

**RESOLUTION NO. 3510, as Amended**

**A RESOLUTION** of the Port Commission of the Port of Seattle, authorizing the issuance and sale of Subordinate Lien Revenue Bonds, Series 2003C in the aggregate principal amount not to exceed \$200,000,000, for the purpose of financing airport capital improvements; providing the date, form, terms, maturity, auction procedures and method of determining interest rates of the Bonds; providing the covenants and conditions under which such Bonds will be issued; appointing a broker-dealer, initial auction agent and initial market agent; providing for continuing disclosure; approving the forms of certain documents; and providing for the sale of the Bonds to Citigroup Global Markets Inc., Goldman, Sachs & Co., and Lehman Brothers Inc.

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A RESOLUTION of the Port Commission of the Port of Seattle, authorizing the issuance and sale of Subordinate Lien Revenue Bonds, Series 2003C in the aggregate principal amount not to exceed \$200,000,000, for the purpose of financing airport capital improvements; providing the date, form, terms, maturity, auction procedures, and method of determining interest rates of the Bonds; providing the covenants and conditions under which such Bonds will be issued; appointing a broker-dealer, initial auction agent and initial market agent; providing for continuing disclosure; approving the forms of certain documents; and providing for the sale of the Bonds to Citigroup Global Markets Inc., Goldman, Sachs & Co., and Lehman Brothers Inc.

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

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

WHEREAS, the Port has authorized the issuance of revenue bonds in one or more series pursuant to Resolution No. 3056 adopted on February 2, 1990 and most recently amended by Resolution No. 3436, adopted on July 11, 2000 (the "Master Resolution"); and

WHEREAS, the Port has issued and currently has outstanding twenty 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 (8/02/03)</u>	<u>Final Maturity Dates</u>
3060	2/1/90	(A)	\$ 66,240,492.05	\$ 947,349	12/1/03
3060	2/1/90	(B)	59,969,771.35	858,354	12/1/03
3111	4/1/92	(A)	25,450,000.00	2,030,000	11/1/05
3111	4/1/92	(B)	115,440,000.00	2,850,000	11/1/03
3155	2/1/94	(A)	27,135,000.00	24,550,000	12/1/11
3155	2/1/94	(B)	50,000,000.00	41,195,000	5/1/19
3155	2/1/94	(C)	51,755,000.00	21,160,000	7/1/09
3215	4/1/96	(A)	31,820,000.00	31,820,000	9/1/21
3215	4/1/96	(B)	74,520,000.00	62,295,000	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	9,890,000	10/1/05
3275	5/1/98	(A)	73,180,000.00	47,695,000	6/1/17
3430	8/10/00	(A)	130,690,000.00	130,690,000	2/1/30
3430	8/10/00	(B)	221,590,000.00	221,590,000	2/1/24
3430	8/10/00	(C)	11,500,000.00	4,735,000	2/1/05
3430	9/6/00	(D)	28,085,000.00	15,670,000	2/1/11
3462	10/17/01	(A)	176,105,000.00	176,105,000	4/1/31
3462	10/17/01	(B)	251,380,000.00	251,380,000	4/1/24
3462	10/17/01	(C)	12,205,000.00	12,205,000	12/1/14
3462/3467	8/7/02	(D)	68,580,000.00	68,580,000	11/1/17

and is preparing to issue \$355,370,000 of first lien revenue bonds pursuant to the Master Resolution and Resolution No. 3569, as amended; and

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

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

Authorizing Resolution Number	Date of Original Issue	Original Principal Amt.	Currently Outstanding (8/02/03)	Final Maturity Dates
3238 <sup>1</sup>	3/26/97	\$ 108,830,000	\$ 108,830,000	9/1/22
3276 <sup>2</sup>	5/1/98	27,930,000	21,730,000	8/1/17
3354 <sup>3</sup>	9/1/99 (A)	127,140,000	121,840,000	9/1/24
3354 <sup>3</sup>	9/1/99 (B)	116,815,000	108,740,000	9/1/16
3456	(CP)	250,000,000	124,395,000	6/1/21

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

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

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

(the “Outstanding Subordinate Lien Bonds”); and

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

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

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

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

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

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

## ARTICLE I.

### DEFINITIONS; INTERPRETATION

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

**“AA” Financial Commercial Paper Rate** means, as of any date of determination, the interest equivalent of the 30-day rate on financial commercial paper placed on behalf of issuers whose corporate bonds are rated “AA” by S&P, or the equivalent of such rating by S&P or another nationally recognized securities rating agency, as such 30-day rate is made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination. If, however, the Federal Reserve Bank of New York does not make available any such rate, then the “AA” Financial Commercial Paper Rate shall mean, as of any date of determination, the arithmetic average of the interest equivalent of the 30-day rate on commercial paper placed on behalf of such issuers, as quoted to the Auction Agent or the Port, as the case may be, on a discount basis or otherwise, by the Commercial Paper Dealer(s), as of the close of business on the Business Day immediately preceding such date of determination. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the “AA” Financial Commercial Paper Rate, the “AA” Financial Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers. For purposes of this definition, the “interest equivalent” of a rate stated on a discount basis (a “discount rate”) for commercial paper of a given day's maturity shall be equal to the product of (a) 100 multiplied by (b) the quotient (rounded upward to the next higher one thousandth (.001) of 1%) of the discount rate (expressed in decimals) divided by the difference between 1.00 and a

fraction, the numerator of which shall be the product of the discount rate (expressed in decimals) multiplied by the number of days from (and including) the date of determination to (but excluding) the date on which such commercial paper matures and the denominator of which shall be 360.

**Accreted Value** means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the initial principal amount of such Subordinate Lien Parity Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (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, and, without duplication, Annual Debt Service with respect to any Derivative Product.

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

**All-Hold Rate** means, on any date of determination, the interest rate per annum equal to 55% of the lesser of (A) the "AA" Financial Commercial Paper Rate and (B) the Index on such

date; provided, that in no event shall the All-Hold Rate be more than the Auction Maximum Rate.

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

**Applicable Auction Rate** means, with respect to Bonds or Bonds of a Subseries in the Auction Mode, the rate per annum at which interest accrues on such Bonds for any Auction Interest Period.

**Applicable Percentage** means, as of any Auction Date, the percentage (in effect on such Auction Date) determined as set forth below, based on the Prevailing Rating of the Bonds in the Auction Mode in effect at the close of business on the Business Day immediately preceding such Auction Date:

Prevailing Rating	Percentage of Index
AAA/AAA/Aaa	150%
AA/AA/Aa	175
A/A/A	200

If the Prevailing Rating of the Bonds in the Auction Mode is below A/A/A or if the Bonds then in the Auction Mode are not then rated, then no Applicable Percentage shall apply and the Auction Maximum Rate shall be determined as set forth in the definition of Auction Maximum Rate.

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

**Auction** means the implementation of the Auction Procedures on an Auction Date.

**Auction Agent** means the Initial Auction Agent unless and until a Substitute Auction Agent Agreement becomes effective, after which "Auction Agent" shall include both the Initial

Auction Agent (if it is continuing to act in such capacity under this resolution) and each such Substitute Auction Agent so acting.

**Auction Agent Agreement** means, on any date, each Initial Auction Agent Agreement or a Substitute Auction Agent Agreement then in effect.

**Auction Agent Fee** has the meaning provided in each Auction Agent Agreement.

**Auction Beneficial Owner** means the Person who is the Beneficial Owner of Bonds in the Auction Mode according to the records of (i) DTC or its participants or a successor Securities Depository while such Bonds in the Auction Mode are in book-entry form or (ii) the Registrar while such Bonds in the Auction Mode are not in book-entry form.

**Auction Date** means, with respect to Bonds or Bonds of a Subseries in the Auction Mode, the Business Day next preceding the first day of each Auction Period for such Bonds, other than:

- (i) each Auction Period commencing after the ownership of such Bond in the Auction Mode is no longer maintained in book-entry form by a Securities Depository;
- (ii) each Auction Period commencing after the occurrence and during the continuance of an Auction Payment Default; or
- (iii) any Auction Period commencing fewer than two Business Days after the cure or waiver of an Auction Payment Default.

The Auction Date determined as provided in this definition may be adjusted as provided in Section 2.10(j)(2).

***Auction Defaulted Interest*** means interest on any Bonds in the Auction Mode which is payable by the Port or Bond Insurer but is not punctually paid or duly provided for on any Auction Interest Payment Date.

***Auction Interest Payment Date*** means, with respect to Bonds or Bonds of a Subseries in the Auction Mode, the Business Day immediately following each Auction Period for such Bonds.

***Auction Interest Period*** means the period with respect to Bonds or Bonds of a Subseries in the Auction Mode commencing on and including an Auction Interest Payment Date for such Bonds and ending on but excluding the next succeeding Auction Interest Payment Date for such Bonds; *provided*, that the first Auction Interest Period within each Auction Interest Rate Period for such Bonds shall commence on and include the Closing Date or the Mode Change Date for such Bonds, as the case may be.

***Auction Interest Rate Period*** means each period during which Bonds or Bonds of a Subseries are in the Auction Mode.

***Auction Mode*** means, on any date, the mode for Bonds bearing interest as auction rate securities as provided in Section 2.10 and the Auction Procedures.

***Auction Maximum Rate*** means while the Bonds in the Auction Mode are rated A/A/A or higher, on any date of determination, the interest rate per annum equal to the lesser of (i) the Applicable Percentage of the higher of (A) the "AA" Financial Commercial Paper Rate on such date and (B) the Index on such date, and (ii) 15% per annum; provided that in no event shall the Auction Maximum Rate be higher than the maximum rate permitted by law. While the Prevailing Rating on the Bonds in the Auction Mode is below A/A/A or when the Bonds are not then rated, the Auction Maximum Rate shall be defined to be the greater of (i) 400% of the Index

or (ii) 15% per annum; *provided*, however that in no event shall the Auction Maximum Rate be higher than the maximum rate permitted by law.

***Auction Payment Default*** means (i) (A) a default by the Port in the due and punctual payment of any installment of interest on Bonds in the Auction Mode or (B) a default by the Port in the due and punctual payment of any principal of Bonds in the Auction Mode at stated maturity or pursuant to a mandatory redemption; and (ii) a failure by the Bond Insurer to pay the related claim on the Bond Insurance Policy.

***Auction Period*** means:

- (i) with respect to Bonds or Bonds of a Subseries in the Auction Mode and in a seven-day Auction Period, any of:
  - (A) a period, generally of seven days, beginning on and including a Monday (or the day following the last day of the prior Auction Period for such Bonds if the prior Auction Period does not end on a Sunday) and ending on and including the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day),
  - (B) a period, generally of seven days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period for such Bonds if the prior Auction Period does not end on a Monday) and ending on and including the Monday thereafter (unless such Monday is not followed by a Business Day, in which

case ending on and including the next succeeding day which is followed by a Business Day),

(C) a period, generally of seven days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period for such Bonds if the prior Auction Period does not end on a Tuesday) and ending on and including the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day),

(D) a period, generally of seven days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period for such Bonds if the prior Auction Period does not end on a Wednesday) and ending on and including the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day) or

(E) a period, generally of seven days, beginning on and including a Friday (or the day following the last day of the prior Auction Period for such Bonds if the prior Auction Period does not end on a Thursday) and ending on and including the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), and

- (ii) with respect to Bonds or Bonds of a Subseries in the Auction Mode and in a 35-day Auction Period, any of:
- (A) a period, generally of 35 days, beginning on and including a Monday (or the day following the last day of the prior Auction Period for such Bonds if the prior Auction Period does not end on a Sunday) and ending on and including the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day),
  - (B) a period, generally of 35 days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period for such Bonds if the prior Auction Period does not end on a Monday) and ending on and including the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day),
  - (C) a period, generally of 35 days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period for such Bonds if the prior Auction Period does not end on a Tuesday) and ending on and including the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day),

(D) a period, generally of 35 days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period for such Bonds if the prior Auction Period does not end on a Wednesday) and ending on and including the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day) or

(E) a period, generally of 35 days, beginning on and including a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period for such Bonds does not end on a Thursday) and ending on and including the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day),

*provided, however,* that the initial Auction Period with respect to the Bonds shall begin on and include the Closing Date; that in the event of a Mode Change of the Bonds or Bonds of a Subseries from another Mode to an Auction Mode, the initial Auction Period following such Mode Change shall begin on and include the Mode Change Date for such Bonds, and; *provided, further,* that in the event of an irregular Auction Period established to effect or facilitate a conversion of the Bonds or Bonds of a Subseries to a Fixed Mode, the Auction Period shall end on the date

specified by the Designated Port Representative pursuant to Section 2.10(j)(1)(iii).

**Auction Procedures** means the provisions set forth in Section 2 of the Auction and Settlement Procedures attached as Exhibit B to the Auction Agent Agreement.

**Auction Rate** means, with respect to the interest rate on the Bonds or Bonds of a Subseries in the Auction Mode, the rate of interest per annum on such Bonds or Subseries that results from implementation of the Auction Procedures, and determined as described in Section 2(c)(ii) of the Auction Procedures; *provided*, however, that the Auction Rate shall not exceed the Auction Maximum Rate. While Auction Procedures are suspended for the Bonds or Bonds of a Subseries, the Auction Rate for such Bonds will be determined as otherwise described in Section 2.10.

**Auction Rating Agency** means each Rating Agency, or if any Rating Agency discontinues its securities rating service, then such other nationally recognized securities rating agency as may be specified by the Market Agent with the consent of the Designated Port Representative and acceptable to the Bond Insurer.

**Authorized Denominations** means:

- (a) with respect to Bonds in a Commercial Paper Mode, \$100,000 and any integral multiple of \$1,000 in excess thereof,
- (b) with respect to Bonds in a Daily Mode or Weekly Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof,
- (c) with respect to Bonds in a Long Term Mode or a Fixed Rate Mode, \$5,000 and any integral multiple thereof within a maturity,

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

(e) with respect to Bonds in the Auction Mode, \$25,000 or any integral multiple thereof.

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

**Balloon Maturity Bonds** means, except as provided in Section 4.02(b), the Bonds, the Subordinate Lien Revenue Bonds, Series 19, the Subordinate Lien Revenue Commercial Paper Notes, and any Future Subordinate Lien Parity Bonds that are so designated in the Subordinate Lien Resolution pursuant to which such Future Subordinate Lien Parity Bonds are issued. Commercial paper (obligations with a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Bonds.

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

**Bank Interest Rate** means the rate of interest payable with respect to Bank Bonds, if any, which rate of interest shall be determined in accordance with the provisions of the

Reimbursement Agreement and shall not exceed the Maximum Rate or such other rate as may be approved by the Bond Insurer.

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

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

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

**Bid** has the meaning provided in Section 2(a)(i) of the Auction Procedures.

**BMA Municipal Swap Index** means the Bond Market Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven day, tax exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by the Bond Market Association; *provided*, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then BMA Municipal Swap Index shall mean such other reasonably comparable index selected by the Designated Port Representative.

**Bond** or **Bonds** means the Port of Seattle Subordinate Lien Revenue Bonds, Series 2003C.

**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 Insurance Commitment** means the commitment of the Bond Insurer to insure the Bonds.

**Bond Insurance Policy** means the policy of financial guaranty insurance delivered by the Bond Insurer at the time of issuance and delivery of Bonds to be insured pursuant to the Bond Insurance Commitment.

**Bond Insurer** means MBIA Insurance Corporation, a stock insurance corporation organized and existing under the laws of the State of New York.

**Bondowners' Trustee** means the bank or financial institution selected by the owners of the Bonds pursuant to Section 5.07 hereof.

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

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

**Broker-Dealer** means, initially, Citigroup Global Markets Inc., Goldman, Sachs & Co., and Lehman Brothers Inc., and any other broker or dealer (each as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which (i) is a participant in or member of the Securities Depository as determined by the rules or bylaws of the Securities Depository (or an affiliate of such a participant or member), (ii) has been appointed as such by the Port pursuant to Section 2.10(g), and (iii) has entered into a Broker-Dealer Agreement that is in effect on the date of reference. When used herein at a time when more than one Broker-Dealer is acting under this Resolution, the term "the Broker-Dealer" shall mean, as the context dictates, either all such Broker-Dealers collectively, or only each Broker-Dealer acting with respect to the Bonds or Bonds of a Subseries, as applicable.

**Broker-Dealer Agreement** means one or more agreements between the Auction Agent and the Broker-Dealer(s) pursuant to which the Broker-Dealer(s) agree(s) to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented. Each Broker-Dealer Agreement shall be substantially in the form of the Broker-Dealer Agreement dated as of August 1, 2003, between the Initial Auction Agent, the Port, Citigroup Global Markets Inc., Goldman, Sachs & Co., and Lehman Brothers Inc.

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

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

**Change of Tax Law** means, with respect to any Auction Beneficial Owner, any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury after the Closing Date, which (i) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (ii) imposes or would impose or reduces or would reduce or increases or would increase any federal tax (including, but

not limited to, preference or excise taxes) upon, any interest earned by any holder of Bonds the interest on which is excluded from federal gross income under Section 103 of the Code.

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

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

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

**Commercial Paper Dealer** means, initially, Citigroup Global Markets Inc., its successors and assigns, and any other commercial paper dealer appointed as provided in Section 2.10(b)(2). The Port may remove a Commercial Paper Dealer by notice from the Designated Port Representative to the Commercial Paper Dealer to be removed.

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

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

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

**Construction Fund** means the “Port of Seattle Construction Fund, 2003,” an account maintained in the office of the Treasurer for the purpose of holding funds, including a portion of the proceeds of the Bonds, to be used for the Projects.

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

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

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

to the acquisition and construction of said additions and improvements, the financing of the same and the placing of the same in operation.

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

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

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

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

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

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

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

(a) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds that are not designated as Balloon Maturity Bonds in the Subordinate Lien

Resolution authorizing their issuance, the principal amount thereof equal to the Accreted Value thereof maturing or scheduled for redemption in such period, including the interest payable during such period;

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

(c) with respect to all other series of Subordinate Lien Parity Bonds Outstanding, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and Subordinate Lien Parity Bonds bearing variable rates of interest, an amount for any period equal to the amount which would have been payable for principal and interest on such Subordinate Lien Parity Bonds during such period computed on the assumption that the amount of Subordinate Lien Parity Bonds Outstanding as of the date of such computation would be amortized (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 published in the edition of The Bond Buyer (or comparable publication or such other similar index selected by the Port with the approval of the Consultant, if applicable) selected by the Port and published within ten days prior to the date of calculation or, if such calculation is being made in connection with the certificate required by Section 5.04 hereof, then within ten days of the date of such certificate; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Estimated Average Derivative Rate*** means:

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

(i) if the Port is the variable rate payor, the greater of the then-prevailing value of the formula set forth in the Derivative Product by which the variable

rate payments to be paid by the Port are determined or the average of such variable rate formula during the immediately preceding 12 months;

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

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

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

**Existing Holder** means, with respect to any Auction, a Person who was listed as the Auction Beneficial Owner in the applicable Existing Holder Registry at the close of business on the Business Day immediately preceding such Auction.

**Existing Holder Registry** means the registry of Persons who are Auction Beneficial Owners of Bonds in the Auction Mode maintained by the Auction Agent as provided in the Auction Agent Agreement.

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

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

**Facilities** 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 Bonds of the Port shall be Outstanding) owned, operated, used, leased or managed by the Port and that contribute in some measure to its Gross Revenue.

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

**Fee and Derivative Products Agreement** means the Fee and Derivative Products Agreement dated as of August 1, 2003 between the Port and the Bond Insurer.

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

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

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

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

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

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

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

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

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

(a) the proceeds of any borrowing by the Port and the earnings thereon (other than earnings on proceeds deposited in reserve funds);

(b) income and revenue that may not legally be pledged for revenue bond debt service;

(c) passenger facility charges, head taxes, federal grants or substitutes therefor allocated to capital projects;

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

(e) proceeds of insurance condemnation proceeds other than business interruption insurance;

(f) income and revenue of the Port separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds of the Port issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, *provided that* nothing in this subparagraph (f) shall permit the withdrawal from Gross Revenue of any income or revenue derived or to be derived by the Port from any income producing facility that shall have been contributing to Gross Revenue prior to the issuance of such Special Revenue Bonds; and

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

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

**Hold Order** has the meaning provided in Section 2(a)(i) of the Auction Procedures.

**Index** means, on any Auction Date with respect to Bonds in any Auction Period, the One Month LIBOR Rate on such date. If such rate is unavailable, the Index for such Bonds means an index or rate agreed to by all Broker-Dealers and consented to by the Market Agent. If for any reason on any Auction Date the Index shall not be determined as provided above, the Index shall mean the Index for the Auction Period ending on such Auction Date.

**Initial Auction Agent** means The Bank of New York, its successors and assigns.

**Initial Auction Agent Agreement** means the Auction Agent Agreement dated as of August 1, 2003, between the Port and the Initial Auction Agent, relating to the Bonds, including any amendment thereof or supplement thereto.

**Initial Market Agent** means Citigroup Global Markets Inc., its successors and assigns.

**Insurer** shall have the meaning ascribed thereto in the Fee and Derivative Products Agreement.

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

begin on the date that Bond becomes a Bank Bond and shall end on the day immediately preceding the day that Bond ceases to be a Bank Bond and the Interest Accrual Period for Bonds in the Auction Mode shall be the Auction Interest Period.

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

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

R = Commercial Paper Rate, applicable to such Bond

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

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

**Interest Payment Date** means:

- (a) with respect to Bonds in the Commercial Paper Mode, the Purchase Date;
- (b) with respect to Bonds in the Daily Mode, the first Business Day of each month;
- (c) with respect to Bonds in the Weekly Mode, the first Wednesday of each month, or the next succeeding Business Day if the first Wednesday of any month is not a Business Day;
- (d) with respect to Bonds in the Long Term Mode (i) the first Business Day of each January and July prior to the Purchase Date and (ii) the Purchase Date;
- (e) with respect to Bonds in the Fixed Mode, each January 1 and July 1;
- (f) with respect to Bank Bonds, as to that portion of the Purchase Price of the Bond paid by the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, and constituting accrued interest, the date of purchase and thereafter, the dates specified in the

Reimbursement Agreement, the applicable Maturity Date, the date of any optional redemption of a Bank Bond and the date of any remarketing of that Bank Bond;

(g) any Mode Change Date (but only with respect to the particular Bonds changing Modes on that date);

(h) any Mandatory Purchase Date (but only with respect to the particular Bonds subject to purchase on that date);

(i) the Maturity Date (but only with respect to the particular Bonds maturing on that date); and

(j) with respect to Bonds (or Bonds of a Subseries) in the Auction Mode, each Auction Interest Payment Date with respect to the Bonds.

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

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

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

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

and including such Purchase Date to but not including the next Purchase Date or Maturity Date established by the Remarketing Agent pursuant to Section 2.09;

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

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

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

(g) with respect to any Bonds (or Bonds of a Subseries) in the Auction Mode, the Auction Interest Rate Period for such Bonds.

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

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

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

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

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

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

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

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

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

**Mandatory Purchase Date** means:

- (a) any Purchase Date for a Bond in the Commercial Paper Mode or the Long Term Mode,
- (b) any Mode Change Date (other than a change between the Weekly Mode and the Daily Mode) for the Bonds or Bonds of a Subseries changing Modes,
- (c) any Substitution Tender Date or Expiration Tender Date,
- (d) any Default Tender Date, and
- (e) any Resolution Tender Date.

**Market Agent** means the Initial Market Agent unless and until a Substitute Market Agent Agreement is entered into, after which "Market Agent" shall include both the Initial Market Agent and each Substitute Market Agent so acting.

**Market Agent Agreement** means the Market Agent Agreement dated as of August 1, 2003, between the Port and the Initial Market Agent and each Substitute Market Agent Agreement, in each case as from time to time in effect.

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

**Maturity Date** means July 1, 2033, and upon a change of Bonds to the Long Term Mode or Fixed Mode, any Serial Maturity Date or Term Maturity Date for such Bonds established pursuant to Section 2.09(e).

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

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

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

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

**Mode Change Notice** means the notice sent by the Registrar to the Registered Owners pursuant to Section 2.10 notifying the Registered Owners that a change in Mode is to occur.

**Moody's** means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns,

except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term Moody's shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or S&P) selected by the Designated Port Representative and acceptable to the Bond Insurer.

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

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

**Non-Payment Rate** means, on any date of determination, the interest rate per annum equal to the greater of (i) 400% of the Index on such date (as such percentage may be adjusted pursuant to Section 2.10(d)) or (ii) Maximum Rate.

**Notice Parties** means the Port, the Remarketing Agent (if any), the Auction Agent (if any), the Broker-Dealer (if any), the Market Agent (if any), the Registrar, the Bond Insurer, any other Credit Facility Issuer (if any) and the Liquidation Facility Issuer (if any).

**Notice of Auction Payment Default** means a notice substantially in the form of Exhibit E to the Auction Agent Agreement.

**Notice of Cure of Auction Payment Default** means a notice substantially in the form of Exhibit B attached hereto.

**Notice of Percentage Change** means a notice to the Port, the Broker-Dealers, and the Auction Agent substantially in the form provided as Exhibit B to the Market Agent Agreement.

**Notice of Proposed Percentage Change** means a notice to the Port, the Broker-Dealers, and the Auction Agent substantially in the form provided as Exhibit A to the Market Agent Agreement.

**One Month LIBOR Rate** means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

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

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

**Order** has the meaning provided in Section 2(a)(i) of the Auction Procedures.

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

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

- (a) Bonds cancelled by the Registrar or surrendered to the Registrar for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of this resolution; and

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

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

***Outstanding First Lien Bonds*** means, collectively, the Port's outstanding Revenue Bonds, Series 1990A and Revenue Bonds, Series 1990B, 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 1994A, Revenue Bonds, Series 1994B and Revenue Bonds, Series 1994C issued pursuant to Resolution No. 3155, as amended, Revenue Bonds, Series 1996A and Series 1996B issued pursuant to Resolution No. 3215, as amended; Revenue Bonds, Series 1997A and Series 1997B issued pursuant to Resolution No. 3242, as amended; and Revenue Refunding Bonds, Series 1998 issued pursuant to Resolution No. 3275, as amended; Revenue Bonds, Series 2000A and Series 2000B and Revenue Refunding Bonds, Series 2000C and Series 2000D issued pursuant to Resolution No. 3430, as amended; Revenue Bonds, Series 2001A and Series 2001B and Revenue Refunding Bonds, Series 2001C issued pursuant to Resolution No. 3462, as amended; Revenue Refunding Bonds, Series 2001D issued pursuant to Resolution No. 3462, as amended, and Resolution No. 3467; and (upon issuance) Revenue Bonds, Series 2003A and Series 2003B issued pursuant to Resolution No. 3509, as amended.

***Outstanding Subordinate Lien Bonds*** means, collectively, the Port's outstanding Subordinate Lien Revenue Bonds, Series 1997 issued pursuant to Resolution No. 3238, as amended by Resolution No. 3351, as amended, adopted on August 24, 1999; Subordinate Lien Refunding Revenue Bonds, 1998 issued pursuant to Resolution No. 3276, as amended by

Resolution No. 3353, as amended, adopted on August 24, 1999; Subordinate Lien Revenue Bonds, Series 1999A and Series 1999B, issued pursuant to Resolution No. 3354, as amended; and Subordinate Lien Revenue Notes (Commercial Paper) issued pursuant to Resolution No. 3456, as amended.

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

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

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

**Port** means the Port of Seattle, a municipal corporation of the State of Washington, as now or hereafter constituted, or the corporation, authority, board, body, commission, department or officer succeeding to the principal functions of the Port or to whom the powers vested in the Port shall be given by law.

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

**Potential Holder** means, with respect to any Auction, any Person, including any Existing Holder, who may be interested in acquiring a beneficial interest in Bonds in the Auction Mode subject to such Auction in addition to the Bonds in the Auction Mode, if any, currently owned by such Person.

**Prevailing Rating** means, when such term is used in the definition of the Applicable Percentage:

- (i) AAA/AAA/Aaa, if the Bonds shall have a rating of AAA or better by S&P and Fitch and a rating of Aaa or better by Moody's,
- (ii) if not AAA/AAA/Aaa, AA/AA/Aa if the Bonds shall have a rating of AA- or better by S&P and Fitch and a rating of Aaa or better by Moody's,
- (iii) if not AAA/AAA/Aaa or AA/AA/Aa, A/A/A if the Bonds shall have a rating of A- or better by S&P and Fitch and a rating of A3 or better by Moody's, and
- (iv) if not AAA/AAA/Aaa, AA/AA/Aa or A/A/A, then below A/A/A.

For purposes of this definition, S&P's and Fitch's rating categories of "AAA," "AA-," "A-," and Moody's rating categories of "Aaa," "Aa3," "A3," shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Auction Rating Agency shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the Bonds in any Auction Mode are not rated by an Auction Rating Agency, the requirement of a rating by such Auction Rating Agency shall be disregarded. If the ratings for the Bonds in

Auction Mode are split between two of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there are no Prevailing Ratings because no Auction Rating Agency currently rates the Bonds in Auction Mode, the Prevailing Ratings shall be deemed to be below A/A/A. If the Bonds have both insured and underlying ratings then the Prevailing Rating shall be determined based on the insured rating.

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

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

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

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

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

***Qualified Insurance*** means any non-cancellable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such

insurance companies) (i) which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest Rating Categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability or (ii) by issuing its policies causes obligations insured thereby to be rated in one of the two highest Rating Categories by one or more of the Rating Agencies.

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

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

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

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

(c) in the case of the initial conversion to the Weekly Mode, shall be the Business Day prior to the Mode Change Date, and thereafter, shall be each Tuesday or, if Tuesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day next preceding such Tuesday;

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

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

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

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

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

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

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

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

**Record Date** means:

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

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

(c) with respect to Bonds (or Bonds of a Subseries) in the Auction Mode, the Business Day that is two Business Days before each Auction Interest Payment Date for such Bonds.

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

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

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

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

**Reimbursement Agreement** means a Reimbursement Agreement between the Port and the Credit Facility Issuer, if any, or any Liquidity Facility Issuer and any and all modifications, alterations, and amendments and supplements thereto, approved by the Bond Insurer.

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

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

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

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

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

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

**Sell Order** has the meaning provided in Section 2(a)(i) of the Auction Procedures.

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

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

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

than Moody's or Fitch) selected by the Designated Port Representative and acceptable to the Bond Insurer.

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

**Special Record Date** means a special date fixed to determine the names and addresses of holders of the Bonds (or Bonds of a Subseries) for purposes of paying interest on a special interest payment date for the payment of Auction Defaulted Interest, in the case of Bonds (or Bonds of a Subseries) in the Auction Mode, or in connection with the payment of overdue interest on Bonds in all other Modes.

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

**Submitted Hold Order** has the meaning provided in Section 2(c)(i) of the Auction Procedures.

**Subordinate Lien Bond Fund** means the Port of Seattle Subordinate Lien Bond Fund, Series 2003, created in the office of the Treasurer of the Port by authority granted in Section 5.01 of this resolution.

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

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

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

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

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

***Substitute Auction Agent*** means the Person with whom the Port enters into a Substitute Auction Agent Agreement.

**Substitute Auction Agent Agreement** means an auction agent agreement containing terms substantially similar to the terms of the Initial Auction Agent Agreement whereby a Person having the qualifications required by Section 2.10(f) agrees with the Port to perform the duties of the Auction Agent herein with respect to the Bonds in the Auction Mode.

**Substitute Market Agent** means the Person with whom the Port enters into a Substitute Market Agent Agreement.

**Substitute Market Agent Agreement** means a market agent agreement containing terms substantially similar to the terms of the initial Market Agent Agreement, approved by the Bond Insurer and entered into between the Port and a market agent selected by the Port.

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

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

**Sufficient Clearing Bids** has the meaning provided in Section 2(c)(i) of the Auction Procedures.

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

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

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

**Underwriters** means Citigroup Global Markets Inc., Goldman, Sachs & Co., and Lehman Brothers Inc.

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

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

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

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

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

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

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

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

(f) Whenever any consent or direction is required to be given by the Port, such consent or direction shall be deemed given when given by the Designated Port

Representative or his or her designee, respectively, and all references herein to the Designated Port Representative shall be deemed to include references to his or her designee, as the case may be.

## ARTICLE II.

### ISSUANCE, CONDITIONS AND TERMS OF BONDS

**Section 2.01. Plan of Finance.** The Port intends to undertake improvements to its Airport facilities at the locations described on Exhibit A-1 (the “Non-AMT Projects”) and Exhibit A-2 (the “AMT Projects” and, together with the “Non-AMT Projects,” the “Projects”) attached hereto and incorporated by this reference herein. The Costs of Construction of the Projects are expected to be paid or reimbursed in part with the proceeds of the Bonds and the balance of the Costs of Construction of the Projects shall be paid from other available Port funds.

**Section 2.02. Authorization of Bonds.**

(a) *Authorization.* The Port shall issue the Bonds in the aggregate principal amount of \$200,000,000 for the purpose of providing part of the funds necessary to (i) pay or reimburse the Port for the Costs of Construction of the Projects; (ii) to capitalize interest on the Bonds for a portion of the construction period and (iii) pay all costs incidental to the foregoing and to the issuance of the Bonds, including fees and all or a portion of the cost of purchasing the Bond Insurance Policy.

(b) *Subseries Designation; Principal Amounts; Date.* The Bonds shall be designated “Port of Seattle Subordinate Lien Revenue Bonds, Series 2003C.” The Port anticipates designating one or more Subseries of the Bonds from time to time. At the written direction of the Designated Port Representative, the Registrar shall designate a particular principal amount of Bonds as a Subseries, identified by sequential Arabic numbers (e.g., Series 2003C-1, Series

2003C-2). Upon such designation, such Bonds shall be a Subseries for this purposes of this resolution, unless and until consolidated or changed to another Subseries designation by written direction of the Designated Port Representative.

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

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

Term Mode, to a Fixed Mode or to an Auction Mode, the Port shall obtain a Favorable Opinion of Bond Counsel with respect to such change in Mode.

(d) *Determinations Conclusive.* The interest rates determined by the Remarketing Agent, if any, in accordance with Section 2.09, and the determination by the Remarketing Agent of Interest Periods for Commercial Paper Bonds and Bonds in the Long Term Mode in accordance herewith, absent manifest error, shall be conclusive and binding upon the Port, the Remarketing Agent, the Registrar, the Credit Facility Issuer, the Liquidity Facility, Issuer and the Registered Owners and Beneficial Owners of the Bonds. The determination by the Auction Agent of the Auction Rate, “AA” Financial Commercial Paper Rate, Auction Maximum Rate, All-Hold Rate and Non-Payment Rate shall (in the absence of manifest error) be final and binding upon all Auction Beneficial Owners and all other parties.

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

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

**Section 2.04. Authentication.** No Bonds shall be valid for any purpose hereunder until the certificate of authentication printed thereon is duly executed by the manual signature of an

authorized signatory of the Registrar. Such authentication shall be proof that the Registered Owner is entitled to the benefit of the trusts hereby created.

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

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

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

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

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

(d) *DTC as Registered Owner.* Payment of any such Bond shall be made only as described in this section, but the transfer of such ownership may be registered as herein provided. All such payments made as described in this section shall be valid and shall satisfy and discharge the liability of the Port upon such Bond to the extent of the amount or amounts so paid. Except as provided in Sections 2.08, 5.09 and 7.08, the Port and the Registrar shall be entitled to treat the Securities Depository (as Registered Owner) as the absolute owner of all Bonds for all purposes of this resolution and any applicable laws, notwithstanding any notice to the contrary received by the Registrar or the Port. Neither the Port nor the Registrar will have

any responsibility or obligation under this resolution or the Bonds, legal or otherwise, to any other party including DTC or its successor (or substitute Securities Depository or its successor), except to the Registered Owners. Notwithstanding the foregoing, so long as the Bond Insurer is not in default under the Bond Insurance Policy, the Bond Insurer shall be deemed to be the owner and holder of all Bonds for the purpose of granting consents and exercising voting rights with respect thereto and for any other purpose identified and specified in the Bond Insurance Commitment accepted by the Port as a condition of issuance of the Bond Insurance Policy.

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

(1) *Bonds Registered in the Name Designated by DTC.* The Bonds shall be registered initially in the name of “CEDE & Co.,” as nominee of DTC, (or such other name as may be requested by an authorized representative of DTC) with one Bond maturing on the Maturity Date in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds or any portions thereof, may not thereafter be transferred except (i) to any successor of DTC or its nominee, *provided that* any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any substitute Securities Depository appointed by the Designated Port Representative pursuant to subsection (2) below or such substitute Securities Depository’s successor; or (iii) to any person as provided in paragraph (4) below.

(2) *Substitute Depository.* Upon the resignation of DTC or its successor (or any substitute Securities Depository or its successor) from its functions as Securities Depository or a determination by the Designated Port Representative that it is no longer in the best interest of Beneficial Owners to continue the system of book entry transfers through DTC or its successor (or any substitute Securities Depository or its successor), the

Designated Port Representative may hereafter appoint a substitute Securities Depository. Any such substitute Securities Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

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

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

(f) *Transfer or Exchange of Registered Ownership; Change in Denominations.* If the Bonds are no longer held in immobilized, book-entry form, the transfer of ownership of any Bond may be registered and such Bonds may be exchanged, but no transfer of any Bond shall be valid unless it is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, Subseries designation, if any, Maturity Date and Interest Rate and for the same aggregate principal amount in any Authorized Denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, Maturity Date and Interest Rate, in any Authorized Denomination. Other than in connection with an Auction or an optional or mandatory tender for purchase, the Registrar shall not be obligated to transfer or exchange any Bond during the five-day period prior to the selection of Bonds for redemption or the Maturity Date or following any mailing of notice of redemption. No charge shall be imposed upon Registered Owners in connection with any transfer or exchange, except for taxes or governmental charges related thereto.

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

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

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

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

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

(1) On each Interest Payment Date, the Registered Owner of each Bond as of the Record Date shall be paid the amount of unpaid interest that accrues during the

Interest Accrual Period. If and to the extent, however, that the Port fails to make payment or provision for payment of interest on any Bond on any Interest Payment Date, interest shall continue to accrue thereon, and shall be payable to the Registered Owner of that Bond as of the Special Record Date. The Special Record Date for Bonds in the Auction Mode shall be established pursuant to Section 2.10(a)(4)(ii). The Registrar shall establish the Special Record Date for all other Bonds when moneys become available for payment of interest on the Bonds, and shall be a date not more than 15 nor fewer than 10 days prior to the date of the proposed payment. The Registrar shall give notice by first-class mail of the proposed payment and of the Special Record Date to each Registered Owner not fewer than 10 days prior to the Special Record Date and, thereafter, such interest shall be payable to the Registered Owner of such Bonds as of the Special Record Date

(2) The interest due on any Bond on any Interest Payment Date shall be paid to the Registered Owner of such Bond as shown on the Bond Register as of the Record Date. The amount of interest so payable on an Interest Payment Date shall be computed (A) on the basis of a 365- or 366-day year for the number of days actually elapsed based on the calendar year for Bonds in the Daily Mode, Commercial Paper Mode or Weekly Mode, (B) on the basis of a 360-day year of twelve 30-day months during a Long Term Mode or a Fixed Mode, and (C) on the basis of a 360-day year for the actual number of days elapsed, for Bonds in the Auction Mode as provided in Section 2.10(a)(2).

(3) If the Bonds are no longer held by a Securities Depository, during a Long Term Mode or a Fixed Mode, the interest, principal or Redemption Price of the Bonds shall be payable by check, provided that any Registered Owner of \$1,000,000 or more in aggregate principal amount of the Bonds, upon written request given to the Registrar at least five

Business Days prior to the Interest Payment Date, Maturity Date or Redemption Date designating an account in a domestic bank, may be paid by wire transfer of immediately available funds. If the Bonds are no longer held by a Securities Depository, all payments of interest, principal or the Redemption Price on the Bonds during the Commercial Paper Mode, Daily Mode, Weekly Mode or Auction Mode shall be paid to the Registered Owners entitled thereto in immediately available funds by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registrar as directed by the Registered Owner in writing or as otherwise directed in writing by the Registered Owner prior to the time of payment with respect to Bonds during a Commercial Paper Mode or five Business Days prior to the Interest Payment Date with respect to Bonds during a Daily Mode, Weekly Mode or Auction Mode.

(4) In the case of Bank Bonds, interest shall accrue and be payable in accordance with Section 2.12 hereof and the Reimbursement Agreement, and principal and interest shall be paid by wire transfer of immediately available funds to an account in the United States specified in the Reimbursement Agreement or as otherwise specified by the Credit Facility Issuer or Liquidity Facility Issuer holding such Bank Bonds in a written notice delivered to the Registrar.

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

**Section 2.08. Acts of Registered Owners; Evidence of Ownership.** Any action to be taken by Registered Owners may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Registered Owners in person or by an agent appointed

in writing. The fact and date of the execution by any Person of any such instrument may be proved by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution or by any other method satisfactory to the Registrar. Any action by the Registered Owner of any Bond shall bind all future Registered Owners of the same Bond or of any Bond issued upon the exchange or registration of transfer thereof in respect of anything done or suffered by the Port or the Registrar in pursuance thereof.

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

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

**Section 2.09. Determination of Interest Rates (other than Bonds in Auction Mode).**

The following provisions govern Bonds that are *not* in the Auction Mode. Section 2.10 sets forth the procedures and provisions applicable to Bonds in the Auction Mode.

(a) *Determination by Remarketing Agent.*

(1) The Interest Rate for the Bonds or Bonds of a Subseries (other than Commercial Paper Bonds, Bank Bonds and Bonds in the Auction Mode) shall be determined by the Remarketing Agent as the rate of interest that, in the judgment of the Remarketing Agent, would cause such Bonds to have a market value as of the date of determination equal to the principal amount thereof (plus accrued interest, if any), taking into account prevailing market conditions, and with respect to the Commercial Paper Mode, the Remarketing Agent shall determine the Commercial Paper Rate and the Interest Period for each Bond in the Commercial Paper Mode at such rate and for such period (which shall not exceed 270 days) as it deems advisable in order to minimize the net interest cost on the Bonds, taking into account prevailing market conditions; *provided, however*, that the foregoing shall not prohibit the Remarketing Agent from establishing longer Interest Periods (and at higher Commercial Paper Rates) than are otherwise available at the time of any remarketing if the Remarketing Agent determines that, taking into account prevailing market conditions, a lower net interest cost on the Bonds can be achieved over the longer Interest Period. Notwithstanding the foregoing, (i) if the Remarketing Agent has given or received notice that the Bonds or Bonds of a Subseries are to be changed from the Commercial Paper Mode to any other Mode or are to be purchased pursuant to a mandatory tender in accordance with Section 4.02, the Remarketing Agent shall select Interest Periods for such Bonds that do not extend beyond the Mandatory Purchase Date and (ii) the Remarketing Agent shall not establish any Interest Period for such Bonds if, as a result of the selection of such Interest Period, the Aggregate Interest Coverage available for such Bonds would be greater than the Interest Portion with respect to such Bonds. While Bonds or Bonds of a Subseries are in the Commercial Paper Mode, such Bonds in the Commercial Paper Mode

secured by or payable from a Credit Facility or Liquidity Facility shall bear interest at a rate that does not result in Aggregate Interest Coverage on such Bonds greater than the Interest Portion available for such Bonds pursuant to such Credit Facility or Liquidity Facility. For all other modes (except the Auction Mode), the Interest Rate on any Bond may not exceed the Maximum Rate or, in the case of Bonds in the Auction Mode, the Auction Maximum Rate. The Remarketing Agreement shall include a covenant by the Remarketing Agent to comply with the limitations established by this resolution. All Bonds of a Subseries (or all Bonds in the event there are no Subseries) having the same Maturity Date (other than Bank Bonds and Commercial Paper Bonds) shall bear interest at the same Interest Rate, and all Bonds of a Subseries (or all Bonds in the event there are no Subseries) other than Bank Bonds shall be at all times in the same Mode.

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

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

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

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

new Commercial Paper Rate and Interest Period determined for such Bond by the Remarketing Agent.

(3) The Interest Rate in effect for Bonds during any Interest Period and, in connection with the Commercial Paper Mode and the Long Term Mode, the Interest Period, shall be available to Beneficial Owners and Registered Owners between 1:00 p.m. and 5:00 p.m., New York City time, from the Remarketing Agent.

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

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

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

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

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

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

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

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

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

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

(1) The Fixed Rate for the Bonds or Bonds of a Subseries during the Fixed Mode shall be effective from and including the Mode Change Date for such Bonds and

remain in effect until the Maturity Date. The Fixed Rate shall be determined not later than 3:00 p.m., New York City time, on the Rate Determination Date and provided to the Registrar by the Remarketing Agent by telephone or Electronic Means by the close of business on such Rate Determination Date.

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

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

**Section 2.10. Interest Rate on Bonds in the Auction Mode; Auction Procedures.**

(a) *Payments with Respect to Bonds in the Auction Mode.*

(1) Interest with respect to the Bonds or Bonds of a Subseries in the Auction Mode shall accrue from and including, as applicable, the Closing Date, the Mode Change Date for such Bonds or the most recent Auction Interest Payment Date for such Bonds to which interest has been paid or duly provided for.

(2) The Registrar shall determine the aggregate amount of interest payable with respect to the Bonds or Bonds of a Subseries in the Auction Mode on each Auction Interest Payment Date for such Bonds. The Registrar shall notify the Securities Depository of its calculations, as provided in Section 2.10(c)(2).

(3) So long as the ownership of the Auction Bonds is maintained in book-entry form by the Securities Depository, purchases and sales of Auction Bonds at an Auction shall be made only through a Broker-Dealer pursuant to a Bid or Sell Order placed in

such Auction. The Applicable Auction Rate for each Auction Interest Period after the first Auction Interest Period shall be the Auction Rate; *provided that*

(i) if a notice of a proposed adjustment in the percentages used to determine the Auction Maximum Rate, the All-Hold Rate and the Non-Payment Rate shall have been given by the Market Agent in accordance with Section 2.10(d)(2) with respect to the Bonds or Bonds of a Subseries in the Auction Mode and if, because of a failure to satisfy either of the conditions set forth in clause (i) or (ii) of Section 2.10(d)(3), such adjustment shall not have taken effect, then an Auction with respect to such Bonds shall not be held on the next Auction Date and the Applicable Auction Rate for such Bonds for the Auction Interest Period beginning immediately after such Auction Date shall equal the Auction Maximum Rate on such Auction Date; and

(ii) in the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period except as contemplated otherwise herein pursuant to (i) above or (A) and (F) below), the new Auction Period for such Bonds shall be the same as the preceding Auction Period and the Auction Rate for the new Auction Period shall be the same as the Auction Rate for the preceding Auction Period.

Notwithstanding the foregoing:

(A) if the ownership of the Bonds in the Auction Mode is no longer maintained in book-entry form by a Securities Depository, the Applicable Auction Rate for any Auction Interest Period commencing after the delivery of certificates representing the Bonds or Bonds of a Subseries in the Auction Mode pursuant to this resolution shall equal the Auction Maximum Rate;

(B) if an Auction Payment Default shall have occurred with respect to the Bonds or Bonds of a Subseries, the Applicable Auction Rate for the Auction Interest Period for such Bonds commencing on or immediately after the date of such Auction Payment Default and for each Auction Interest Period for such Bonds thereafter, to and including the Auction Interest Period for such Bonds, if any, during which, or commencing less than two Business Days after, such Auction Payment Default is cured in accordance with this Resolution, shall equal the Non-Payment Rate on the first day of each such Auction Interest Period, *provided*, that if an Auction for such Bonds occurred on the Business Day immediately preceding any such Auction Interest Period, the Applicable Auction Rate for such Auction Interest Period for such Bonds shall be the Non-Payment Rate; and

(C) if the Auction Rate for the Bonds or Bonds of a Subseries is equal to the Auction Maximum Rate for three consecutive Auction Periods, then the Port agrees to consult with the Bond Insurer regarding the Port's plan to remedy such situation through the conversion of such Bonds in the Auction Mode to a Fixed Mode or Long Term Mode, or otherwise.

(4) *Auction Defaulted Interest.*

(i) The Registrar shall determine not later than 2:00 p.m., New York City time, on each Auction Interest Payment Date, whether an Auction Payment Default has occurred. If an Auction Payment Default has occurred, the Registrar shall notify the Auction Agent and, not later than 2:30 p.m. New York City time on such Business Day, the Auction Agent shall send a Notice of Auction Payment Default to each Broker-Dealer by telecopy or similar means and, if such Auction Payment Default is cured, the Registrar shall immediately send a Notice of Cure of Auction Payment Default to the Auction Agent, who shall deliver a copy of such notice to each Broker-Dealer by telecopy or similar means.

(ii) Auction Defaulted Interest shall cease to be payable to the Auction Beneficial Owner on the relevant Record Date by virtue of having been such Auction Beneficial Owner and such Auction Defaulted Interest shall be payable to the Person in whose name the Bonds are registered at the close of business on a Special Record Date fixed therefor by the Registrar, which shall not be more than 15 days and not fewer than 10 days prior to the date of the proposed payment of Auction Defaulted Interest. The Registrar shall promptly notify the Port of the Special Record Date and, at the Port's expense, mail to each Auction Beneficial Owner of Bonds of which it has knowledge, not less than 10 days before the Special Record Date, notice of the date of the proposed payment of such Auction Defaulted Interest.

(b) *Calculation of Auction Maximum Rate, All-Hold Rate and Non-Payment Rate.*

(1) The Auction Agent shall calculate the Auction Maximum Rate and the All-Hold Rate on each Auction Date. If the ownership of the Bonds in the Auction Mode is no longer maintained in book-entry form by the Securities Depository, the Auction Agent shall calculate the Auction Maximum Rate on the Business Day immediately preceding each Auction Interest Payment Date after the delivery of certificates representing the Bonds in the Auction Mode pursuant to this resolution. If an Auction Payment Default shall have occurred, the Auction Agent shall calculate the Non-Payment Rate on the first day of (i) each Auction Interest Period commencing on or after the date of the occurrence and during the continuation of such Auction Payment Default and (ii) any Auction Interest Period commencing less than two Business Days after the cure of any Auction Payment Default. The Auction Agent shall determine the "AA" Financial Commercial Paper Rate for each Auction Interest Period other than the first Auction Interest Period. The Auction Agent shall promptly advise the Port, each

Broker-Dealer and the Registrar of the “AA” Financial Commercial Paper Rate, Auction Maximum Rate, All-Hold Rate and Non-Payment Rate.

(2) If the Federal Reserve Bank of New York has not made available its 30-day commercial paper rate for purposes of determining the “AA” Financial Commercial Paper Rate, the Auction Agent or the Registrar, as the case may be, shall request that the Designated Port Representative appoint at least three Commercial Paper Dealers to provide commercial paper quotes for purposes of determining the “AA” Financial Commercial Paper Rate; and if the Port shall fail to make any such appointment within three Business Days following such request, the Registrar shall appoint such Commercial Paper Dealers and notify the Port of such appointment.

(c) *Notification of Rates, Amounts and Payment Dates.*

(1) So long as the ownership of the Bonds in the Auction Mode is maintained in book-entry form by the Securities Depository, the Registrar shall advise the Securities Depository of each Record Date for the Bonds in the Auction Mode at least two Business Days prior thereto.

(2) On the Closing Date, or as soon as practicable thereafter, and on the Business Day preceding each Auction Interest Payment Date with respect to the Bonds in the Auction Mode, the Registrar shall advise the Securities Depository, so long as the ownership of the Bonds in the Auction Mode is maintained in book-entry form by the Securities Depository, of the amount of interest distributable in respect of each \$25,000 in principal amount of Bonds in the Auction Mode for any Auction Interest Period or part thereof.

If any day scheduled to be an Auction Interest Payment Date shall be changed after the Registrar shall have given notice, the Registrar shall, not later than 9:15 a.m., New York City

time, on the Business Day next preceding the earlier of the new Auction Interest Payment Date or the old Auction Interest Payment Date, by such means as the Registrar deems practicable, give notice of such change to the Auction Agent, so long as no Auction Payment Default has occurred and is continuing and the ownership of the Bonds in the Auction Mode is maintained in book-entry form by the Securities Depository.

(d) *Adjustment in Percentages.*

(1) The Market Agent shall adjust the percentage used in determining the All-Hold Rate, the Applicable Percentages used in determining the Auction Maximum Rate and the percentage of the Index used in calculating the Non-Payment Rate, if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any change in market convention or Change of Tax Law such that a Bond in the Auction Mode bearing interest at the Auction Maximum Rate, a Bond in the Auction Mode bearing interest at the All-Hold Rate and a Bond in the Auction Mode bearing interest at the Non-Payment Rate in each case shall have substantially the same market value after such change in market convention or Change of Tax Law as before such change in market convention or Change of Tax Law. In making any such adjustment, the Market Agent shall take into account the following factors, as in existence both before and after such change in market convention or Change of Tax Law: (i) short-term taxable and tax-exempt market rates and indices of such short-term rates; (ii) the market supply and demand for short-term tax-exempt securities; (iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the Bonds in the Auction Mode, (iv) general economic conditions, and (v) economic and financial factors present in the securities industry that may affect, or that may be relevant to, the Bonds in the Auction Mode.

(2) The Market Agent shall communicate its determination to adjust the percentage used in determining the All-Hold Rate, the Applicable Percentages used in determining the Auction Maximum Rate, and the percentage of the Index used in calculating the Non-Payment Rate pursuant to subsection (a) above by means of a Notice of Proposed Percentage Change delivered in writing at least 10 days prior to the Auction Date on which the Market Agent desires to effect the change to the Port, the Registrar, the Bond Insurer, the Broker-Dealer and the Auction Agent. Such notice shall be effective only if it is accompanied by the form of a Favorable Opinion of Bond Counsel.

(3) An adjustment in the percentage used to determine the All-Hold Rate, the Applicable Percentage used in determining the Auction Maximum Rate, and the percentage of the Index used in calculating the Non-Payment Rate shall take effect on an Auction Date only if:

(i) The Port, the Registrar, the Broker-Dealer and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day immediately preceding such Auction Date, a Notice of Percentage Change from the Market Agent by telecopy or similar means, (A) authorizing the adjustment of the percentage used to determine the All-Hold Rate, the Applicable Percentages used to determine the Auction Maximum Rate, and the percentage of the Index used to determine the Non-Payment Rate which shall be specified in such authorization, and (B) confirming that Bond Counsel expects to be able to give a Favorable Opinion of Bond Counsel on or prior to such Auction Date; and

(ii) The Port, the Registrar, the Bond Insurer, the Broker-Dealer and the Auction Agent receive by 9:30 a.m., New York City time, on such Auction Date, a Favorable Opinion of Bond Counsel.

If the conditions referred to in (i) and (ii) above are not met, the existing percentage used in determining the All-Hold Rate, the existing percentage of the Index used in determining the Non-Payment Rate, and the existing Applicable Percentages used in determining the Auction Maximum Rate shall remain in effect and, subject to Section 2.10(a)(3)(C), the Applicable Auction Rate for each succeeding Auction Interest Period until each such condition is met shall equal the Auction Maximum Rate on the Auction Date for such succeeding Auction Interest Period.

(e) *Market Agent.*

(1) The Designated Port Representative is hereby directed to enter into the Market Agent Agreement with the Initial Market Agent and to appoint Citigroup Global Markets Inc. as the Initial Market Agent thereunder. The Designated Port Representative is authorized to appoint a Substitute Market Agent, acceptable to the Bond Insurer. The Market Agent shall serve as such under the terms and provisions hereof and of the Market Agent Agreement. The Market Agent shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least \$25,000,000, and be authorized by law to perform all the duties imposed upon it by this resolution and the Market Agent Agreement.

(2) The Market Agent may be removed by the Designated Port Representative at any time. The Market Agent may also be removed pursuant to the written direction of the Bond Insurer and the Auction Beneficial Owners of 66-2/3% of the aggregate principal amount of the Bonds in Auction Mode then outstanding, by an instrument filed with the Market Agent, the Auction Agent, and the Registrar; provided that such removal shall not take effect until the appointment by the Designated Port Representative of a Substitute Market Agent acceptable to the Bond Insurer or, if the Port fails to so appoint a Substitute Market Agent, until

the appointment by the Auction Beneficial Owners of a Substitute Market Agent acceptable to the Bond Insurer. The Market Agent may resign upon 30 days' written notice delivered to the Designated Port Representative.

(f) *Auction Agent.*

(1) The Designated Port Representative is hereby authorized to enter into the Initial Auction Agent Agreement with the Initial Auction Agent and to appoint The Bank of New York as the Initial Auction Agent. The Designated Port Representative is authorized to appoint a Substitute Auction Agent. Any Substitute Auction Agent shall be (i) subject to the written approval of each Broker-Dealer and the Bond Insurer, and (ii) a bank or trust company duly organized under the laws of the United States of America or any state or territory therefor, and (iii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$25,000,000, and, in either case, authorized by law to perform all the duties imposed upon it hereunder and under the Auction Agent Agreement.

(2) The Auction Agent may at any time resign and be discharged of the duties and obligations created by this resolution by giving at least 90 days' notice to the Port, the Broker-Dealer, the Bond Insurer, the Registrar, and the Market Agent. The Auction Agent may be removed at any time by the Designated Port Representative upon at least 30 days' written notice to the Broker-Dealer, Registrar, Market Agent and Bond Insurer. The Auction Agent also may be removed upon the written direction of the Bond Insurer and Auction Beneficial Owners of 66-2/3% of the aggregate principal amount of the Bonds in Auction Mode then outstanding, by an instrument filed with the Auction Agent, the Market Agent, the Port, and the Registrar upon at least 30 days' notice. Neither the resignation nor the removal of the Auction Agent pursuant to the preceding two sentences shall be effective until and unless a Substitute Auction

Agent has been appointed and has accepted such appointment; provided, however, that if a Substitute Auction Agent has not been so appointed within 45 days after the notice of resignation of the Auction Agent, the Auction Agent may petition a court of competent jurisdiction to appoint a Substitute Auction Agent. If required by the Market Agent, a Substitute Auction Agent Agreement acceptable to the Bond Insurer shall be entered into with a Substitute Auction Agent. Notwithstanding the foregoing, the Auction Agent may terminate the Auction Agent Agreement if, within 45 days after notifying the Port, the Bond Insurer, the Registrar, and the Market Agent in writing that it has not received payment of any Auction Agent Fee due it in accordance with the terms of the Auction Agent Agreement, the Auction Agent does not receive such payment.

(3) If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Port shall use its best efforts to appoint a Substitute Auction Agent.

(g) *Broker-Dealers.*

(1) The Auction Agent shall enter into a Broker-Dealer Agreement with Citigroup Global Markets Inc., Goldman, Sachs & Co., and Lehman Brothers Inc., as the initial Broker-Dealer. The Designated Port Representative may, from time to time, approve one or more additional Persons acceptable to the Bond Insurer to serve as Broker-Dealers under Broker-Dealer Agreements acceptable to the Bond Insurer and shall be responsible for providing such Broker-Dealer Agreements to the Auction Agent. No such party shall constitute a Broker-Dealer until a fully executed Broker-Dealer Agreement is delivered to the Auction Agent. As of the date of this Resolution, the Bond Insurer has approved the following as additional Persons

acceptable to serve as Broker-Dealers under Broker-Dealer Agreements: Citigroup Global Markets Inc., E.J. De La Rosa & Co., Goldman, Sachs & Co., Lehman Brothers Inc., Seattle-Northwest Securities Corporation, and UBS Financial Services Inc.

(2) Any Broker-Dealer may be removed at any time by the Designated Port Representative with notice to the Auction Agent, Market Agent and Bond Insurer.

(h) *Provisions Relating to Auctions.* None of the Port, the Registrar or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder, nor shall any of the Port, the Registrar or the Auction Agent be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers. None of the Port, the Registrar, the Broker-Dealers or the Auction Agent shall have any liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.

(i) *Agreement of Holders.* By purchasing Bonds in the Auction Mode, whether in an Auction or otherwise, each prospective purchaser of Bonds in the Auction Mode and its Broker-Dealer will be deemed to have agreed to the provisions for the replacement of the Auction Agent, each Broker-Dealer and the Market Agent as provided in this resolution, and relevant agreements among the Port, the Auction Agent, the Market Agent and the Broker-Dealer, as appropriate.

(j) *Changes in Auction Period or Auction Date.*

(1) *Changes in Auction Period.*

(i) The Bonds (or the Bonds of each Subseries) shall initially be in 35-day Auction Periods. The Designated Port Representative may direct the Registrar to

designate one or more Subseries and shall further specify the day of the week on which the 35-day Auction Period shall commence generally for each Subseries of Bonds (or for all of the Bonds in the event that the Port does not designate any Subseries). The Auction Period with respect to each subsequent Auction Interest Rate Period, if any, initially shall be either a seven-day period or a 35-day period commencing generally on a Monday, generally on a Tuesday, generally on a Wednesday, generally on a Thursday or generally on a Friday, in each case as announced by the Port in its notice of the proposed Mode Change to such subsequent Auction Interest Rate Period as provided in Section 2.11(c).

(ii) During any Auction Interest Rate Period, the Port may from time to time and on any Auction Interest Payment Date, change the length of the Auction Period for the Bonds or one or more Subseries of Bonds between seven-days and 35-days and vice versa in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the Bonds or Subseries of Bonds. The Port shall initiate the change in the length of the Auction Period by giving written notice to the Registrar, the Auction Agent, the Broker-Dealer and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least three Business Days prior to the Auction Date for such Auction Period.

(iii) In order to effect or facilitate the conversion of the Bonds or one or more Subseries of Bonds from the Auction Mode to the Fixed Mode, the Port may, on any Auction Interest Payment Date, change the length of any 35-day Auction Period for the Bonds or Subseries of Bonds to be converted from 35 days to a period shorter than 35 days (but not less than seven days). The Port shall initiate the change in the length of the Auction Period

by giving written notice to the Registrar, the Auction Agent, the Broker-Dealer and the Securities Depository that the Auction Period shall change, the length of the Auction Period, the date on which the Auction Period will end, and the proposed effective date of the change, at least three Business Days prior to the Auction Date for such Auction Period.

(iii) Except for a changed Auction Period established pursuant to Section 2.10(j)(1)(iii), any such changed Auction Period shall be for a period of seven days or 35 days. The changed Auction Period shall apply for all of the Bonds of a Subseries or, in the event that there are no Subseries, for all of the Bonds.

(iv) No change in the length or the day of commencement of the Auction Period for the Bonds or for the Bonds of a Subseries shall be allowed unless Sufficient Clearing Bids existed at the Auction immediately preceding the proposed change.

(v) In addition, the change in length of the Auction Period for the Bonds or for the Bonds of a Subseries shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for the next such Auction Period for such Bonds. For purposes of the Auction for such next Auction Period only, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its Auction except to the extent such Existing Holder submits an Order with respect to such Bonds in the Auction Mode. If the condition referred to in the first sentence of this clause (v) is not met, the Auction Rate for the next Auction Period shall be the Auction Maximum Rate, and the Auction Period shall be the Auction Period already in effect.

(2) *Changes in Auction Date.* During any Auction Interest Rate Period, the Port may specify an earlier Auction Date for the Bonds or any Subseries of Bonds for any Business Day earlier (but in no event more than five Business Days earlier) than the Auction

Date that would otherwise be determined in accordance with the definition of “Auction Date” in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds or the Subseries of Bonds in the Auction Mode. The Port shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Registrar, the Bond Insurer, the Broker-Dealer, the Auction Agent and the Securities Depository.

**Section 2.11. Conversions Between Modes.** The Designated Port Representative may elect to convert the Bonds or Bonds of a Subseries (other than Bank Bonds) from one Mode to another as follows:

(a) *Mode Change Dates.*

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

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

(3) In the case of a conversion from an Auction Mode for the Bonds or Bonds of a Subseries, the Mode Change Date shall be an Auction Interest Payment Date for such Bonds.

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

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

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

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

- (1) the proposed Mode Change Date;
- (2) that the Bonds or Bonds of a Subseries will be subject to mandatory tender for purchase on the Mode Change Date for such Bonds (except in the case of conversions between the Daily Mode and the Weekly Mode);
- (3) the conditions, if any, for the conversion pursuant to subsection (d) below;
- (4) if the Bonds are in certificated form, information with respect to required delivery of Bond certificates and payment of the Purchase Price; and
- (5) in the case of a Mode Change to the Auction Mode, that the interest rate shall be adjusted to the Applicable Auction Rate, the proposed effective date of the Auction Interest Rate Period, and the initial Auction Period.

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

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

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

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

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

(5) in the case of any Mode Change to the Auction Mode, prior to the Mode Change Date the Port shall have appointed an Auction Agent, a Market Agent and one or more Broker-Dealers and there shall have been executed and delivered an Auction Agent Agreement and one or more Broker-Dealer Agreements;

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

(7) in the case of any Mode Change, other than a Mode Change to a Daily Mode from a Weekly Mode or to a Weekly Mode from a Daily Mode, the prior written consent of the Bond Insurer shall have been delivered to the Port.

(e) *Failure to Satisfy Conditions Precedent to Mode Change.* If fewer than all of the then Outstanding Bonds to be converted have been remarketed or if any of the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and the Bonds to have been converted shall be changed to a Commercial Paper Mode on the Mode Change Date; *provided*, however, that if the Bonds or Bonds of a Subseries were in Auction Mode immediately prior to the proposed Mode Change, then such Bonds shall remain in Auction Mode and shall bear interest at the Auction Maximum Rate for the immediately ensuing Auction Interest Period.

**Section 2.12. Interest Rate on Bank Bonds.** The rate of interest on any Bank Bond shall be the Bank Interest Rate for each day from and including the date such Bond becomes a Bank Bond to, but not including, the date such Bond is paid in full or is remarketed. Any reimbursement bonds shall bear interest and have such other terms as set forth in the Reimbursement Agreement.

**Section 2.13. Form of Bonds.** The Bonds shall each be in substantially the following form, with appropriate or necessary insertions, depending upon the omissions and variations as permitted or required hereby. If the Bonds are no longer held in fully-immobilized form, the form of Bonds will be changed to reflect the changes required in connection with the preparation of certificated Bonds.

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

\$\_\_\_\_\_

UNITED STATES OF AMERICA

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at the principal office of the Fiscal Agency of the State of Washington in New York, New York.

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Port of Seattle (the "Issuer") to the Fiscal Agency of the State of Washington, or any successor Registrar (the "Paying Agent"), of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to hereinafter collectively as the "Insured Amounts." "Obligations" shall mean:

\$200,000,000

Port of Seattle

Subordinate Lien Revenue Bonds, Series 2003C

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form

satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term “owner” shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancelable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

MBIA Insurance Corporation

PORT OF SEATTLE  
SUBORDINATE LIEN REVENUE BOND  
SERIES 2003C

MATURITY DATE

ISSUE DATE

CUSIP

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The Port of Seattle (the “Port”) promises to pay to the registered owner named above, or registered assigns, but solely from the sources hereinafter mentioned, on the Maturity Date specified above, unless this bond shall have been previously called for redemption in whole or in part and payment of the redemption price shall have been duly made or provided for, the Principal Amount shown above and to pay interest thereon, at the rate determined as herein provided from the most recent Interest Payment Date to which interest has been paid or duly provided for, or from the date of authentication hereof if such date is on an Interest Payment Date to which interest has been paid or duly provided for, or from the Issue Date specified above if no interest has been paid or duly provided for, such payments of interest to be made on each Interest Payment Date until the principal or redemption price hereof has been paid or duly provided for as aforesaid. The principal or redemption price of and interest on this bond may be paid in any coin or currency of the United States of America which, at the time of payment, is

legal tender for the payment of public or private debts. The principal or redemption price of this bond (or of a portion of this bond, in the case of a partial redemption) is payable to the Registered Owner hereof in immediately available funds or next day funds, depending on the applicable Interest Period and the instructions of the registered owner upon presentation and surrender hereof at the office of the fiscal agency of the State of Washington in New York, New York (the "Registrar"). Both principal of and interest on this bond shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the Port to The Depository Trust Company ("DTC"). Capitalized terms used in this Bond have the meanings given such terms in Resolution No. 3510, of the Port Commission (the "Bond Resolution"). Interest on this bond shall accrue at Auction Rates, Daily Rates, Weekly Rates, Commercial Paper Rates, Long Term Rates or Fixed Rates, payable on Interest Payment Dates, all as provided in the Bond Resolution.

This bond is issued pursuant to Resolution No. 3510, as amended, of the Port Commission (the "Bond Resolution") to finance airport capital improvements within the Port.

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

The Port does hereby pledge and bind itself to set aside from such Gross Revenue, and to pay into the Subordinate Lien Bond Fund Series 2003C the various amounts required by the Bond Resolution to be paid into and maintained in such Fund, all within the times provided by the Bond Resolution.

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

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

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

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

Except as otherwise provided in the Bond Resolution, this bond shall not be entitled to any right or benefit under the Bond Resolution, or be valid or become obligatory for any purpose, until this bond shall have been authenticated by execution by the Registrar of the certificate of authentication inscribed hereon.

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

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

(SEAL)

PORT OF SEATTLE

By \_\_\_\_\_  
President, Port Commission

ATTEST:

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

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

AUTHENTICATION CERTIFICATE

This bond is one of the Port of Seattle Subordinate Lien Revenue Bonds, Series 2003C described in the within-mentioned Bond Resolution.

WASHINGTON STATE FISCAL  
AGENCY, as Registrar

By \_\_\_\_\_  
Authorized Signatory

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

**Section 2.14. Defeasance.** If money and/or Government Obligations maturing at such time(s) and bearing such interest to be earned thereon (without any reinvestment thereof) as will provide a series of payments which shall be sufficient together with any money initially deposited, to provide for the payment of the principal of, premium, if any, and interest (if the rate of interest is not fixed to the date of maturity, redemption or mandatory purchase, at the Maximum Rate) on all or a designated portion of the Bonds when due (whether at maturity or upon earlier redemption in accordance with their respective terms) or on the first date on which such Bonds must or could be tendered for purchase are set aside in a special fund (hereinafter called the "trust account") to effect such payment and are pledged irrevocably in accordance with a refunding or defeasance plan adopted by the Port for the purpose of effecting such payment, then no further payments need be made in the Subordinate Lien Bond Fund for the payment of the principal of, interest or redemption premium on such Bonds, the Registered Owners thereof shall cease to be entitled to any lien, benefit or security of this resolution, except the right to receive payment of the principal of, premium, if any, and interest on such Bonds when due in accordance with their respective terms from the money and the principal and interest proceeds on the Government Obligations set aside in the trust account, and such Bonds shall no longer be deemed to be Outstanding hereunder. Notwithstanding the foregoing, no defeasance of Bonds

then in the Auction Mode, the Commercial Paper Mode, the Daily Mode or the Weekly Mode may be made unless the Port shall have received written notice from each Rating Agency then maintaining a rating on the Bonds to the effect that the rating then in effect with respect to such Bonds will not be withdrawn, reduced or suspended as a result of the proposed defeasance. An opinion of Bond Counsel regarding such defeasance shall be delivered to the Bond Insurer, together with the verification report of an independent certified public accountant.

Within 45 days after any defeasance of Bonds, the Port shall provide notice of defeasance of Bonds to Registered Owners of Bonds being defeased, to the Bond Insurer, and to each NRMSIR and SID, if any, in accordance with the Continuing Disclosure Certificate.

**Section 2.15. Bond Insurance.**

(a) *Acceptance of Insurance.* The Commission hereby approves the (1) commitment of the Bond Insurer to provide a bond insurance policy guaranteeing the payment when due of principal of and interest on the Bonds (the "Bond Insurance Policy"), and (2) the Fee and Derivative Products Agreement. The Port shall be obligated to pay the Insurer Fee on the terms set forth in the Fee and Derivative Products Agreement and the Bond Insurer shall be entitled to enforce such payment obligation pursuant only to the remedies set forth in the Fee and Derivative Products Agreement and not hereunder. The Commission further authorizes and directs all proper officers, agents, attorneys and employees of the Port to cooperate with the Bond Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the Port as shall be necessary or advisable in providing for the Bond Insurance Policy.

(b) *Payments Under the Bond Insurance Policy.*

(1) In the event that, on the payment date on the Bonds, the Registrar has not received sufficient moneys to pay all principal of and interest on the Bonds due on such Business

Day, the Registrar shall immediately notify the Bond Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(2) In addition, if the Registrar has notice that any Bondholder has been required to disgorge payments of principal or interest on the Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Registrar shall notify the Bond Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(3) The Registrar is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Bonds as follows:

(A) If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Registrar shall (i) execute and deliver to U.S. Bank Trust National Association, or its successors under the Bond Insurance Policy (the "Insurance Paying Agent/Trustee") in form satisfactory to the Insurance Paying Agent/Trustee, an instrument appointing the Bond Insurer as agent for such holders in any legal proceeding related to the payment of such interest and an assignment to the Bond Insurer of the claims for interest to which such deficiency relates and which are paid by the Bond Insurer, (ii) receive as designee of the respective holders (and not as Registrar) in accordance with the tenor of the Bond Insurance Policy payment from the Insurance Paying Agent/Trustee with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(B) If and to the extent of a deficiency in amounts required to pay principal of the Bonds, the Registrar shall (i) execute and deliver to the Insurance Paying Agent/Trustee in form satisfactory to the Insurance Paying Agent/Trustee an instrument appointing the Bond Insurer as agent for such holder in any legal proceeding relating to the payment of such principal and an assignment to the Bond Insurer of any of the Bond surrendered to the Insurance Paying Agent/Trustee of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Registrar and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent/Trustee is received), (ii) receive as designee of the respective holders (and not as Registrar) in accordance with the tenor of the Bond Insurance Policy payment therefor from the Insurance Paying Agent/Trustee, and (iii) disburse the same to such holders.

(4) Payments with respect to claims for interest on and principal of Bonds disbursed by the Registrar from proceeds of the Bond Insurance Policy shall not be considered to discharge the Bond of the Port with respect to such Bonds, and the Bond Insurer shall become the owner of such unpaid Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(5) Irrespective of whether any such assignment is executed and delivered, the Port and the Registrar hereby agree for the benefit of the Bond Insurer that:

(A) They recognize that to the extent the Bond Insurer makes payments, directly or indirectly (as by paying through the Registrar), on account of principal of or interest on the Bonds, the Bond Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Port, with interest thereon as provided and solely from the sources stated in this Resolution and the Bonds; and

(B) They will accordingly pay to the Bond Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this resolution and the Bond, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bonds to holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

(6) In connection with the issuance of additional Bonds, the Port shall deliver to the Bond Insurer a copy of the disclosure document, if any, circulated with respect to such additional Bonds.

(7) Copies of any amendments made to the documents executed in connection with the issuance of the Bonds which are consented to by the Bond Insurer shall be sent to Standard & Poor's Corporation.

(8) The Bond Insurer shall receive notice of the resignation or removal of the Registrar and the appointment of a successor thereto.

(9) The Bond Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Port's audited financial statements and annual budget.

(10) Any notice that is required to be given to a holder of the Bonds or to the Registrar pursuant to the resolution shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under the resolution shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

(11) The Port agrees to reimburse the Bond Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Bond Insurer in connection with (A) the enforcement by the Bond Insurer of the Port's obligations, or the preservation or defense of any rights of the Bond Insurer, under this resolution, and (B) any consent, amendment, waiver or other action with respect to the resolution or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Bond Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

(12) The Port agrees not to use the Bond Insurer's name in any published document including, without limitation, a press release or presentation, announcement or forum without Bond Insurer's prior consent. *provided* that the Port may use Bond Insurer's name in any general or particular factual statement to the effect that Bond Insurer insures certain outstanding Port bonds. In the event that the Port is advised by counsel that it has a legal obligation to disclose Bond Insurer's name in any press release, public announcement or other published document, the Port shall provide Bond Insurer with at least three (3) business days' prior written notice of its intent to use Bond Insurer's name together with a copy of the proposed use of Bond Insurer's name and of any description of a transaction with Bond Insurer and shall obtain Bond Insurer's prior consent as to the form and substance of the proposed use of Bond Insurer's name and any such description. The foregoing shall not apply to any request for public records duly

received by the Port pursuant to RCW Ch. 42.17, and the Port shall not be obligated to notify Bond Insurer of its intent to comply with any public disclosure request.

(13) Except as otherwise expressly permitted herein, the Port shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds without the prior written consent of the Bond Insurer.

### ARTICLE III.

#### REDEMPTION OF BONDS

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

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

**Section 3.03. Optional Redemption of Bonds in the Daily Mode or the Weekly Mode.** Bonds in the Daily Mode or the Weekly Mode shall be subject to redemption at the

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

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

**Section 3.05. Optional Redemption of Bonds in the Auction Mode.** The Bonds in the Auction Mode are subject to redemption at the option of the Port, on any Auction Interest Payment Date for such Bonds, as a whole or in part in an Authorized Denomination, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

**Section 3.06. Optional Redemption of Bank Bonds.** Bank Bonds shall be subject to redemption at the option of the Port, in whole or in part, in principal amounts that permit the remaining Outstanding Bonds to continue in Authorized Denominations, at any time, upon payment by the Port to the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, of an amount equal to the principal amount of the Bank Bonds held by such Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, to be redeemed, plus any accrued interest paid by the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, as part of the Purchase Price thereof and not theretofore repaid to the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, plus accrued interest thereon at the Bank Interest Rate to the Redemption Date. The schedule for the redemption of any Bank Bonds shall be subject to the approval of the Bond Insurer.

**Section 3.07. Selection of Bonds for Redemption.** Whenever fewer than all the Outstanding Bonds are to be redeemed, the Bonds to be redeemed shall be selected in accordance with the operational arrangements of DTC referred to in the Letter of Representations (or, in the event the Bonds are no longer in book-entry only form, randomly by the Registrar). Notwithstanding the foregoing, Bank Bonds shall in all cases be redeemed first. In no event shall any Bond be Outstanding in a principal amount that is not an Authorized Denomination. A redemption of Bonds shall be a redemption of the whole or of any part of the Bonds, *provided*, that there shall be no partial redemption of less than \$25,000 for any Bonds which are Bonds in the Auction Mode.

**Section 3.08. Notice of Redemption.** For so long as the book entry-system is in effect, notice of redemption shall be provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations, and no additional published or other notice shall be provided by the Port; *provided, however*, that the Credit Facility Issuer, if any, or Liquidity Facility Issuer, if any, shall be given prior written notice of any proposed redemption of Bonds. In any event, notice of redemption shall be given by the Port to the Registrar who shall give notice to DTC at least 50 days prior to the proposed date of redemption during the Long Term Mode and the Fixed Mode and at least 15 days for all other Modes. If any Bonds in the Auction Mode are to be redeemed and those Bonds in the Auction Mode are held by the Securities Depository, the Port shall include in the notice of the call for redemption delivered to the Securities Depository: (i) under an item entitled "Publication Date for Securities Depository Purposes", the Interest Payment Date prior to the redemption date; and (ii) an instruction to the Securities Depository to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the DTC Participants whose Securities

Depository positions will be redeemed and the principal amount of such Auction to be redeemed from each such position (the “Securities Depository Redemption Information”), and (y) notify the Auction Agent immediately after such determination of the positions of the Securities Depository participants in such Bonds in the Auction Mode immediately prior to such Auction settlement, the positions of the Securities Depository participants in such Auction immediately following such Auction settlement, and the Securities Depository Redemption Information. A copy of any notice of redemption shall be simultaneously sent to the Auction Agent.

**Section 3.09. Effect of Redemption.** If notice of redemption has been duly given and, in the case of an optional redemption, money for the payment of the Redemption Price of the Bonds or portions thereof to be redeemed is held by the Registrar, then on the Redemption Date the Bonds or portions thereof so called for redemption shall become payable at the Redemption Price specified in such notice; and from and after the Redemption Date, interest thereon or on portions thereof so called for redemption shall cease to accrue on such Bonds or portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security hereunder and the Owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such Bonds to the Registrar. Notwithstanding the foregoing, any Bank Bonds shall remain Outstanding until the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, is paid all amounts due in connection with such Bonds or portions thereof to be redeemed on the Redemption Date. After payment to the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, of all amounts due on Bank Bonds such Credit Facility Issuer or Liquidity Facility Issuer shall surrender such Bonds to the Registrar for cancellation.

**Section 3.10. Purchase of Bonds In Lieu of Proceedings for Redemption.** The Port reserves the right to purchase any of the Bonds offered to it by a Beneficial Owner or the Registered Owner at any time at any price acceptable to the Port. Bonds so purchased by the Port will be retired and will not be remarketed.

#### ARTICLE IV.

#### PURCHASE OF BONDS

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

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

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

(2) Bonds in the Weekly Mode may be tendered for purchase upon delivery of a notice of tender by Electronic Means to the Registrar and the Remarketing Agent, directly or through the Beneficial Owner's DTC Participant, not later than 4:00 p.m., New York City time, on a Business Day not less than seven days prior to the Purchase Date.

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

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

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

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

(c) *Bonds to be Remarketed.* Not later than 11:00 a.m., New York City time, on the Business Day immediately following the date of receipt of any notice of tender (or

immediately upon such receipt, in the case of Bonds in the Daily Mode), the Registrar shall notify, by telephone, promptly confirmed in writing, the Port and the Remarketing Agent of the principal amount of Bonds (or portions thereof) to be purchased and the Purchase Date.

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

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

(b) *Conversions between Modes and on First Day of each Interest Period in Long Term Mode.* Bonds to be converted from one Mode to a different Mode (except for conversions between the Daily and Weekly Modes) and Bonds in the Long Term Mode are subject to mandatory tender for purchase on the Mode Change Date for such Bonds and on the first day of each succeeding Interest Period, respectively, at a Purchase Price equal to the principal amount thereof plus accrued interest, if any; *provided*, however, that in the case of any failed Mode Change of Bonds in the Auction Mode, no mandatory purchase with respect to such

Bonds shall apply. Owners shall be required to tender their Bonds to the Registrar at or prior to 11:00 a.m., New York City time, on the Mandatory Purchase Date for purchase.

(c) *Mandatory Purchase Upon Substitution or Expiration of Credit Facility.*

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

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

(ii) in the case of an Expiration Tender Date, that (A) the Credit Facility or Liquidity Facility is scheduled to expire (specifying the Expiration Date); (B) as of the notice date, the Port has not arranged for the extension of the Credit Facility or Liquidity Facility or an alternate credit facility and/or an alternate liquidity facility has not been delivered; and (C) the

Bonds are required to be tendered for purchase (specifying the Expiration Tender Date and the procedures for tender, and stating that if not so tendered Bonds will be deemed tendered and interest thereon will cease to accrue on the Expiration Tender Date).

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

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

(d) *Mandatory Purchase Upon Event of Default Under Reimbursement Agreement.* Bonds in a Daily Mode, Weekly Mode, Commercial Paper Mode or Long Term Mode (but not Bonds in the Auction Mode) that are payable from a Credit Facility or Liquidity Facility are subject to mandatory purchase at the Purchase Price on the Default Tender Date. Written notice shall be given by the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, to the Registrar who shall, immediately upon receipt thereof, transmit a copy of such notice to all Notice Parties. No later than the third day next preceding the Mandatory Purchase Date, the Registrar shall give notice to the Registered Owners stating that the Bonds are required to be tendered for purchase (specifying the Mandatory Purchase Date and the procedures for tender and stating that if not so tendered Bonds shall be deemed tendered and interest thereon shall cease to accrue on the Mandatory Purchase Date). The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed shall be conclusively presumed

to have been given, whether or not actually received by any owner. Payment of the Purchase Price shall be made by wire transfer to accounts designated by the Registered Owners in immediately available funds by the Registrar by the close of business on the Mandatory Purchase Date.

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

**Section 4.03. Remarketing and Purchase.**

(a) *Remarketing of Tendered Bonds.* Unless otherwise instructed by the Port the Remarketing Agent shall use best efforts to remarket Bonds or portions thereof for which notice of tender has been received pursuant to Section 4.01(b) or which are subject to mandatory tender on a Mandatory Purchase Date (other than a Default Tender Date). The terms of any remarketing by the Remarketing Agent shall provide for the payment of the full Purchase Price for tendered Bonds by the purchaser to the appropriate DTC Participant in immediately available funds at or before 12:00 noon, New York City time, on the Purchase Date. The Remarketing Agent shall not remarket any Bonds to the Port. The Remarketing Agent shall not sell any Bond as to which a notice of Mode Change Date or notice of redemption has been given by the Registrar unless the Remarketing Agent has notified the Person to whom the sale is made of the conversion or redemption. Bank Bonds may not be remarketed (delivered to new purchasers) unless the Registrar has received written confirmation by Electronic Means from the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, to the effect that the “Principal Portion” and the “Interest Portion” as defined in the Liquidity Facility or Credit Facility have been fully reinsured with respect to such Bank Bonds or will be upon the remarketing of the Bonds.

(b) *Purchase of Tendered Bonds.*

(1) Notice. Not later than 12:00 p.m., New York City time, on any Purchase Date or Mandatory Purchase Date, as the case may be, the Remarketing Agent shall give notice by telephone or Electronic Means to the Registrar of the principal amount of tendered Bonds that were remarketed and those that were not remarketed, if any. Not later than 12:15 p.m., New York City time, on the Purchase Date or the Mandatory Purchase Date, the

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

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

Purchase Date. If money is received by the Registrar as remarketing proceeds or (in the case of tendered Bonds payable pursuant a direct pay Credit Facility or Liquidity Facility) from such Credit Facility Issuer or Liquidity Facility Issuer, any such amounts shall be deposited by the Registrar in the Purchase Account to be used solely for the payment of the Purchase Price of tendered Bonds and shall not be commingled with other funds held by the Registrar.

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

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

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

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

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

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

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

interest owed to the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, at the Bank Interest Rate).

Notwithstanding anything to the contrary in this subsection, if and for so long as the Bonds are to be registered in accordance with Section 2.02 hereof, the registration requirements under this subsection (v) shall be deemed satisfied if Bank Bonds are (1) registered in the name of the Securities Depository or its nominee in accordance with Section 2.05 hereof, and (2)(i) credited on the books of the Securities Depository to the account of the Registrar (or its nominee) and further credited on the books of the Registrar (or such nominee) to the account of the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be (or its designee) or (ii) credited on the books of the Securities Depository to the account of the Credit Facility Issuer or the Liquidity Facility Issuer or their respective nominee.

All Bonds to be purchased on any date shall be required to be delivered to the principal office of the Registrar at or before (A) 1:00 p.m., New York City time, on the purchase date in the case of Bonds accruing interest at Commercial Paper or Daily Rates; or (B) 12:00 noon, New York City time, on the purchase date in the case of Bonds accruing interest at Weekly Rates or Long-Term Rates. If the Owner of any Bond (or portion thereof) in certificated form that is subject to optional or mandatory purchase pursuant to this Article fails to deliver such Bond to the Registrar for purchase on the purchase date, and if the Registrar is in receipt of the Purchase Price therefor, such Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided above. Any Owner who fails to deliver such Bond for purchase shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Bond to the Registrar. The Registrar shall, as to

any tendered Bonds which have not been delivered to it (i) promptly notify the Remarketing Agent of such nondelivery and (ii) place a stop transfer against an appropriate amount of Bonds registered in the name of such Registered Owner(s) on the bond registration books. The Registrar shall place such stop(s) commencing with the lowest serial number Bond registered in the name of such Registered Owner(s) until stop transfers have been placed against an appropriate amount of Bonds until the appropriate tendered Bonds are delivered to the Registrar. Upon such delivery, the Registrar shall make any necessary adjustments to the bond registration books.

**Section 4.05. Credit Facility.** During any Mode (other than the Fixed Mode or Auction Mode), while a direct pay Credit Facility or Liquidity Facility is in effect with respect to the Bonds, on each Purchase Date or Mandatory Purchase Date, the Registrar, by telecopied demand given before 12:30 p.m., New York time, shall notify the direct pay Credit Facility Issuer or Liquidity Facility Issuer of its need for funds to pay the interest (not including any interest owed to such Credit Facility Issuer or Liquidity Facility Issuer at the Bank Interest Rate) on and/or principal of and/or the Purchase Price of tendered Bonds (payable pursuant to such direct pay Credit Facility (Liquidity Facility) in accordance with the terms of the Credit Facility or Liquidity Facility so as to receive thereunder by 2:30 p.m., New York City time, on such date an amount, in immediately available funds, sufficient (together with the proceeds of the remarketing of Bonds (received and available to the Registrar prior to the time of drawing or demand under the Credit Facility or Liquidity Facility, as the case may be) in connection with a purchase drawing if the Bonds are then being remarketed) on such date, to pay the Purchase Price in connection therewith. The Registrar shall deposit amounts received from the Credit Facility Issuer or the Liquidity Facility Issuer to pay the Purchase Price of tendered Bonds (payable

pursuant to such Credit Facility or Liquidity Facility) in the Bank Purchase Subaccount pursuant to Section 4.04 hereof. During any Mode (other than the Fixed Mode or Auction Mode), while a direct pay Credit Facility is in effect, on the Business Day prior to any Interest Payment Date and/or the Business Day prior to any other date on which a payment of principal with respect to the Bonds is due, whether by maturity or redemption in advance of maturity, as the case may be, the Registrar, by telecopied demand given before 3:00 p.m., New York time, shall notify the Credit Facility Issuer of its need for funds to pay interest on and/or principal of the Bonds that are secured by such Credit Facility in accordance with the terms of the Credit Facility so as to receive thereunder by 1:00 p.m. on such Interest Payment Date or date on which a payment of principal with respect to the Bonds is due an amount, in immediately available funds, sufficient to pay such interest (not including interest owed to the Credit Facility Issuer or Liquidity Facility Issuer at the Bank Interest Rate) and/or principal. The Registrar shall hold such funds separate and apart in trust for the benefit of Registered Owners, and such funds shall not be commingled with any other funds for any other purpose. No drawing on the Credit Facility may be made for Bank Bonds, or Bonds held by the Port.

## ARTICLE V.

### PAYMENT OF BONDS; DISPOSITION OF BOND PROCEEDS

#### Section 5.01. Payment of Bonds.

(a) *Subordinate Lien Bond Fund.* A special fund of the Port designated the “Port of Seattle Subordinate Lien Revenue Bond Fund, Series 2003” (the “Subordinate Lien Bond Fund”) is hereby authorized to be created in the office of the Treasurer of the Port for the purpose of paying and securing the payment of the Bonds. The Subordinate Lien Bond Fund

shall be held separate and apart from all other funds and accounts of the Port and shall be a trust fund for the owners of the Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

(c) *Lien on Available Revenue.* The Bonds and the lien thereof created and established hereunder shall be obligations only of the Subordinate Lien Bond Fund, herein authorized to be created. The Bonds shall be payable solely from and secured solely by Available Revenue, and by drawings under the Credit Facility; *provided, however*, that any series

of Future Subordinate Lien Parity Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that series of Future Subordinate Lien Parity Bonds.

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

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

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

(d) *Reimbursement Bonds.* The obligations of the Port relating to the Bonds under the Reimbursement Agreement, if any, will be evidenced by a “Reimbursement Bond”. Each “Reimbursement Bond” is also secured by the Subordinate Lien Bond Fund (but not by moneys

in the Purchase Account or by moneys drawn under a Credit Facility or Liquidity Facility), all in accordance with the Reimbursement Agreement.

**Section 5.02. Use of Moneys in Subordinate Lien Bond Funds and Moneys Drawn Under Credit Facility.** Money in the Subordinate Lien Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on, the Bonds as the same shall become due and payable at maturity, upon redemption or otherwise, and the lien of the Owners of Bonds on such moneys on deposit in the Subordinate Lien Bond Fund and moneys received from a draw on the Credit Facility shall be first and prior to the lien of any other person thereon. Funds for the payment of the principal of, premium, if any, and interest on the Bonds shall be derived from the following sources in the order of priority indicated:

- (a) moneys drawn by the Registrar under a direct pay Credit Facility for the payment of the principal of or interest on the Bonds that are secured by such Credit Facility; and
- (b) payments made by the Port pursuant to Section 5.01 (b) hereof.

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

Facility shall be reduced to the extent of any drawings thereunder and reinstated in accordance with the terms thereof.

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

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

(a) *Permitted Prior Lien Bonds.* As provided in the Master Resolution, the Port reserves the right to issue one or more series of First Lien Bonds by means of a Series Resolution (as such term is defined and required under the 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, the Port also reserves the right to issue obligations payable from Net Revenue available after payment of the amounts described in paragraph First through Third of Section 5.01(b) of this resolution, and having lien(s) on such Net Revenues prior to the lien of the Bonds and the Outstanding Subordinate Lien Bonds. Such obligations shall be subject to such terms, conditions and covenants set forth in their respective authorizing resolutions.

(b) *Future Subordinate Lien Parity Bonds - General Provisions.* The Port hereby further covenants and agrees with the Owners of each of the Bonds for as long as any of the same remain Outstanding that it will not issue any Future Subordinate Lien Parity Bonds that constitute a charge and lien upon the Available Revenue equal to the lien thereon of the Bonds, unless, except for Future Subordinate Lien Parity Bonds issued for refunding purposes pursuant to subsection (c) below, (i) for as long as the Bonds or the Outstanding Subordinate Lien Bonds

remain Outstanding at the time of the issuance of such Future Subordinate Lien Parity Bonds the Port is not in default under this resolution, and (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 bonds, and (ii) for the following two fiscal years.

(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.

A certificate may be delivered by the Port without a Consultant if the Available Revenue, based upon the financial statements of the Port for the Base Period, corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor's office of the State of Washington, or any successor to the duties thereof, or by an independent certified public accounting firm for the Base Period, is sufficient such that the Subordinate Lien Parity Test will be fulfilled commencing with the first full fiscal year following the earlier of (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 for the following two fiscal years. Except as provided in the foregoing paragraph, compliance with the coverage requirements of this Section 5.04 shall be demonstrated conclusively by a certificate of a Consultant.

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

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

(1) Future Subordinate Lien Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) Subordinate Lien Parity Bonds including

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

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

(3) Future Subordinate Lien Parity Bonds may be issued for the purpose of refunding (including by purchase) at any time within one year prior to maturity any bonds of the Port having a lien on Available Revenue on a parity with or prior to the lien of the Bonds, provided that such bonds are Permitted Prior Lien Indebtedness or Subordinate Lien

Parity Bonds, for the payment of which sufficient Available Revenue or other money are not available, without the requirement of a certificate pursuant to this section.

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

**Section 5.05. Covenants.** The Port hereby makes the following covenants and agrees with the owners and holders of each of the Bonds for as long as any of the same remain Outstanding.

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

or to be made from refunding debt and capitalized debt service or other money irrevocably set aside for such payment.

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

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

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

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

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

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

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

Port for such fiscal year and shall contain a statement as of the end of such year showing the status of all funds and accounts of the Port pertaining to the operation of its business and the status of all of the funds and accounts created by various resolutions of the Commission authorizing the issuance of outstanding bonds and other obligations payable from the Gross Revenue. Copies of such statements shall be placed on file in the main office of the Port and shall be open to inspection at any reasonable time by the owners of Subordinate Lien Bonds, and the Bond Insurer.

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

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

(a) *General Parity Tests.* The Derivative Product must satisfy the requirements for Future Subordinate Lien Parity Bonds described in Section 5.04 of this resolution. In addition, any Derivative Product listed or described in whole or in part on Exhibit A to the Fee and Derivative Products Agreement shall require the prior written consent of the Bond Insurer. The Designated Port Representative or the Bond Insurer may propose amendments to such Exhibit A from time to time, which amendments shall be effective only with the prior written consent of the Designated Port Representative and the Bond Insurer.

(b) *Opinion of Bond Counsel.* The Port shall obtain an opinion of its Bond Counsel on the due authorization and execution of such Derivative Product opining that the action proposed to be taken by the Port is authorized or permitted by this resolution and by Washington law or the applicable provisions of any resolution authorizing Future Subordinate

Lien Parity Bonds and is not prohibited by the resolutions that authorized the issuance of the Outstanding Subordinate Lien Bonds, amended or supplemented and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Subordinate Lien Parity Bonds then outstanding. The Bond Insurer shall be an addressee of such opinion of Bond Counsel, or a reliance letter shall be provided to the Bond Insurer.

(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. The Port shall provide an annual report or certificate to the Bond Insurer setting forth the outstanding Derivative Products to which the Port is a party and other information regarding such Derivative Products, in form satisfactory to the Bond Insurer.

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

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

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

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

Except as may be otherwise provided in the resolution establishing a Derivative Product Account, additional Subordinate Lien Parity Bonds may be delivered in connection with any

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

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

The proceeds of the Bonds shall be applied as follows:

- (1) A sum specified by the Designated Port Representative to the Treasurer prior to the closing and delivery of the Bonds shall be deposited in the Capitalized Interest Account (hereinafter authorized to be created); and
- (2) All or a portion of the Bond Insurance Policy premium shall be paid to the Bond Insurer; and
- (3) The remainder of the proceeds of the Bonds shall be paid into the Construction Fund (hereinafter authorized to be created).

The Treasurer of the Port is hereby authorized and directed to create a special account, the "Port of Seattle 2003 Capitalized Interest Account" (the "Capitalized Interest Account") for the purpose of holding Bond proceeds and interest earnings thereon to be used and disbursed to pay interest expense on the Bonds pending substantial completion of the Projects authorized in Section 2.01 of this resolution.

The Treasurer of the Port is hereby authorized and directed to create a special fund or account of the Port, designated as the "Port of Seattle Construction Fund, 2003" (the "Construction Fund"). The money on deposit in the Construction Fund shall be utilized to pay or reimburse the Port for the Costs of Construction of the Projects and costs incidental thereto, and

costs incurred in connection with the issuance and sale of the Bonds, to the extent designated by the Port.

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

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

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

**Section 5.08. Tax Covenants.**

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

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

**Section 5.09. Defaults and Remedies.** The Port hereby finds and determines that the failure or refusal of the Port or any of its officers to perform the covenants and obligations of this

resolution will endanger the operation of the Facilities and the application of Gross Revenue and such other money, funds and securities to the purposes herein set forth. Any one or more of the following shall constitute a Default under this resolution:

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

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

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

In determining whether a payment default has occurred or whether a payment on the Bonds has been made under this resolution no effect shall be given to payments made under the Bond Insurance Policy. Upon the occurrence and continuation of a Default, the Bond Insurer shall be entitled to exercise, on behalf of the owners of Bonds insured by the Bond Insurer, any of the remedies provided under this section and, for as long as the Bond Insurer is not in default of its obligations under the Bond Insurance Policy, the Bond Insurer shall be the only party entitled to exercise the remedies provided under this section. There may not be any acceleration of the Bonds.

Upon the occurrence of a Default and so long as such Default shall not have been remedied and subject to the foregoing paragraph, a Bondowners' Trustee may be appointed for the Bonds by the owners of 51% in principal amount of the Outstanding Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their

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

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

A Bondowners' Trustee may upon the happening of a Default and during the continuation thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Bondowners to collect any amounts due and owing the Port, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this resolution.

Any action, suit or other proceedings instituted by a Bondowners' Trustee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Bonds or the provisions of this resolution may be enforced by a Bondowners' Trustee without the possession of any of said Bonds, and without the production of the same at

any trial or proceedings relating thereto except where otherwise required by law, and the respective owners of said Bonds by taking and holding the same, shall be conclusively deemed irrevocably to appoint a Bondowners' Trustee the true and lawful trustee to the respective owners of said Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums that become distributable on account of said Bonds; to execute any paper or documents for the receipt of such moneys, and to do all acts with respect thereto that the Bondowner himself might have done in person. Nothing herein contained shall be deemed to authorize or empower any Bondowners' Trustee to consent to accept or adopt, on behalf of any owner of said Bonds, any plan of reorganization or adjustment affecting the said Bonds or any right of any owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the Port shall be a party.

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

specified, or affect or impair the right of action, which is absolute and unconditional, of such owners to enforce such payments.

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

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

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

First: The Port is not and will not be in default at the time of issuance of the Bonds of its obligations under Resolution No. 3238, as amended, Resolution No. 3276, as amended, Resolution No. 3354, as amended and Resolution No. 3456, as amended; and

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

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

## ARTICLE V.

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

**Section 01 Appointment of Remarketing Agent.** At all times when Bonds are in the Weekly Mode, Daily Mode, Commercial Paper Mode or Long Term Mode there shall be a Remarketing Agent hereunder. The Remarketing Agent shall remarket such Weekly Mode, Daily Mode, Commercial Paper Mode and Long Term Mode Bonds pursuant to this resolution, and keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Port and the Registrar at all reasonable times.

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

After conversion to the Fixed Mode of the Bonds, there shall be no Remarketing Agent for the Bonds, and all references herein to the Remarketing Agent, Auction Agent, Market Agent and Broker-Dealer shall thereafter be of no effect.

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

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

**Section 6.04. Sale of Bonds.** The Bonds shall be sold by negotiated sale to the Underwriters, under the terms and conditions thereof as provided in the Bond Purchase Contract and in this resolution. The Designated Port Representative is hereby authorized to negotiate and execute a Bond Purchase Contract on terms consistent with this resolution and substantially in the form presented to this Commission with only such changes he/she deems reasonable. The

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

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

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

**Section 6.06. Approval of Financing Documents.** The Commission finds that entering into the Auction Agent Agreement, Market Agent Agreement, and Broker-Dealer Agreement is in the Port's best interest. The Commission therefore authorizes the execution of those documents and of the Official Statement by the Designated Port Representative (with such changes to those documents as may be approved by the Designated Port Representative and are consistent with this resolution) and the performance by the Port of its obligations thereunder.

**Section 6.07. Specific Authorizations.** The Designated Port Representative may, in his or her discretion, without further action by the Commission, (a) effect changes in Mode of the Bonds from one Mode to another, and, in the event of a failure to establish a New Mode, to effect a change to the Commercial Paper Mode as provided in this resolution, (b) negotiate terms of any Credit Facility or Liquidity Facility and any extensions of the Expiration Date, and execute the applicable Reimbursement Agreement or other necessary documents in this regard,

and (c) effect such Mode Changes, and execute documents necessary to effect such changes and (d) execute a Continuing Disclosure Certificate providing for an undertaking by the Port to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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

## ARTICLE VII.

### MISCELLANEOUS

**Section 7.01. Contract; Severability.** The covenants in this resolution shall constitute a contract for the benefit of the Registered Owners and the Bond Insurer, and the Registered Owners and the Bond Insurer shall be entitled to enforce the provisions hereof in accordance with its terms. . If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the Port shall be declared by any court of competent jurisdiction and

final appeal (if any appeal be taken) to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

Notwithstanding the foregoing, the rights granted to the Bond Insurer to give consents or approvals or to direct remedies hereunder shall not be in effect during any period in which the Bond Insurer is then in default of its obligation under the terms of the Bond Insurance Policy to pay a claim duly presented; *provided*, that all rights of the Bond Insurer shall be restored upon the cure of any such default. The Bond Insurer may exercise rights as a Registered Owner to the extent it is the Registered Owner of any Bond.

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

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

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

If to the Port:

The Port:

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

The Broker-Dealer

CITIGROUP GLOBAL MARKETS INC.  
390 Greenwich Street, 5<sup>th</sup> Floor  
New York, NY 10013  
Attention: Auction Rate Trading  
Telephone: (212) 723-7087  
Facsimile (212) 723-6809

The Auction Agent

THE BANK OF NEW YORK  
100 Church Street, 8th Floor  
Corporate Trust, Dealing & Trading Dept.  
New York, NY 10286  
Telephone: (212) 437-2861  
Facsimile: (212) 437-6155

The Market Agent

CITIGROUP GLOBAL MARKETS INC.  
390 Greenwich Street, 5<sup>th</sup> Floor  
New York, NY 10013  
Attention: Auction Rate Trading  
Telephone (212) 723-7082  
Facsimile (212) 723-8809

Registrar:

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

Moody's:

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

S&P:

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

Fitch:

FITCH RATINGS, INC.  
One State Street Plaza, 28<sup>th</sup> Floor  
New York, New York 10004  
Attention: Public Finance

Bond Insurer:

MBIA Insurance Corporation  
113 King Street  
Armonk, New York 10504  
Attention: Insured Portfolio Management - West  
Telephone: (914) 273-4545  
Facsimile: (914) 765-3799

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

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

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

**Section 7.07. Amendments Without Registered Owners Consent.** This resolution may be amended or supplemented from time to time, without the consent of the Registered

Owners by a Supplemental Resolution adopted by the Commission for one or more of the following purposes:

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

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

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

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

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

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

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

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

**Section 7.09. Amendments With Bond Insurer and Credit Facility Issuer's Consent.** Any amendment or supplement to this resolution shall require the prior written consent of the Bond Insurer and any other Credit Facility Issuer.

**Section 7.10. Amendments to Auction Provisions.** Notwithstanding any other provision of this resolution, the provisions of this resolution relating to the Auction Mode, including without limitation the mandatory tender provisions and the definitions of terms used in Section 2.11 (including without limitation the definitions of "AA" Financial Commercial Rate,

Applicable Auction Rate, Applicable Percentage, All-Hold Rate, Auction Maximum Rate and Non-Payment Rate) may be amended by the Port, (i) upon obtaining an opinion of Bond Counsel that the same does not materially adversely affect the rights of the Auction Beneficial Owners or (ii) by obtaining the consent of a majority of the Auction Beneficial Owners and the Bond Insurer. In the case of clause (ii) above, the Port shall direct the Registrar to mail notice of such amendment to the Bond Insurer and the Auction Beneficial Owners of which it has knowledge, and if, on the first Auction Date occurring at least 30 days after the date on which the Registrar mailed such notice, Sufficient Clearing Bids have been received or all of the Auction are subject to Submitted Hold Orders, the proposed amendment shall be deemed to have been consented to by the Auction Beneficial Owners (but Bond Insurer consent shall not be deemed to be given, without the Bond Insurer's express consent). As an additional condition precedent to any such amendment pursuant to the provisions of this Section, there shall be delivered to the Port and the Bond Insurer an opinion of Bond Counsel to the effect that such amendment will not adversely affect the validity of the Bonds in the Auction Mode or the exclusion of interest on any of the Bonds in the Auction Mode from gross income for federal income tax purposes. Written notice of each such amendment shall be delivered by the Port to the other Notice Parties.

## **EXHIBIT A**

The following are the Projects, all or part of the costs of which may be paid from the proceeds of the Bonds:

Runway, apron and safety areas construction, repairs and improvements; airfield infrastructure repairs and upgrades; noise mitigation; Airport Terminal construction, modification, repairs, improvements and expansion including equipment acquisition; hazardous materials abatement; maintenance facility replacement; roadway and ground transportation improvements; planning work relating to future facilities on or near the Airport; property acquisitions for Airport expansion adjacent or near to the Airport and other airport improvements that are functionally related to the airfield, air terminal and Airport property improvements described above at Seattle-Tacoma International Airport, 17801 Pacific Highway South, Seatac, WA 98158, which is owned and operated by the Port.

COPY

**Section 7.11. Immediate Effect.** This resolution shall take effect immediately upon its adoption.

ADOPTED by the Port Commission of the Port of Seattle at a meeting thereof, held this 12th day of August, 2003, 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

*Patricia Davis*  
*Keith R. Miller*  
*[Signature]*

Commissioners

COPY

**EXHIBIT B**

**FORM OF NOTICE OF CURE OF AUCTION PAYMENT DEFAULT**

Port of Seattle  
Subordinate Lien Revenue Bonds, Series 2003C

NOTICE IS HEREBY GIVEN that the Auction Payment Default with respect to the Bonds identified above has been waived or cured. The next Auction Interest Payment Date is \_\_\_\_\_ and the next scheduled Auction Date is \_\_\_\_\_.

Dated: \_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

COPY

# Affidavit of Publication

2126379 / 2

*Suzette -  
This goes w/ copy  
Reso # 3509. 3510  
Thank you  
Jenya K3356*

State of Washington,  
Counties of King and Snohomish,

Daniel S. O'Neal being duly sworn, says that he/she is the Authorized Agent of Seattle Times Company, publisher of The Seattle Times and representing the Seattle Post-Intelligencer, separate newspapers published daily in King and Snohomish Counties, State of Washington: that they are newspapers of general circulation in said Counties and State; that they have been approved as legal newspapers by orders of the Superior Court of King and Snohomish Counties; that the annexed, being a classified advertisement, was published in:

Newspaper	Publication Date
The Seattle Times	06/25/03
The Seattle Post-Intelligencer	06/25/03

And not in a supplement thereof, and is a true copy of the notice as it was printed and/or distributed in the regular and entire issue of said paper or papers during all of said period, and that said newspaper or newspapers were regularly distributed to its subscribers during all of said period.

*Daniel S. O'Neal*

Subscribed and sworn to before me this 2<sup>nd</sup> day of July, 2003

Notary Public in and for the State of Washington residing at Seattle

**NOTICE OF PUBLIC HEARING**

Notice is hereby given that the Commission of the Port of Seattle (the "Port") will hold two open public hearings on Wednesday July 9, 2003 in Conference Room 3C27, Pier 49, 7711 Alaskan Way, Seattle, Washington. The first hearing starting at approximately 9:00 a.m. to consider the issuance by the Port of its Revenue Bonds, Series 2003B in the estimated principal amount of \$600,000,000.00 (the "First Lien Bonds"), and the second hearing starting at approximately 9:10 a.m. to consider the issuance by the Port of its Subordinate Lien Revenue Bonds, Series 2003 (multiple series) in the estimated principal amount of \$300,000,000.00 (the "Subordinate Lien Bonds"). The proceeds of the Senior Lien Bonds and the Subordinate Lien Bonds are expected to be used to provide funds for the following improvements to facilities:

Runway, apron and safety areas construction, repairs and improvements; airfield infrastructure repairs and upgrades; noise mitigation; Airport terminal construction, modification, repairs, improvements and expansion including equipment acquisition; hazardous materials abatement; maintenance facility replacement; roadway and ground transportation improvements; parking deck relating to future facilities on or near the Airport; property acquisitions for Airport expansion adjacent or near to the Airport and other airport improvements that are functionally related to the airfield, air terminal and Airport property improvements described above at Seattle-Tacoma International Airport, 1701 Pacific Highway South, Seattle, WA 98158, which is owned and operated by the Port.

Comments will be taken from all interested parties attending the hearing. Written comments prior to the hearing may be directed to the Port of Seattle, P.O. Box 1209, Seattle, Washington 98111, Attention: Chief Executive Officer.

**W. R. Dinsmore**  
Chief Executive Officer,  
Port of Seattle