be paid from the proceeds of such proposed Second 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 20(g) shall be demonstrated conclusively by a certificate of a Consultant.

In making the computations of Net Revenues for the purpose of certifying compliance with the Second Lien Parity Test, the Consultant shall use as a basis the Net Revenues 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 Second Lien Parity Bonds:

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

(ii) if the proposed Second 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.

(h) *Future Second Lien Parity Bonds For Refunding Purposes.* The Port may issue Second Lien Parity Bonds for refunding purposes, as follows:

(1) Second Lien Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) Second Lien Parity Bonds including therein the Second Lien Bonds including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase), any deposits to a reserve account or to acquire credit enhancement and the expenses of issuing the proposed Second Lien Parity Bonds to purchase or refund the same and of effecting such refunding upon delivery of a certificate as provided in subsection (g)(1) above. Such refunding Second Lien Parity Bonds also may be issued without a certificate if the Maximum Annual Debt Service on all Second Lien Parity Bonds to be Outstanding after the issuance of the refunding Second Lien Parity Bonds shall not be greater than the Maximum Annual Debt Service on the Second 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 Gross Revenue available after payment of the costs described in Section 15, paragraphs First through Third, prior to the lien of the Second Lien Bonds, provided that such bonds are Permitted Prior Lien Bonds, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption of such bonds (or purchase), any deposits to a reserve account or to acquire credit enhancement and the expenses of issuing the Second Lien Parity Bonds to purchase or refund the same and of effecting such refunding without a certificate.

(3) Second 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 Gross Revenue available after payment of the costs described in Section 15, paragraphs First through Third, on a parity with or prior to the lien of the Second Lien Bonds, provided that such bonds are Permitted Prior Lien Bonds or Second Lien Parity Bonds, for the payment of which sufficient Gross Revenue available after payment of the costs described in Section 15, paragraphs First through Third, or other money are not available, without the requirement of a certificate pursuant to this section.

(i) *Liens Subordinate to Second Lien Parity Bonds.* The following reservation of rights by the Port is made with respect to the owners and holders of the Second Lien Bonds. Nothing herein contained shall constitute a limitation or prevent the Port from issuing revenue bonds or other obligations which are a charge upon the Net Revenues junior or inferior to the payments required by this resolution to be made out of such Net Revenues to pay and secure the payment of any Second Lien Parity Bonds.

(j) *Amendments.* Prior to the Settlement Date for the first Series of Subordinate Lien-II Bonds, the covenants set forth in subsections (d) through (f) may be altered by the Port in any respect with the prior consent of the Purchaser. Prior to the Settlement Date for the first Series of Second Lien Bonds, the covenants set forth in subsections (g) through (i) may be altered by the Port in any respect with the prior consent of the Purchaser.

Section 21. Sale of Bonds. The Bonds shall be sold by negotiated sale to Goldman, Sachs & Co. (the "Purchaser") under the terms of a Forward Delivery Bond Purchase Contract, dated this date (the "Bond Purchase Contract"). The Bond Purchase Contract is hereby approved, and the Designated Port Representative is hereby authorized and directed to execute the Bond Purchase Contract.

Prior to the issuance of each Series of Bonds, the Port will deliver a written notification to the Purchaser as provided in Section 2(b) of the Bond Purchase Contract which identifies the lien status of the proposed Series and identifies the issuer of the Credit Facility, if any, for the Series; provided, however, that First Lien Bonds may be issued without a Credit Facility (i) if at the time such First Lien Bonds are issued such First Lien Bonds are rated "AA," "AA-," or "Aa3" or higher by Fitch IBCA, inc., Standard & Poor's Rating Services or Moody's Rating Services, respectively or (ii) the Purchaser consents. Thereafter, the proper officials of the Port including the Designated Port Representative, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Series of Bonds to the Purchaser thereof and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Bond Purchase Contract.

The Designated Port Representative is authorized to ratify and to approve for purposes of the Rule, on behalf of the Port, the final official statement (each a "Final Official Statement") (and any preliminary official statement (each a "Preliminary Official Statement")) relating to the issuance and sale of each Series of Bonds and the distribution of the Bonds of such Series pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate. In addition, prior to each Settlement Date, the Port shall enter into an undertaking for ongoing disclosure in form and substance approved by the Purchaser and sufficient, in the opinion of the Purchaser, to comply with Rule 15c2-12 of the United States Securities and Exchange Commission

Section 22. Compliance with Parity Conditions. The Commission hereby finds and determines as required by Section 5 of the Master Resolution, as follows:

First: The Port has not been in default of its covenant under Section 7(a) of the Master Resolution for the immediately preceding fiscal year (1996); and

Second: This Commission has been assured that prior to the issuance and delivery of the First Lien Bonds of each Series, it will have on hand a certificate from the Designated Port Representative (prepared as prescribed in subsection 5(b) or 5(c) of the Master Resolution) demonstrating fulfillment of the First Lien Coverage Requirement, commencing on the first full fiscal year following the earlier of (1) the Date of Commercial Operation of the Facilities to be financed with the proceeds of the First Lien Bonds or (2) the date on which any portion of interest on the First Lien Bonds no longer will be paid from the proceeds thereof, and for the following two fiscal years.

The limitations contained in the conditions provided in Sections 5 and 6 of the Master Resolution having been complied with, the payments required herein to be made out of the Net Revenues to pay and secure the payment of the principal of, premium, if any, and interest on the First Lien Bonds shall constitute a lien and charge upon such Net Revenues equal in rank to the lien and charge thereon of the Outstanding First Lien Bonds.

The Commission hereby finds and determines as required by Section 17(b) of the Resolution No. 3112, as amended, Section 2.13 of the Resolution No. 3238, as amended, and Section 4.04 of Resolution No. 3255, as amended, as follows:

First: The Port is not and will not be in default at the time of issuance of each Series of Subordinate Lien-I Bonds of its obligations under said Resolution No. 3112, as amended, Resolution No. 3238, as amended and Resolution No. 3255, as amended; and

Second: This Commission has been assured that prior to the Settlement Date for each Series of Subordinate Lien-I Bonds, it will have on hand a certificate from the Designated Port Representative (prepared as prescribed in Section 17(b) of the Resolution No. 3112, Section 2.13 of Resolution No. 3238 and Section 4.04 of Resolution No. 3255, as amended) demonstrating fulfillment of the Subordinate Lien-I Parity Test, commencing on the first full fiscal year following the earlier of (1) the Date of Commercial Operation of the Projects being financed with the Series of Subordinate Lien-I Bonds or (2) the date on which any portion of interest on the Series of Subordinate Lien-I Bonds no longer will be paid from the proceeds thereof and for the following two fiscal years.

The limitations contained in the conditions provided in Section 17(b) of Resolutions No. 3112 and Section 2.13 of Resolution No. 3238 and Section 4.04 of Resolution No. 3255, as amended, having been complied with, the payments required herein to be made out of the Subordinate Lien-I Available Revenue to pay and secure the payment of the principal of and

interest on the Subordinate Lien-I Bonds shall constitute a lien and charge upon such Subordinate Lien-I Available Revenue equal in rank to the lien and charge thereon of the Outstanding Subordinate Lien-I Bonds.

Section 23. Insurance Policies; Provisions Relating to Insurer. The Port may solicit proposals for one or more commitments on terms acceptable to the Designated Port Representative (each, an "Insurance Commitment") for the issuance of a policy of municipal bond insurance (each an "Insurance Policy") with respect to each Series of the Bonds. The execution of the Insurance Commitment and delivery of the same to the Insurer by the Designated Port Representative is hereby ratified and approved. The issuance of the Bonds shall be made in accordance with the Insurance Commitment, with only those changes that shall have been agreed upon by the Insurer and the Port which agreement may be presumed upon the issuance and delivery of the Insurance Policy and the remittance by the Port of the premium to the Insurer for such Insurance Policy. To that end, the Designated Port Representative is hereby further authorized to deliver such certificates and additional documentation as shall be necessary to comply with the agreed upon terms of the Insurance Commitment.

Section 24. Defaults; 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, subject to the limitation set forth in the following sentence:

(a) The Port shall fail to make payment of the principal of the Bonds of any Series when the same shall become due and payable;

(b) The Port shall fail to make payments of any installment of interest on the Bonds of any Series 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 (specifically excluding any covenant or agreement in any undertaking for ongoing disclosure), and such default shall have continued for a period of 90 days.

The existence of a Default with respect to any Series shall not constitute a Default with respect to any other Series that is not otherwise in Default, *i.e.*, the provisions of this resolution are not intended to permit any automatic cross-default among Series.

Upon the occurrence of a Default with respect to a Series and so long as such Default shall not have been remedied, a Registered Owners' Trustee may be appointed for the Bonds of such Series by the owners of 51% in principal amount of the Outstanding Bonds of such Series 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 Bonds of the Series in Default then 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 Bonds of the Series 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 Bonds of the Series in default or the provisions of this resolution may be enforced by a Registered Owners' Trustee without the possession of any of said Bonds, and without the production of the same at any trial or proceedings relating thereto except where otherwise required by law, and the respective owners of said Bonds by taking and holding the same, shall be conclusively deemed irrevocably to appoint a Registered Owners' Trustee the true and lawful trustee to the respective owners of said Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums that become distributable on account of said Bonds; to execute any paper or documents for the receipt of such moneys, and to do all acts with respect thereto that the 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 Bonds, any plan of reorganization or adjustment affecting the said Bonds 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 Bonds shall have any right to institute any action, suit or proceedings at law or in equity for the enforcement of the same, unless Default shall have happened and be continuing, and unless no 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 Bonds shall affect or impair the obligation of the Port which is absolute and unconditional, to pay from Net Revenues, Subordinate Lien I Available Revenue or Subordinate Lien II Available Revenue, as the case may be, the principal of and interest on Bonds secured by such revenues to the respective owners thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such owners to enforce such payments.

The remedies herein conferred upon or reserved to the owners of the Bonds and to a 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 Bonds, shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon. No delay or omission of the 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.

Section 25. Amendments, Supplements. (a) *First Lien Bonds.* With respect to First Lien Bonds, this resolution may be amended at any time in accordance with the limitations set forth in the Master Resolution.

(b) *Other Amendments; Supplements.* With respect to other Series of Bonds (other than First Lien Bonds), the provisions of this subsection (b) shall apply with respect to amendments and supplements to this resolution.

(1) 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 Registered Owners; or

(C) to provide or modify procedures permitting Registered Owners to utilize a certificated system of registration for one or more Series of Bonds; 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, provided that such amendment will not adversely affect the security for outstanding bonds of the same lien position; 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 one or more Series of the Bonds, or in order to obtain or retain such rating on a Series of Bonds as is deemed necessary by the Port.

(2) Amendments With Registered Owners Consent. With respect to Second Lien Bonds, Subordinate Lien-I Bonds, and Subordinate Lien-II Bonds, 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 Second Lien Parity Bonds, Subordinate Lien-I Parity Bonds or Subordinate Lien-II Parity Bonds, as the case may be, 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 Second Lien Parity Bonds, Subordinate Lien-I Parity Bonds or Subordinate Lien-II Parity Bonds, as the case may be, without the consent of the Registered Owners of a majority in aggregate principal amount of the Bonds so affected, and (B) except as expressly authorized hereunder, no amendment which alters the interest rates on any Outstanding Second Lien Parity Bonds, Subordinate Lien-I Parity Bonds or Subordinate Lien-II Parity Bonds, as the case may be, the maturity dates or Interest Payment Dates of any Outstanding Second Lien Parity Bonds, Subordinate Lien-I Parity Bonds or Subordinate Lien-II

Parity Bonds, as the case may be, without the consent of the Registered Owners of all Outstanding Bonds affected thereby.

(3) Amendments With Consent of Issuers of Credit Facility.

Notwithstanding anything in this subsection (b) to the contrary, any amendment or supplement to this resolution shall require the prior written consent of the issuers of Credit Facilities. In addition, to the extent that any Series of Bonds is secured by a Credit Facility, the issuer of the Credit Facility shall be considered as the Registered Owner for purposes of granting consents required or permitted to be obtained under this resolution.

Section 26. Severability. 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 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 any Bonds.

Section 27. Effective Date. This resolution shall be effective immediately upon its adoption.

ADOPTED by the Port Commission of the Port of Seattle at a [special][regular] meeting thereof, held this 23rd day of December, 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

Paige R. Miller
Gary Grant

Patricia J. J.
John B. J.
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, site preparation, acquisition of new container cranes, repair and upgrade of existing cranes, dredging, apron upgrades, preliminary planning and terminal construction at and around the existing facility and 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 one or more operators.

(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 is 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.

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 3271, 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 20th day of December, 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 and affixed the official seal of the Port this 20th day of December, 1997.


Secretary