

BOND RESOLUTION
PORT OF SEATTLE, WASHINGTON

RESOLUTION NO 3276, AS AMENDED

A RESOLUTION of the Port Commission of the Port of Seattle, Washington, authorizing the sale and issuance of Subordinate Lien Revenue Refunding Bonds, 1998 of the Port in the principal amount of \$27,930,000 for the purpose of refunding certain outstanding revenue bonds of the Port, fixing the date, forms, terms, and maturities for such bonds, authorizing the sale of such bonds, providing for ongoing disclosure; approving an escrow agreement; and appointing an escrow agent.

ADOPTED May 7, 1998

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

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

<u>Resolution Number</u>	<u>Date of Issue</u>	<u>Original Principal Amt</u>	<u>Currently Outstanding (2/28/98)</u>	<u>Final Maturity Dates</u>
3060	2/1/90	(A) \$66,240,492 05	\$ 40,290,492	12/1/14
3060	2/1/90	(B) 59,969,771 35	57,229,771	12/1/14
3060	2/1/90	(C) 24,805,000.00	15,250,000	12/1/05
3111	4/1/92	(A) 25,450,000 00	20,545,000	11/1/17
3111	4/1/92	(B) 115,440,000.00	93,510,000	11/1/17
3120	2/1/93	(A) 21,655,000 00	7,905,000	4/1/00
3120	2/1/93	(B) 60,750,000 00	28,455,000	11/1/01
3160	11/1/93	(C) 21,170,000 00	8,930,000	1/1/99
3155	2/1/94	(A) 27,135,000 00	25,900,000	12/1/11
3155	2/1/94	(B) 50,000,000 00	50,000,000	5/1/19
3155	2/1/94	(C) 51,755,000 00	42,570,000	7/1/09
3196	9/1/95	(A) 26,345,000 00	12,755,000	2/1/01
3215	4/1/96	(A) 31,820,000.00	31,820,000	9/1/21
3215	4/1/96	(B) 74,520,000 00	74,520,000	9/1/17
3242	5/1/97	(A) 120,375,000 00	120,375,000	10/1/22
3242	5/1/97	(B) 19,985,000 00	19,985,000	10/1/05

(the "Outstanding First Lien Bonds"), and

WHEREAS, the Port intends to issue a seventeenth series of first lien revenue bonds simultaneously with the Bonds authorized herein, and

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

WHEREAS, pursuant to Resolution No 3112, as amended, the Port has previously issued \$27,500,000 and there remain outstanding \$25,145,000 of Subordinate Lien Revenue Bonds, Series 1992, maturing on August 1 of the following years in the following principal amounts

<u>Maturity Years</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
1998	\$ 665,000	5 600%
1999	705,000	5 750
2000	745,000	5.900
2001	790,000	6 000
2002	835,000	6 100
2003	885,000	6 200
2004	940,000	6 300
2005	1,000,000	6.400
2006	1,065,000	6 450
2010	4,995,000	6 600
2017	12,520,000	6 625

(the "1992 Series"), and

WHEREAS, pursuant to Resolution No 3238, as amended, the Port has issued and there remain outstanding \$108,830,000 of Subordinate Lien Revenue Bonds, Series 1997 (the "1997 First Series"), and

WHEREAS, pursuant to Resolution No 3255, as amended, the Port has authorized the issuance of not to exceed \$100,000,000 of Subordinate Lien Revenue Notes (Commercial Paper) (the "1997 Second Series"), and

WHEREAS, each of the resolutions authorizing the issuance of the 1992 Series, the 1997 First Series and the 1997 Second Series authorized the issuance of revenue bonds in the future on a parity therewith for the purpose of refunding outstanding revenue bonds, and

WHEREAS, Resolution No 3112, as amended, permits the 1992 Series maturing on and after August 1, 2003 (the "Refunded Bonds") to be called for redemption at the option of the Port on and after August 1, 2002 at a price of 102% of the principal amount thereof, plus accrued interest to the date of redemption, and

WHEREAS, the net interest rate borne by the 1992 Series is higher than the net interest rate which would be borne by refunding bonds if sold on this date, and

WHEREAS, it is necessary that the date, form, terms and maturities of such refunding bonds be fixed and that the lien thereof on the Available Revenue of the Port be established as herein provided; and

WHEREAS, it is deemed necessary and desirable that such series of refunding 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 and Interpretation

(a) *Definitions* As used in this resolution, the following capitalized terms shall have the following meanings

"Accreted Value" means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Subordinate Lien Resolution as the amount representing the initial principal amount of such Subordinate Lien Parity Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Subordinate Lien Parity Bonds plus the amount of discounted principal which has accreted since the date of issue. In each case the Accreted Value shall be determined in accordance with the provisions of the Subordinate Lien Resolution authorizing the issuance of such Subordinate Lien Parity Bonds.

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

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

"Annual Disclosure Report" has the meaning given such term in Section 22(b) of this Resolution.

"Available Revenue" means the Gross Revenue of the Port after providing for the payments set forth in paragraphs First, Second, Third and Fourth of Section 7 of this resolution. Notwithstanding the foregoing, the Port may elect to include other receipts (e.g., passenger facility charges) at any time as additional security for any one or more series of Subordinate Lien Parity Bonds.

"Balloon Maturity Bonds" means the 1997 First Series, the 1997 Second Series and any Future Subordinate Lien Parity Bonds which are so designated in the Subordinate Lien Resolution pursuant to which such Future Subordinate Lien Parity Bonds are issued. Commercial paper (obligations with a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Bonds.

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

"Beneficial Owner" means 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 Port of Seattle Subordinate Lien Revenue Refunding Bond Fund, 1998 created in the office of the Treasurer by Section 8 of this resolution

"Bond Purchase Contract" means the Bond Purchase Contract dated this date among the Port and the Underwriters

"Bonds" means the Port of Seattle, Washington, Subordinate Lien Revenue Refunding Bonds, 1998, authorized to be issued by Section 2 of this resolution

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

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

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

"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 18 hereof and making the calculation required by Section 18 hereof, the term Consultant shall also include any independent national public accounting firm appointed by the Port to make such calculation or to provide such certificate or nationally recognized financial advisor appointed by the Port for purposes of making such calculation

"Costs of Construction" means all costs paid or incurred by the Port in connection with the acquisition and construction of capital additions, improvements and betterments to and extensions of the Facilities, and the placing of the same in operation, including, but without limiting the generality of the foregoing, paying all or a portion of the interest on the series of Subordinate Lien Parity Bonds or any portion thereof issued to finance or refinance the costs of such improvements or to pay maturing Subordinate Lien Parity Bonds during the period of construction of such improvements and for a period of time thereafter, paying amounts required

to meet any reserve requirement for the fund or account established or maintained for such series of Subordinate Lien Parity Bonds from the proceeds thereof, paying or reimbursing the Port or any fund thereof or any other person for expenses incident and properly allocable to the acquisition and construction of said improvements and the placing of the same in operation, and all other items of expense incident and properly allocable to the acquisition and construction of said additions and improvements, the financing of the same and the placing of the same in operation

"Credit Facility" means 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 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 Subordinate Lien Resolution authorizing their issuance, the principal amount thereof equal to the Accreted Value thereof maturing or scheduled for redemption in such period, and the interest payable during such period,

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

(c) with respect to all other series of Subordinate Lien Parity Bonds Outstanding, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and

Subordinate Lien Parity Bonds bearing variable rates of interest, an amount for any period equal to the amount which would have been payable for principal and interest on such Subordinate Lien Parity Bonds during such period computed on the assumption that the amount of Subordinate Lien Parity Bonds Outstanding as of the date of such computation would be amortized (i) in accordance with the mandatory redemption provisions, if any, set forth in the Subordinate Lien Resolution authorizing the issuance of such Subordinate Lien Parity Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance to provide for essentially level annual debt service of principal and interest over such period and (ii) at an interest rate equal to the yield to maturity set forth in the 40-Bond Index in *The Bond Buyer* (or comparable publication or such other similar index selected by the Port with the approval of the Consultant, if applicable) selected by the Port and published within ten days prior to the date of calculation or, if such calculation is being made in connection with the certificate required by Section 18 hereof, then within ten days of such certificate, and

(d) with respect to Derivative Products (following the earlier of the date on which the issuers of credit enhancements then in effect with respect to the 1992 Series and the 1997 First Series and the requisite owners of 1992 Series and the 1997 First Series consent and the first date on which 1992 Series and the 1997 First Series are no longer outstanding) the Port Payments required by contract to be paid to a Reciprocal Payor under any existing Derivative Product, offset by the Reciprocal Payments during the same period during the relevant period, on the assumption that if any such payment is not fixed at the time of execution of the Derivative Product, the amount of such payment will be calculated at the Estimated Average Derivative Rate prevailing during the remaining term of the Derivative Product

With respect to any Subordinate Lien Parity Bonds payable in other than U S. Dollars, Debt Service shall be calculated as provided in the Subordinate Lien Resolution authorizing the issuance of such bonds. Debt Service shall be net of any interest funded out of Subordinate Lien Parity Bond proceeds From and after the earlier of the first date that the 1997 First Series are no longer Outstanding, and the date on which the Port receives the consents of the issuers of the credit enhancements then in effect with respect to the 1997 First Series and the requisite owners of the 1997 First Series, Debt Service also shall be net of any principal funded out of Subordinate Lien Parity Bond proceeds and shall be net of any principal and/or interest funded from proceeds of any Permitted Prior Lien Bonds or any other obligations thereafter issued for such purposes Debt Service shall include reimbursement obligations (and interest accruing thereon) owing to providers of Credit Facilities to the extent authorized in a Subordinate Lien Resolution

"Default" has the meaning given such term in Section 19 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 Available Revenue on an equal and ratable basis with the outstanding Subordinate Lien Party Bonds;

(c) under which Reciprocal Payments are to be made directly into a bond fund for outstanding Subordinate Lien Party 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 17 hereof

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

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

"Escrow Agent" means U S Bank Trust National Association, a national banking association.

"Escrow Agreement" means the Escrow Deposit Agreement dated as of the date of the closing and delivery of the Bonds between the Port and the Escrow Agent, substantially in the form attached hereto as Exhibit A and incorporated by this reference

"Estimated Average Derivative Rate" means

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

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

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

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

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

(b) as to any Derivative Products which have been authorized to be entered into by the Port but have not yet been executed or become effective, the variable rate will be estimated by applying the variable rate formula specified in the contract to the most recently published rate for the floating rate index or other equivalent specified in the Derivative Product as the basis upon which the variable rate will be determined, *provided that*, when the variable rate to be used in a Derivative Product is specified as the rate or rates applicable to one or more specified maturities of Subordinate Lien Parity Bonds, the variable rate or rates under the Derivative Product will be deemed to be the same rate or rates estimated for the specified maturity or maturities of the specified Subordinate Lien Parity Bonds, and *provided further that* if two or more Derivative Products each specify the same index and formula for determining and setting their respective variable rates, on the same dates, and for the same periods of time, and with respect to identical derivative principal amounts, all such Derivative Products shall be deemed to have the same Estimated Average Derivative Rate, calculated in accordance with paragraphs (a)(i) and (a)(ii) of this definition and, where applicable, with respect to the first of such Derivative Products to become effective

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

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

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

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

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

"Government Obligations" has the meaning given to such term in RCW Chapter 39 53, as the same may be amended from time to time, provided that such obligations are noncallable and are obligations issued or unconditionally guaranteed by the United States of America

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

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

derived or to be derived by the Port from any income producing facility which shall have been contributing to Gross Revenue prior to the issuance of such Special Revenue Bonds; and

(g) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the Port

Notwithstanding the foregoing, the Port may elect to include other receipts (e.g., passenger facility charges) at any time as additional security for any one or more series of obligations

"Insurance Commitment" means the commitment for the issuance of the Insurance Policy issued by the Insurer under date of April 24, 1998

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

"Insurer" means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company, or any successor thereto, as issuer of the Insurance Policy with respect to the Bonds

"Letter of Representations" means the Blanket Issuer Letter of Representations between DTC and the Port

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

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

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

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

"Net Proceeds," when used with reference to 1992 Series, means the principal amount of such 1992 Series, plus accrued interest and original issue premium, if any, and less original issue discount

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

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

"1992 Series" means the Port's Subordinate Lien Revenue Bonds, Series 1992 issued pursuant to Resolution No 3112 of the Port

"1992 Subordinate Lien Bond Fund" means the Port of Seattle Subordinate Lien Bond Fund established pursuant to Section 7 of Resolution No 3112, as amended

"1997 First Series" means the Port's Subordinate Lien Revenue Bonds, Series 1997 issued pursuant to Resolution No 3238 of the Port

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

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

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

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

"Outstanding First Lien Bonds" means the Port's Revenue Bonds, Series 1990A, Revenue Bonds, Series 1990B and Revenue Bonds, Series 1990C, issued pursuant to Resolution No 3060, as amended, Revenue Bonds, Series 1992A and Series 1992B, issued pursuant to Resolution No 3111, as amended, Revenue Bonds, Series 1993A and Series 1993B, issued pursuant to Resolution No 3120, Revenue Bonds, Series 1993C, issued pursuant to Resolution No 3160, Revenue Bonds, Series 1994A, Revenue Bonds, Series 1994B and Revenue Bonds, Series 1994C issued pursuant to Resolution No 3155, as amended, Revenue Bonds, Series 1995A issued pursuant to Resolution No 3196, as amended, Revenue Bonds, Series 1996A and Series 1996B issued pursuant to Resolution No 3215, as amended; and Revenue Bonds, Series 1997A and Series 1997B issued pursuant to Resolution No 3242, as amended

"Outstanding Subordinate Lien Bonds" means, collectively, the Port of Seattle, Washington, Subordinate Lien Revenue Bonds, Series 1992 authorized to be issued by

Resolution No 3112, as amended, the Port of Seattle, Washington, Subordinate Lien Revenue Bonds, Series 1997 authorized to be issued by Resolution No 3238, as amended; and the Port of Seattle, Washington, Subordinate Lien Revenue Notes (Commercial Paper), authorized to be issued by Resolution No 3255, as amended

"Permitted Prior Lien Bonds" means and includes the First Lien Bonds and any other revenue bonds that may be issued in the future at the discretion of the Port payable from Net Revenues available after the payment of the amounts described in paragraphs First, Second, and Third of Section 7 of this resolution, all as permitted in Section 18 of this resolution. All Permitted Prior Lien Bonds shall have liens on Net Revenues superior to the lien thereon of the Subordinate Lien Parity Bonds

"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

"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) (1) 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 Agency" means Fitch, Moody's or S&P

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

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

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

"Refunded Bonds" means the 1992 Series maturing on or after August 1, 2003.

"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 the Bonds pursuant to Section 19 hereof

"Registrar" means the fiscal agency of the State of Washington in either Seattle, Washington, or New York, New York, for the purposes of (a) registering and authenticating the Bonds, (b) maintaining the Bond Register, and (c) paying interest on and principal of the Bonds.

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

"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 Revenue.

"Rule" means Rule 15c2-12(b)(5) 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

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

"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

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

"Special Facilities" means particular Facilities financed with the proceeds of Special Revenue Bonds

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

"Subordinate Lien Parity Bonds" means the 1992 Series and the 1997 First Series, the Bonds and any Future Subordinate Lien Parity Bonds

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

"Subordinate Lien Rate Covenant" has the meaning given such term in Section 16(a) of this resolution.

"Subordinate Lien Resolutions" means Resolution No 3112, as amended, Resolution No 3238, as amended, Resolution No 3255, as amended, this resolution and any resolution of the Commission approved in the future authorizing the issuance of a series of Future Subordinate Lien Parity Bonds, as such resolution(s) may thereafter be amended or supplemented

"Term Bonds" means the Bonds maturing on August 1, 2017

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

"Underwriters" mean, collectively, PaineWebber Incorporated, Goldman, Sachs & Co., Lehman Brothers Inc., Artemis Capital Group, Inc., and Siebert Brandford Shank & Co., a Division of Muel Siebert & Co

(a) *Interpretation* In this resolution, unless the context otherwise requires

(1) 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,

(2) 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,

(3) 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,

(4) 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,

(5) All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof

(6) 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 Authorization of Bonds The Port shall issue the Bonds in the principal amount of \$27,930,000 for the purpose of refunding the 1992 Series and to pay all costs incidental thereto and to the issuance of the Bonds, including all or a portion of the premium for the Insurance Policy

Section 3 Bond Details The Bonds shall be designated as "Port of Seattle, Washington, Subordinate Lien Revenue Refunding Bonds, 1998," shall be registered as to both principal and interest and shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated May 1, 1998, shall be in the denomination of \$5,000 each or any integral multiple of \$5,000, shall bear interest at the following per annum rates, from May 1, 1998 until the Bond bearing such interest has been paid or its payment duly provided for, payable semiannually on the first days of each February and August, beginning on August 1, 1998, and shall mature in the following amounts on August 1 of the following years

Maturity Dates (August 1)	Principal Amounts	Interest Rates
1998	\$ 1,215,000	4.500%
1999	920,000	4 000
2000	955,000	4 000
2001	995,000	4 250
2002	1,035,000	4 300
2003	1,080,000	4 375
2004	1,125,000	4 500
2005	1,180,000	4 500
2006	1,230,000	4.625
2007	1,290,000	4 600
2008	1,345,000	4 750
2009	1,410,000	4 750
2010	1,475,000	4 875
2011	1,550,000	5 000
2012	1,630,000	5 000
2013	1,710,000	5 375
2014	1,805,000	5 375
2017	5,980,000	5 000

The Bonds shall be obligations only of the Bond Fund created hereunder 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 maturing on or after August 1, 2009, are subject to redemption on and after August 1, 2008 in whole or in part at any time, with maturities to be selected by the Port, at the following prices, expressed as a percentage of par, plus accrued interest to the date of redemption:

Redemption Dates	Redemption Prices
August 1, 2008 through July 31, 2009	101%
August 1, 2009 and thereafter	100%

(b) *Mandatory Redemption* Unless previously redeemed pursuant to the foregoing optional redemption provisions, the Term Bonds stated to mature on August 1, 2017, are subject to mandatory redemption on August 1 of the following years in the following principal amounts, at a price of par:

Redemption Dates	Redemption Prices
2015	\$1,895,000
2016	1,990,000
2017*	2,095,000

* Final Maturity

(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 payments required by paragraph First through Fifth of Section 2(a) of the Master Resolution to purchase for retirement

any of the Bonds offered to the Port at any price deemed reasonable to the Designated Port Representative

(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 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 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 (d). If the Port redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such 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 Bonds of like 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 Bonds 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 are to be redeemed, the identification by maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds 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, and

(E) 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 the notice of redemption, on or prior to any redemption date, the Treasurer of the Port 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 default in 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 of the same 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 Underwriters or to their 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, 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 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 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 of the Port 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 of the Port upon prior notice to the Registrar, the Insurer, DTC, each NRMSIR and SID, if any, and a successor Registrar appointed by the Treasurer of the Port. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder. 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 as provided in Section 19 of this resolution), 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 the 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 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, together with a written request on behalf of the Commission, issue a single new Bond for each maturity of the Bonds 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 maturities 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 Bond duly executed by the Registered Owner or such

Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, 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, 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 Revenue Fund and Priority of Use of Gross Revenue. The Port's Gross Revenue shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate and apart from all other funds and accounts of the Port, and the Gross Revenue deposited therein shall be used only for the following purposes and in the following order of priority:

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

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

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

Fourth, to make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of, premium, if any, and interest on any revenue bonds or other revenue obligations of the Port having liens upon the Net Revenues and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of,

premium, if any, and interest on any First Lien Bonds, but prior to the lien thereon of Subordinate Lien Parity Bonds,

Fifth, to make payments necessary to be paid into any bond fund or debt service account created to pay the principal, interest and redemption premium, if any, coming due on Subordinate Lien Parity Bonds,

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

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

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

The Bonds and the lien thereof created and established hereunder shall be obligations only of the Bond Fund hereinafter authorized to be created. The Bonds shall be payable solely from and secured solely by Available Revenue, *provided, however*, that any series of Subordinate Lien Parity Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that series of Subordinate Lien Parity Bonds. A Credit Facility may secure only a single series of Subordinate Lien Parity Bonds.

Section 8 Bond Fund

(a) *Bond Fund* A special fund of the Port designated the "Port of Seattle Subordinate Lien Revenue Refunding Bond Fund, 1998" (the "Bond Fund") is hereby authorized to be created in the office of the Treasurer of the Port for the purpose of paying and securing the payment of the Bonds. The 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.

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

(b) *Pledge and Lien* Said amounts so pledged to be paid into the Bond Fund are hereby declared to be a prior lien and charge upon the Gross Revenue superior to all other charges of any kind or nature whatsoever except for Operating Expenses and except for the lien on Gross Revenue of the Permitted Prior Lien Bonds and except that the amounts so pledged are

of equal lien to the liens and charges on Gross Revenue of the Outstanding Subordinate Lien Bonds and to the lien and charge which may hereafter be made to pay and secure the payment of the principal of and interest on any Future Subordinate Lien Parity Bonds

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

(c) *Use of Excess Money* Money in the Bond Fund not needed to pay the interest or principal and interest next coming due on any Outstanding Bonds or to maintain required reserves therefor may be used to purchase or redeem and retire Bonds within the limitations provided in Section 4 of this resolution Money in the Bond Fund 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 12 hereof

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 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 or any account therein for the payment of the principal of, premium, if any, and interest on the Bonds 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

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Port, and the pledge of Net Revenue and all covenants, agreements and other obligations of the Port to the Registered Owners shall continue to exist and shall run to the benefit of the Insurer, and the Insuree shall be subrogated to the rights of such Registered Owners.

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 Section 22

Section 10 Refunding Procedures

(a) *Creation of Refunding Account, 1998* A special account designated as the

"Refunding Account, 1998" is hereby authorized to be created in the 1992 Subordinate Lien Bond Fund which Account is to be drawn upon for the sole purpose of paying the principal of and interest on the Refunded Bonds

(b) *Application of Bond Proceeds.* A portion of the net proceeds of sale of the

Bonds (exclusive of accrued interest thereon, which shall be paid into the Bond Fund and used to pay a portion of the interest on the Bonds on August 1, 1998 and proceeds allocated to costs of issuance which shall be remitted to the Port directly) shall be credited to the Refunding Account, 1998

(c) *Defeasance of 1992 Series* Money in the Refunding Account, 1998,

together with funds that may be deposited by the Port, shall be used immediately upon receipt thereof to defease the Refunded and discharge the other obligations of the Port relating thereto under Resolution No 3112, as amended, by providing for the payment of the principal of and interest and premium thereon as hereinafter set forth in this section

(d) *Acquired Obligations* The Controller of the Port is hereby authorized to

transfer to the Refunding Account, 1998 that portion of the proceeds of the Bonds to be deposited in such Account, that are required to provide a cash balance and to defease the Refunded Bonds The Port shall defease the Refunded Bonds and discharge such obligations by the use of money in the Refunding Account, 1998 to purchase certain Government Obligations (which obligations so purchased, are herein called "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of

(i) the interest on the Refunded Bonds as such becomes due on and

before August 1, 2002; and

(ii) the redemption price (102%) of par, plus accrued interest of the

Refunded Bonds on August 1, 2002

(e) *Appointment of Escrow Agent* The Port hereby appoints the corporate

trust department of U S. Bank Trust National Association, a national banking association, as the Escrow Agent for the Refunded Bonds (the "Escrow Agent") Beginning cash balances, if any, and the Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease and redeem the 1992 Series in accordance with this Section 10 and Section 11 of this resolution

Section 11 Redemption of 1992 Series The Port hereby irrevocably calls the

Refunded Bonds for redemption on August 1, 2002 in accordance with the provisions of

Section 4(b) of Resolution No 3112, as amended, authorizing the redemption and retirement of the Refunded Bonds prior to their fixed maturities

Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the Refunding Account, 1998 and delivery of the Acquired Obligations described in Section 10(d) to the Escrow Agent

Further, upon the defeasance of the Refunded Bonds, any money remaining in the Port's Reserve Account in the 1992 Subordinate Lien Bond Fund and all sub-accounts therein maintained for the 1992 Series may be transferred to any fund designated by the Port

The Escrow Agent is hereby authorized and directed to provide for the giving of notice of the redemption of the Refunded Bonds in accordance with the terms of the Escrow Agreement (hereinafter authorized) The Controller of the Port is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of notice therefor The costs of mailing of such notice shall be an expense of the Port

The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or agencies of the State of Washington, sums sufficient to pay, when due, the payments specified in Section 10(d) of this resolution All such sums shall be paid from the moneys and Acquired Obligations deposited with said Escrow Agent pursuant to the previous section of this resolution, and the income therefrom and proceeds thereof

The Port will take such actions as are found necessary to ascertain that all necessary and proper fees, compensation and expenses of the Escrow Agent for the Refunded Bonds shall be paid when due The Designated Port Representative is authorized and directed to execute and deliver the Escrow Agreement to the Escrow Agent when the provisions thereof have been fixed and determined for each closing and delivery of the Bonds Such Escrow Agreement shall be substantially in the form of Exhibit A attached to this resolution and by this reference hereby made a part of this resolution

Section 12 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) *Private Person Use Limitation for Bonds.* The Port covenants that for as long as the Bonds are outstanding, it will not permit

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

(ii) More than 10% of the principal or interest payments on the 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 Bonds are to be used for any Private Person Use, and

(iv) More than five percent of the principal or interest payments on the 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 Project, and (2) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of the project to which the Private Person Use of such portion of the Projects relates. The Port further covenants that it will comply with any limitations on the use of the projects by other than state and local governmental users that are necessary, in the opinion of Bond Counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds.

(c) *Modification of Tax Covenants.* The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest

on the Bonds To that end, the provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of Bond Counsel that such modification or elimination will not adversely affect the tax exemption of interest on any Bonds

Section 13 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 date, number and tenor to the Registered Owner thereof upon the Registered 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 (including presentation of a mutilated Bond) and of his/her ownership thereof, and upon furnishing the Port with indemnity satisfactory to the Port

Section 14 Forms of Bonds and Registration Certificate

(a) *Bonds* The Bonds shall be in substantially the following form

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

UNITED STATES OF AMERICA

NO _____

\$ _____

STATE OF WASHINGTON

PORT OF SEATTLE

SUBORDINATE LIEN REVENUE REFUNDING BOND, 1998

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 Subordinate Lien Revenue Refunding Bond Fund, 1998" (the "Bond Fund") created by Resolution No 3276, as amended, of the Port Commission (the "Bond Resolution") the Principal Amount indicated above and to pay interest thereon from the Bond Fund from May 1, 1998, 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 February and August, beginning on August 1, 1998 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 \$27,930,000, 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 refund certain outstanding revenue bonds of the Port.

The bonds of this issue maturing on and after August 1, 2009 shall be subject to optional redemption in advance of their scheduled maturity on and after August 1, 2008 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
August 1, 2008 through July 31, 2009	101%
August 1, 2009 and thereafter	100%

Unless redeemed pursuant to the foregoing optional redemption provisions, the bonds of this issue maturing on August 1, 2017 shall be redeemed by the Port on August 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	Amount
2015	\$1,895,000
2016	1,990,000
2017*	2,095,000

• Final Maturity

The bonds of this issue are not private activity bonds. The bonds of this issue 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 the various amounts required by the Bond Resolution to be paid into and maintained in said Fund, all within the times provided by said Bond Resolution

The amounts so pledged to be paid out of Gross Revenue into the Bond Fund are hereby declared to be a first and prior lien and charge upon the Gross Revenue, subject to the liens thereon of any Permitted Prior Lien Bonds and subject further to the Operating Expenses of the Port and equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the payment of the Port's outstanding Subordinate Lien Revenue Bonds

Series 1997 and Subordinate Lien Revenue Notes (Commercial Paper) and any revenue bonds of the Port hereafter issued on a parity with such bonds and the bonds of this issue.

The Port has further bound itself to maintain 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, Available Revenue in an amount equal to or greater than the Subordinate Lien 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 May, 1998

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 Subordinate Lien Revenue Refunding Bonds, 1998 of the Port of Seattle, Washington, dated May 1, 1998.

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 15 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 16 Covenants. The Port hereby makes the following covenants and agrees with the owners and holders of each of the Bonds for as long as any of the same remain Outstanding

(a) *Subordinate Lien Rate Covenant* The Port will at all times establish, maintain and collect rentals, tariffs, rates, fees, and charges in the operation of all of its business that will produce Available Revenue in each fiscal year at least equal to the amounts required to be deposited during such fiscal year from Net Revenues into the Subordinate Lien Bond Funds and any other bond fund established or maintained for the benefit of Subordinate Lien Parity Bonds then outstanding and any other amounts due to the issuers of credit enhancement for outstanding Subordinate Lien Parity Bonds but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service (herein referred to as the "Subordinate Lien Rate Covenant")

If the Available Revenue in any fiscal year is less than required to fulfill the Subordinate Lien Rate Covenant, then the Port will retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges, and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commission, on the basis of such recommendations and other available information, will establish rentals, tariffs, rates, fees and charges for services and operations which will be necessary to meet the Subordinate Lien Rate Covenant in the fiscal year during which such adjustments are made. If the Commission has taken the steps set forth in this paragraph and the Available Revenue in the fiscal year in which adjustments are made

nevertheless is not sufficient to meet the Subordinate Lien Rate Covenant, there shall be no default under this Section 4 05(a) during such fiscal year, unless the Port fails to meet the Subordinate Lien Rate Covenant for two consecutive fiscal years.

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

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

(d) *Sale or Condemnation of Project* In the event that any project financed by the 1992 Series or portion thereof is sold by the Port or is condemned pursuant to the power of eminent domain, the Port will apply the net proceeds of such sale or condemnation to other Facilities or to the retirement of Permitted Prior Lien Bonds or Subordinate Lien Parity Bonds then Outstanding

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

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

(g) *Maintenance of Books and Records* The Port will keep and maintain proper books of account and accurate records of all of its revenue, including tax receipts, received from any source whatsoever, and of all costs of administration and maintenance and operation of all of its business that are in accordance with GAAP as in effect from time to time. On or before 120 days after each fiscal year the Port will prepare or cause to be prepared an operating statement of all of the business of the Port for such preceding fiscal year. Each such annual statement shall contain a statement in detail of the Gross Revenue, tax receipts, expenses of administration, expenses of normal operation, expenses of normal and extraordinary maintenance and repair, and expenditures for capital purposes of the Port for such fiscal year and shall contain a statement as of the end of such year showing the status of all funds and accounts

of the Port pertaining to the operation of its business and the status of all of the funds and accounts created by various resolutions of the Commission authorizing the issuance of outstanding bonds and other obligations payable from the Gross Revenue. Copies of such statements shall be placed on file in the main office of the Port and shall be open to inspection at any reasonable time by the Bank and the owners of Subordinate Lien Parity Bonds.

Section 17 Derivative Products The following shall be conditions precedent to the use of any Derivative Product on a parity with Subordinate Lien Parity Bonds:

(a) *General Parity Tests* The Derivative Product must satisfy the requirements for Future Subordinate Lien Parity Bonds described in Sections 18 of this resolution.

(b) *Opinion of Bond Counsel* The Port shall obtain an opinion of its Bond Counsel on the due authorization and execution of such Derivative Product opining that the action proposed to be taken by the Port is authorized or permitted by this resolution or the applicable provisions of any resolution authorizing Future Subordinate Lien Parity Bonds and is not prohibited by the resolutions that authorized the issuance of the Outstanding Subordinate Lien Bonds, as such resolutions may be amended or supplemented from time to time and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Subordinate Lien Parity Bonds then Outstanding.

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

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

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

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

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

Except as may be otherwise provided in the resolution establishing a Derivative Product Account, additional Subordinate Lien Parity Bonds may be delivered in connection with any Derivative Product. This resolution may be amended in the future to reflect the lien position and priority of any payments made in connection with a Derivative Product; *provided, however,* that

termination payments under Derivative Products may not attain a parity lien with Subordinate Lien Parity Bonds

Section 18 Permitted Prior Lien Bonds and Future Subordinate Lien Parity Bonds

(a) *Permitted Prior Lien Bonds.* As provided in the Master Resolution, the Port reserves the right to issue from time to time one or more series of First Lien Bonds by means of a Series Resolution (as such term is defined and required under the Master Resolution) for any purpose of the Port now or hereafter permitted by law, provided that the Port shall comply with the terms and conditions for the issuance of First Lien Bonds set forth in the Master Resolution. In addition, and for so long as the 1997 First Series remain outstanding, subject to the further proviso (or until such date on which the Port receives consents of the issuers of the credit enhancements then in effect with respect to the 1997 First Series and the requisite number of owners of the 1997 First Series), that the Port is not in default of its obligations under this resolution or would be in default after giving effect to such issuance, the Port also reserves the right to issue obligations payable from Net Revenues available after payment of the amounts described in paragraphs First through Third of Section 7 of this resolution, and having lien(s) on such Net Revenues prior to the lien of the Bonds and the Outstanding Subordinate Lien Bonds. Such obligations shall be subject to such terms, conditions and covenants set forth in their respective authorizing resolutions.

(b) *Future Subordinate Lien Parity Bonds - General Provisions.* The Port hereby further covenants and agrees with the Registered Owners of each of the Bonds for as long as any of the same remain outstanding that it will not issue any Future Subordinate Lien Parity Bonds that constitute a charge and lien upon the Available Revenue equal to the lien thereon of the Bonds, unless (i) for as long as the 1997 First Series remains Outstanding (or until such date on which the Port receives consents of the issuers of the credit enhancements then in effect with respect to the 1997 First Series and the requisite number of owners of the 1997 First Series) at the time of the issuance of such Future Subordinate Lien Parity Bonds the Port is not in default under this resolution, and (ii) either of the conditions (1) or (2) below is satisfied

(1) Certificate Required. Unless the Port is able to meet the criteria set forth in (2) below, a certificate shall be filed with the Port (as described in this subsection (b) or subsection (c) below) demonstrating fulfillment of the Subordinate Lien Parity Test, (i) commencing with the first full fiscal year following the earlier of (A) the Date of Commercial Operation of the Facilities to be financed with the proceeds of the Future Subordinate Lien Parity Bonds or (B) the date on which any portion of interest on the Future Subordinate Lien Parity Bonds then being issued no longer will be paid from the proceeds of such Future Lien Parity Bonds, and (ii) for the following two fiscal years.

A certificate may be delivered by the Port without a Consultant if the Available Revenue, based upon the financial statements of the Port for the Base Period, corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor's office of the State of Washington, or any successor to the duties thereof, or by an independent certified public accounting firm for the Base Period, is sufficient such that the Subordinate Lien Parity Test will be fulfilled (A) commencing with the first full fiscal year following the earlier of (i) the date of Commercial Operation of the Facilities to be financed with the proceeds of the Future Subordinate Lien Parity Bonds as reasonably estimated by the Port, or (ii) the date on which any portion of interest on the Future Subordinate Lien Parity Bonds then being issued will not be paid from the proceeds of such Future Subordinate Lien Parity Bonds and (B) for the following two fiscal years. Except as provided in the foregoing paragraphs, compliance with the coverage requirements of this Section 18(b) shall be demonstrated conclusively by a certificate of a Consultant.

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

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

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

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

(c) *Future Subordinate Lien Parity Bonds For Refunding Purposes* The Port may issue Future Subordinate Lien Parity Bonds for refunding purposes, as follows

(1) Future Subordinate Lien Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) Subordinate Lien Parity Bonds including the 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 Future Subordinate Lien Parity Bonds to purchase or refund the same and of effecting such refunding upon delivery of a certificate as provided in subsection (b)(1) above. Such refunding Future Subordinate Lien Parity Bonds also may be issued without a certificate if the Maximum Annual Debt Service on all Subordinate Lien Parity Bonds to be outstanding after the issuance of the refunding Future Subordinate Lien Parity Bonds shall not be greater than the Maximum Annual Debt Service on the Subordinate Lien Parity Bonds which would have been outstanding were such refunding not to occur.

(2) Future Subordinate Lien Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) any other obligations of the Port having a lien on Available Revenue prior to the lien of the 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 Future Subordinate Lien Parity Bonds to purchase or refund the same and of effecting such refunding without a certificate.

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

(d) *Liens Subordinate to Subordinate Lien Parity Bonds.* Nothing herein contained shall prevent the Port from issuing revenue bonds or other obligations which are a charge upon the Available Revenue junior or inferior to the payments required by this resolution to be made out of such Available Revenue to pay and secure the payment of any Subordinate Lien Parity Bonds.

Section 19. Defaults and Remedies

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

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

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

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

Subject to provisions of the preceding paragraph, upon the occurrence of a Default and so long as such Default shall not have been remedied, a Registered Owners' Trustee may be appointed for the Bonds by the owners of 51% in principal amount of the Outstanding Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such 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 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 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 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 Available Revenue the principal of and interest on said Bonds to the respective owners thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such owners to enforce such payments.

The remedies herein conferred upon or reserved to the owners of the Bonds and to a 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 20 Sale of Bonds The Bonds shall be sold by negotiated sale to PaineWebber Incorporated, Goldman, Sachs & Co , Lehman Brothers Inc , Artemis Capital Group, Inc. and Siebert Brandford Shank & Co., a Division of Muriel Siebert & Co., Inc (collectively, the "Underwriters") under the terms of a 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 Upon the adoption of this resolution, 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 Bonds to the Underwriters 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 Official Statement (and any Preliminary Official Statement) relating to the issuance and sale of the Bonds and the distribution of the Bonds pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate

Section 21. Compliance with Parity Conditions. The Commission hereby finds and determines as required by Section 4 04 of the Resolution No. 3255, as amended, and Section 2 13 of the Resolution No 3238, as amended, as follows

First. The Port is not and will not be in default at the time of issuance of the Bonds of its obligations under said Resolution No. 3255, as amended, and Resolution No. 3238, as amended; and

Second The Bonds are being issued for refunding purposes, and the Maximum Annual Debt Service on all Subordinate Lien Parity Bonds to be outstanding after the issuance of the Bonds will not be greater than that Maximum Annual Debt Service on the Subordinate Lien Parity Bonds which would have been outstanding if the refunding were not to occur.

The limitations contained in the conditions provided in Section 4 04 of Resolution No. 3255, as amended and Section 2 13 of Resolution No 3238, as amended, having been complied with, the payments required herein to be made out of the Available Revenue to pay and secure the payment of the principal of and interest on the Bonds shall constitute a lien and charge upon such Available Revenue equal in rank to the lien and charge thereon of the Outstanding Subordinate Lien Bonds

Section 22. Undertaking to Provide Ongoing Disclosure

(a) *Contract/Undertaking* This section constitutes the Port's written undertaking for the benefit of the Beneficial Owners of the Bonds in order to assist the Underwriters in complying with the Rule

(b) *Financial Statements/Operating Data*

(1) *Annual Disclosure Report* The Port covenants and agrees that not later than six months after the end of each fiscal year (the "Submission Date"), commencing June 30, 1999, for the fiscal year ending December 31, 1998, the Port shall provide or cause to be provided to the Insurer and to each NRMSIR and to the SID, if any, an annual report (the "Annual Disclosure Report") that is consistent with the requirements of part (2) of this subsection (b). The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in part (2) of this subsection (b), provided that any annual financial statements (as defined in RCW 43.09.200) may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such Audited Financial Statements are not available by the Submission Date. If the Port's fiscal year changes, the Port shall give notice of such change in the same manner as notice is to be given of the occurrence of an event listed in subsection 22(c) hereof, and if for any fiscal year the Port does not furnish an Annual Disclosure Report to the NRMSIRs and to the SID, if any, by the Submission Date, the Port shall send a notice of such failure to each NRMSIR and to the MSRB.

(2) *Content of Annual Disclosure Reports.* The Port's Annual Disclosure Report shall contain or include by reference the following:

(A) *Audited financial statements.* Audited financial statements, except that if any audited financial statements are not available by the Submission Date, the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the Port, and the Port's audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available.

(B) *Tax levy.* Updated versions of the type of information contained in the final Official Statement in the charts entitled "Port of Seattle Recent Tax Levy Activity" and "Port of Seattle Tax Collection Record 1993-1997."

(C) *Aviation.* Updated versions of the type of information contained in the final Official Statement:

(i) in the charts entitled "Seattle-Tacoma International Airport Primary Domestic Origin and Destination Markets" but only to the extent such information is provided to the Port by Back Information Services or by another third-party prior to the Submission Date, "Seattle-Tacoma International Airport Annual Enplanements 1988-1997," "Seattle-Tacoma International Airport Enplanement Market Share by Airline 1993-1997;" "Seattle-Tacoma International Airport Landed Weights of Top Ten Passenger

Carriers 1993-1997 Landed Weights;" and "Port of Seattle Aviation Division Operating Statement 1993-1997,"

(ii) relating to (A) the number of total operations for the year and (B) the number of domestic and foreign all-cargo carriers that provide air-cargo service to the Airport and the number of metric tons of enplaned and deplaned cargo at the Airport each year, and

(iii) relating to any change in the method of charging for use of Airport facilities

(D) *Marine Division.* Updated versions of the type of information contained in the final Official Statement in the charts entitled "Port of Seattle International Container Volumes (1992-1997)," "Seattle Harbor Top Ten Foreign Trade Partners Total Exports and Imports (1996)," and "West Coast Ports International Containerized Trade 1992-1997" but only to the extent such information is provided to the Port by a third party prior to the Submission Date, "Major Marine Terminal Agreements," and "Port of S S Seattle Marine Division Operating Statement 1993-1997" and updated versions of the type of operating data relating to the value and type of goods imported and exported through the Port, but only to the extent information as to the value of such goods is provided to the Port by the U S Customs Bureau prior to the Submission Date "

(E) *Other Financial Information* Updated versions of the type of historical financial information and operating data contained in the final Official Statement (i) under the heading "Management Discussion of Historical Financial Results 1993-1997" and (ii) in the chart entitled "Port of Seattle Historical Debt Service Coverage (in thousands) for the Years Ended December 31, 1993-1997 "

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Port, or of any related entity, that have been submitted to each of the NRMSIRs and the SID, if any, or to the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Port shall identify clearly each document so included by reference.

If not provided as part of the annual financial information discussed above, the Port shall provide the Port's audited annual financial statements prepared in accordance with regulations prescribed by the State auditor pursuant to the statute cited above (or any successor statutes) when and if available to each then existing NRMSIR and the SID, if any.

(c) *Material Events* The Port agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material.

- Principal and interest payment delinquencies,

- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties,
- Unscheduled draws on credit enhancements reflecting financial difficulties,
- Substitution of credit or liquidity providers, or their failure to perform,
- Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- Modifications to rights of owners,
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856,
- Defeasances,
- Release, substitution or sale of property securing the repayment of the Bonds, and
- Rating changes

Solely for purposes of information, but without intending to modify this agreement, with respect to the notice regarding property securing the repayment of the Bonds, the Port will state in its Preliminary and Final Official Statements that there is no property securing the repayment of the Bonds. The Port shall promptly determine whether the events described above are material.

(d) *Notice Upon Failure to Provide Financial Data.* The Port agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of its failure to provide the annual financial information described in subsection (b) above on or prior to the date set forth in subsection (b) above.

(e) *Termination/Modification.* The Port's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance (if notice of such defeasance is given as provided above) or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if the Port (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this section, or any such provision, have been repealed retroactively or otherwise do not apply to the Bonds, and (2) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this section. Notwithstanding any other provision of this resolution, the Port may amend this Section 22 and any provision of this Section 22 may be waived in accordance with the Rule.

In the event of any amendment of or waiver of a provision of this Section 22, the Port shall describe such amendment in the next Annual Disclosure Report, and shall include, as

applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Subsection (c), and (ii) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(f) *Registered Owner's and Beneficial Owners' Remedies Under this Section*

A Registered Owner's and the Beneficial Owners' right to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the Port's obligations hereunder, and any failure by the Port to comply with the provisions of this undertaking shall not be a default with respect to the Bonds under this resolution.

(g) *Additional Information* Nothing in this Section 22 shall be deemed to prevent the Port from disseminating any other information, using the means of dissemination set forth in this Section 22 or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of a material event, in addition to that which is required by this Section 22. If the Port chooses to include any information in any Annual Disclosure Report or notice of the occurrence of a material event in addition to that specifically required by this Section 22, the Port shall have no obligation under this resolution to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of a material event.

Section 23. Insurance Policy, Provisions Relating to Insurer

(a) *Commitment* The Port has received a commitment dated April 24, 1998 (the "Insurance Commitment") for the issuance of a policy of municipal bond insurance (the "Insurance Policy") with respect to the Bonds. The execution 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.

(b) *Payments Under the Bond Insurance Policy.* As long as the Insurance Policy shall be in full force and effect, the Port agrees to comply with the following provisions

(1) At least one day prior to any interest payment date, the Port will determine whether there will be sufficient funds in the Bond Fund to pay the principal of or interest on the Bonds on such interest payment date. If the Port determines that there will be insufficient funds in such fund, it shall so notify the Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Port has not so notified the Insurer at least one day prior to an interest payment date, the Insurer will make payments of principal or interest due on the Bonds on or before the first day next following the date on which the Insurer shall have received notice of nonpayment.

(2) The Port shall, after giving notice to the Insurer as provided in (1) above, make available to the Insurer and, at the Insurer's direction, to the United States Trust Company of New York, as insurance trustee for the Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Port maintained by the Registrar, if any, and all records relating to the funds and accounts maintained under this resolution.

(3) the Port shall provide the Insurer and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from the Insurer and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from the Insurer.

(4) The Port shall, at the time it provides notice to the Insurer pursuant to (1) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from the Insurer (i) as to the fact of such entitlement, (ii) that the Insurer will remit to them all or a part of the interest payments next coming due upon proof of bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Insurer, they must

surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Insurer) for payment to the Insurance Trustee, and (iv) that should they be entitled to receive partial payment of principal from the Insurer, they must surrender their Bonds for payment thereon first to the Registrar who shall note on such Bonds the portion of the principal paid by the Registrar, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal

(5) In the event that the Registrar has notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a bondholder by or on behalf of the Port has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Registrar shall, at the time the Insurer is notified pursuant to (1) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Registrar shall furnish to the Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Registrar, and subsequently recovered from registered owners and the dates on which such payments were made

(6) In addition to those rights granted the Insurer under this resolution, the Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Registrar shall note the Insurer's rights as subrogee on the registration books of the Port maintained by the Registrar upon receipt from the Insurer of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Registrar shall note the Insurer's rights as subrogee on the registration books of the Port maintained by the Registrar upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof

(c) *Consent of the Insurer* Any provision of this resolution expressly and specifically recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer hereunder without the prior written consent of the Insurer.

(d) *Consent of the Insurer in Addition to Bondholder Consent.* Unless otherwise provided in this section, the Insurer's consent shall be required in addition to bondholder consent, when required, for the following purposes. (i) execution and delivery of any amendment, supplement or change to or modification of this resolution; (ii) removal of the Registrar and selection and appointment of any successor Registrar (other than the designated State fiscal agent), and (iii) any initiation or approval of any action not described in (i) or (ii) above which requires bondholder consent.

(e) *Consent of the Insurer in the Event of Insolvency* Any reorganization or liquidation plan with respect to the Port must be acceptable to the Insurer. In the event of any reorganization or liquidation, the Insurer shall have the right to vote on behalf of all bondholders who hold Ambac Assurance Corporation-insured bonds absent a default by the Insurer under the Bond Insurance Policy.

(f) *Consent of the Insurer Upon Default.* Anything in this resolution to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, the Insurer shall be deemed to be a bondholder of the Bonds it insures for purposes of enforcement of all rights and remedies granted to the bondholders for the benefit of the bondholders under this resolution

(g) *The Insurer as Third Party Beneficiary.* To the extent that this resolution confers upon or gives or grants to the Insurer any right, remedy or claim under or by reason of this resolution, the Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder

(h) *Parties Interested Herein.* Nothing in this resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Port, the Insurer or the Registrar, and the registered owners of the Bonds, any right, remedy or claim under or by reason of this resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises or agreements in this resolution contained by

and on behalf of the Port shall be for the sole and exclusive benefit of the Port, the Insurer, the Registrar, and the registered owners of the Bonds

(i) *Rights of Insurer* While the Bond Insurance Policy is in effect, the Port shall furnish to the Insurer (to the attention of the Surveillance Department, unless otherwise indicated)

(1) as soon as practicable after the filing thereof, a copy of any financial statement of the Port and a copy of any audit and annual report of the Port;

(2) a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this resolution relating to the security for the Bonds, and

(3) such additional information the Insurer may reasonably request.

(j) The Port shall notify the Insurer of any failure of the Port to provide relevant notices or certificates

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

(l) The Insurer shall have the right to direct an accounting at the Port's expense, and the Port's failure to comply with such direction within 30 days after receipt of written notice at the direction from the Insurer shall be deemed a default hereunder, provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds

(m) Notwithstanding any other provision of this resolution, the Port shall immediately notify the Insurer if at any time there are insufficient money to make any payments of principal and/or interest as required.

Section 24 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 Subordinate Lien Parity Bonds

Section 25 Amendments

(a) *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

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

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

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

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

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

(b) *Amendments With Registered Owners Consent* This resolution may be amended from time to time by a Supplemental Resolution approved by the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding, provided, that (i) no amendment shall be made which affects the rights of some but fewer than all of the Registered Owners of the Outstanding Bonds without the consent of the Registered Owners of a majority in aggregate principal amount of the Bonds so affected, and (ii) except as expressly authorized hereunder, no amendment which alters the interest rates on any Bonds, the maturity date or interest payment dates of any Bonds may be made without the consent of the Registered Owners of all Outstanding Bonds affected thereby

(c) *Amendments With Consent of Issuer of Credit Facility.* If any Bonds are secured by a Credit Facility, the issuer of the Credit Facility shall be considered to be the Registered Owner of such Bonds for purposes of granting any consent to an amendment or supplement pursuant to subsection (b) hereof.

Section 26. Effective Date This resolution shall be effective immediately upon its adoption

ADOPTED by the Port Commission of the Port of Seattle at a special meeting thereof, held this 7th day of May, 1998, 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

Gary Grant
Patricia Davis
Paige R. Miller

Commissioners

EXHIBIT A

**TO RESOLUTION NO. 3276, AS AMENDED
FORM OF ESCROW AGREEMENT**

ESCROW DEPOSIT AGREEMENT

PORT OF SEATTLE

**Subordinate Lien Revenue Refunding Bonds
1998**

THIS ESCROW DEPOSIT AGREEMENT, dated as of the 2nd day of June, 1998, (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the PORT OF SEATTLE (herein called the "Port") and _____, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The notice addresses of the Port and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

WITNESSETH:

WHEREAS, the Port heretofore has issued and there presently remain outstanding the obligations described in Exhibit B attached hereto (the "1992 Series"), and

WHEREAS, pursuant to Resolution No 3276, as amended, adopted on _____, 1998 (the "Bond Resolution"), the Port has determined to issue its Subordinate Lien Revenue Refunding Bonds, 1998 (the "Refunding Bonds") for the purpose of providing funds to pay the costs of refunding the 1992 Series, and

WHEREAS, the terms of the Bond Resolution provide that the Refunding Bonds shall be issued and delivered on this date, and

WHEREAS, the Escrow Agent has reviewed the Bond Resolution and this Agreement, and is willing to serve as Escrow Agent hereunder

WHEREAS, pursuant to the Bond Resolution, certain of the 1992 Series have been designated for redemption prior to their scheduled maturity dates and, after provision is made for such redemption, the 1992 Series will come due in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth in Exhibit C attached hereto and made a part hereof, and

WHEREAS, when Escrowed Securities for the 1992 Series have been deposited with the Escrow Agent for the payment of all principal and interest of the 1992 Series when due, then the 1992 Series shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose, and

WHEREAS, the Bond Resolution authorizes the Port to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with the Escrow Agent for any of the 1992 Series, and such deposit, if made before such payment dates and in sufficient amounts, shall constitute the discharge and final payment of the 1992 Series, and

WHEREAS, the Bond Resolution further authorizes the Port to enter into an escrow agreement with the Escrow Agent with respect to the safekeeping, investment, administration and disposition of any such deposit, upon such terms and conditions as the Port and the Escrow Agent may agree, and

WHEREAS, the issuance, sale, and delivery of the Refunding Bonds have been duly authorized to be issued, sold, and delivered for the purpose of obtaining the funds required

to provide for the payment of the principal of, interest on and redemption premium (if any) on the Refunding Bonds when due as shown on Exhibit C attached hereto, and

WHEREAS, the Port desires that, concurrently with the delivery of each series of the Refunding Bonds to the purchasers thereof, certain proceeds of the Refunding Bonds, together with certain other available funds of the Port, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the "Escrowed Securities" for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund, and

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide moneys which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the 1992 Series as it accrues and becomes payable and the principal of and redemption premium on the 1992 Series as it becomes due and payable, and

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book entry form, the Port desires to establish the Escrow Fund at the principal corporate trust office of the Escrow Agent, and

WHEREAS, the Escrow Agent is a party to this Agreement to acknowledge its acceptance of the terms and provisions hereof,

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest and redemption premium (if any) on the 1992 Series, the Port and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

Article 1.

Section 1.1. Definitions.

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement

"Escrow Fund" means the fund created by this Agreement to be established, held and administered by the Escrow Agent pursuant to the provisions of this Agreement

"Escrowed Securities" means the noncallable Government Obligations described in Exhibit D attached to this Agreement, or cash or other noncallable obligations substituted therefor pursuant to Section 4.3 of this Agreement

"Government Obligations" means direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations - State and Local Government Series, (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States

"Paying Agent" means the fiscal agency of the State of Washington, as the paying agent for the 1992 Series.

Section 1.2. Other Definitions

The terms "Agreement," "Port," "Escrow Agent," "Bond Resolution," "Verification Report," "1992 Series," and "Refunding Bonds" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.3. Interpretations.

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the 1992 Series in accordance with applicable law.

Article 2. Deposit of Funds and Escrowed Securities

Section 2.1. Deposits in the Escrow Fund.

Concurrently with the sale and delivery of the Refunding Bonds, the Port shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds and Escrowed Securities described in Exhibit D attached hereto, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Port in writing.

Article 3. Creation and Operation of Escrow Fund

Section 3.1. Escrow Fund.

The Escrow Agent has created on its books a special trust fund and irrevocable escrow (the "Escrow Fund"). The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Escrow Fund sufficient funds to purchase the Escrowed Securities described in Exhibit "D" attached hereto. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest and redemption premium on the 1992 Series, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2 hereof. When the final transfers have been made for the payment of such principal of and interest on the 1992 Series, any balance then remaining in the Escrow Fund shall be transferred to the Port, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.2. Payment of Principal and Interest.

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of the 1992 Series at their respective redemption or maturity dates and interest thereon to such maturity or redemption dates together with any redemption premium in the amounts and at the times shown in Exhibit C attached hereto.

Section 3.3. Sufficiency of Escrow Fund.

The Port represents that, based upon the information provided in the Verification Report from Lehman Brothers Inc., the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the 1992 Series as such interest comes due and the principal of the 1992 Series as the 1992 Series mature and/or are paid on an optional redemption date prior to maturity and any redemption premium payable upon the optional redemption of the 1992 Series, all as more fully set forth in Exhibit E attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2 hereof, the Port shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter

provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Port's failure to make additional deposits thereto

Section 3.4. Trust Fund.

The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent, and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the 1992 Series, and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the 1992 Series shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Escrow Fund to which they are entitled as owners of the 1992 Series. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Port, and the Escrow Agent shall have no right to title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the Port or, except to the extent expressly herein provided, by the Paying Agent.

Article 4. Limitation on Investments

Section 4.1. Investments.

Except for the initial investment in the Escrowed Securities, and except as provided in Section 4.2 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

Section 4.2. Substitution of Securities.

At the written request of the Port, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Escrow Fund, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase or Government Obligations which do not permit the redemption thereof at the option of the obligor, and in connection therewith the Port reserves the right to call for redemption prior to maturity any of the 1992 Series to the extent permitted by their authorizing order. Any such transaction may be effected by the Escrow Agent only if the Escrow Agent shall have received the unqualified written legal opinion of nationally recognized bond counsel or tax counsel to the effect that such transaction will not cause any of the Refunding Bonds or 1992 Series to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended or, if applicable, Section 103(c) of the Internal Revenue Code of 1954, as amended.

Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Section 3.2 and 4.2 hereof, no withdrawals, transfers, or reinvestment shall be made of cash balances in the Escrow Fund. Cash balances shall be held by the Escrow Agent in U.S. currency and as cash balances as shown on the books and records of the Escrow Agent and shall not be reinvested by the Escrow Agent.

Article 6. Redemption of 1992 Series.

Section 6.1. Call for Redemption.

The Port hereby irrevocably calls the 1992 Series maturing after August 1, 2003 for redemption on their earliest redemption on August 1, 2002

Section 6.2. Notice of Redemption.

The Escrow Agent agrees to deliver notices of the redemption and defeasance of the 1992 Series pursuant to the terms of the 1992 Series and in substantially the forms attached hereto as Appendices A-1 through A-6, and as described on said Appendices A-1 through A-6, to the Paying Agent for distribution by the Paying Agent as described therein. The notices of defeasance shall be given immediately following the execution of this Agreement, and the notices of redemption shall be given in accordance with Resolution Nos 3060 and 3111 authorizing the issuance of the 1992 Series. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notices of redemption of the 1992 Series. The cost of publication of the notices will be paid by the District.

Section 6.3. Records.

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

Section 6.4. Reports.

While this Agreement remains in effect, the Escrow Agent shall prepare and send to the Port a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the 1992 Series or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

Article 7. Concerning the Escrow Agent

Section 7.1. Representations.

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 7.2. Limitation on Liability.

The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the 1992 Series shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Port promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds shall be taken as the statements of the Port and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not a party to the proceedings authorizing the Refunding Bonds or the 1992 Series and is not responsible for nor bound by any of the provisions thereof (except to the extent that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrar therefor) In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Port thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment, and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Port with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence In determining the occurrence of any such event or contingency the Escrow Agent may request from the Port or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Port at any time

Section 7.3. Compensation.

The Port shall pay to the Escrow Agent fees for performing the services hereunder and for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement pursuant to the terms of the Fee Schedule attached hereto as Appendix B The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity

Section 7.4. Successor Escrow Agents.

If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder In such event the Port, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy If no successor Escrow Agent shall have been appointed by the Port within 60 days, a successor may be appointed by the owners of a majority in principal amount of the 1992 Series then outstanding by an instrument or instruments in writing filed with the Port, signed by such owners or by their duly authorized attorneys-in-fact If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within 60 days after a vacancy shall have occurred, the owner of any Senior Lien Bond may apply to any court of competent jurisdiction to appoint a

successor Escrow Agent Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or the State of Washington, authorized under such laws to exercise corporate trust powers, having its principal office and place of business in the State of Washington, having a combined capital and surplus of at least \$25,000,000 and subject to the supervision or examination by federal or state authority

Any successor Escrow Agent shall execute, acknowledge and deliver to the Port and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder Upon the request of any such successor Escrow Agent, the Port shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.3 are satisfied, (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement, and (c) all of the Escrowed Securities and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent

Article 8. Miscellaneous

Section 8.1. Notice.

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the Port or the Escrow Agent at the address shown on Exhibit A attached hereto The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten (10) days prior notice thereof

Section 8.2. Termination of Responsibilities.

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Port, the owners of the 1992 Series or to any other person or persons in connection with this Agreement.

Section 8.3. Binding Agreement.

This Agreement shall be binding upon the Port and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the 1992 Series, the Port, the Escrow Agent and their respective successors and legal representatives

Section 8.4. Severability.

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 8.5. Washington Law Governs.

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Washington

Section 8.6. Time of the Essence.

Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 8.7. Amendments.

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the 1992 Series. No such amendment shall be made without first receiving written confirmation from the rating agencies, (if any) which have rated the 1992 Series that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the 1992 Series. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the 1992 Series

EXECUTED as of the date first written above.

PORT OF SEATTLE

Chief Financial Officer

**U.S. BANK TRUST NATIONAL
ASSOCIATION**

Authorized Officer

- Exhibit A - Addresses of the Port and the Escrow Agent
- Exhibit B - Description of the 1992 Series
- Exhibit C - Schedule of Debt Service on 1992 Series
- Exhibit D - Description of Beginning Cash Deposit (if any) and Escrowed Securities
- Exhibit E - Escrow Fund Cash Flow
- Appendix A - Notices of Redemption and defeasance
- Appendix B - Fee Schedule

EXHIBIT A
Addresses of the Port, Treasurer and Escrow

Port:

Port of Seattle
P O. Box 1209
Seattle, WA 98111

Attention Chief Financial Officer

Treasurer:

King County Office of Finance
County Administration Building
500 Fourth Avenue, Sixth Floor
Seattle, WA 98104
Attention Cash Management Supervisor

Escrow Agent:

Attention Corporate Trust

EXHIBIT B
Description of the 1992 Series
Subordinate Lien Revenue Bonds, Series 1992

SUMMARY OF BONDS REFUNDED

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Call Date</u>	<u>Call Price</u>
8/1/98	5.600%	\$ 665,000		
8/1/99	5.750	705,000		
8/1/00	6.900	745,000		
8/1/01	6.000	790,000		
8/1/02	6.100	835,000		
8/1/03	6.200	885,000	8/1/02	102%
8/1/04	6.300	940,000	8/1/02	102
8/1/05	6.400	1,000,000	8/1/02	102
8/1/06	6.450	1,065,000	8/1/02	102
8/1/10	6.600	4,995,000	8/1/02	102
8/1/17	6.625	12,520,000	8/1/02	102
		<u>\$ 25,145,000</u>		

EXHIBIT C
Schedule of Debt Service on 1992 Series

1992 Series

<u>Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Redemption Premium</u>	<u>Total</u>
8/1/98	\$ 665,000 00	\$ 812,985 00		\$ 1,477,985 00
2/1/99		794,365 00		794,365 00
8/1/99	705,000 00	794,365 00		1,499,365 00
2/1/00		774,096 25		774,096 25
8/1/00	745,000 00	774,096 25		1,519,096 25
2/1/01		752,118 75		752,118 75
8/1/01	790,000 00	752,118 75		1,542,118 75
2/1/02		728,418 75		728,418 75
8/1/02	\$ 22,240,000 00	728,418 75	\$ 428,160 00	23,396,518 75
	<u>\$ 25,145,000 00</u>	<u>\$ 6,910,982 50</u>	<u>\$ 428,100 00</u>	<u>\$ 32,484,082 50</u>

EXHIBIT D
Escrow Deposit

Date of Deposit: 6/2/98

I. Cash - \$0.45

II. Other Obligations

<u>Description</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Cost</u>	<u>Accrued Interest</u>	<u>Total Cost</u>
	\$	%	%	\$	\$	\$	\$

EXHIBIT E

Escrow Fund Cash Flow

<u>Date</u>	<u>Escrow Requirement</u>	<u>Net Escrow Receipts</u>	<u>Excess Receipts</u>	<u>Excess Balance</u>
	\$	\$	\$	\$

Escrow Receipt Detail

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Rollovers</u>	<u>Net Escrow Receipts</u>
	\$	\$	\$	\$

**APPENDIX A-1
Notice of Redemption***

PORT OF SEATTLE, SUBORDINATE LIEN REVENUE BONDS, 1992

NOTICE IS HEREBY GIVEN that the Port of Seattle has called for redemption on August 1, 2002, all of its then outstanding Subordinate Lien Revenue Bonds, 1992 (the 'Bonds'). The Bonds maturing on August 1, 2003 will be redeemed at a price of 102 percent (102%) of their principal amount, plus interest accrued to August 1, 2002. Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on August 1, 2002. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

The Bank of New York
Fiscal Agency Department
Ground Floor
101 Barclay Street
7 East
New York, NY 10286

-or-

Wells Fargo Bank National Association
Corporate Trust Department
14th Floor - M/S 257
999 Third Avenue
Seattle, WA 98104

The following Bonds are being redeemed:

<u>Maturity Year</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>CUSIP</u> <u>Nos.</u>
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By Order of the Port of Seattle

The Bank of New York, as Paying Agent

Dated: _____.

* This notice shall be given by mail to each registered owner at the address appearing in the bond register not more than 60 nor less than 30 days prior to said redemption date, and mailing a like notice at the same time to PaineWebber Incorporated, Goldman Sachs & Co., Lehman Brothers, M R Beal & Company and Artemis Capital Group, Inc. In addition, notice of redemption shall be mailed to Standard & Poor's Corporation and to Moody's Investors Service.

**APPENDIX A-2
Notice of Defeasance***

PORT OF SEATTLE, SUBORDINATE LIEN REVENUE BONDS, 1992

NOTICE IS HEREBY GIVEN to the owners of that portion of the above-captioned bonds with respect to which, pursuant to an Escrow Deposit Agreement dated _____, 1998, by and between the Port of Seattle, Washington (the "Port") and _____, _____ (the "Escrow Trustee"), the Port has deposited into an escrow account, held by the Escrow Trustee, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money sufficient to pay each year, to and including the respective maturity or redemption date of such bonds so provided for, the principal thereof and interest thereon (the "1992 Defeased Bonds"). Such 1992 Defeased Bonds are therefore deemed to be no longer outstanding pursuant to the provisions of Resolution No _____ of the Port, authorizing the issuance of the 1992 Defeased Bonds, respectively, but will be paid by application of the assets of such escrow account.

The 1992 Defeased Bonds are described as follows:

Port of Seattle Subordinate Lien Revenue Bond, 1992 (Dated ____ 1, 1992)

<u>Maturity Year</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Call Date</u> <u>(Price)</u>
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Information for Individual Registered Owner

The addressee of this notice is the registered owner of Bond Certificate No _____ of the 1992 Defeased Bonds described above, which certificate is in the principal amount of \$ _____, 1998, _____, _____, _____, 1998, _____, _____, _____, _____, as Escrow Trustee

* This notice shall be given in accordance with the operational arrangements then in effect at The Depository Trust Company

Fee Schedule

APPENDIX B

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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 3276, 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 7th day of MAY, 1998, 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 7th day of MAY, 1998.

Paige R Miller
Secretary