

RESOLUTION NO. 3238, as amended

A RESOLUTION of the Port Commission of the Port of Seattle, authorizing the sale of \$108,830,000 Subordinate Lien Revenue Bonds, Series 1997, for the purpose of financing capital improvements within the Port; providing the date, form, terms, maturity, and method of determining interest rates of such series of Bonds; providing the covenants and conditions under which such Bonds will be issued; appointing a remarketing agent; approving the forms of certain documents; and providing for the sale of the Bonds to Lehman Brothers Inc., Goldman, Sachs & Co., PaineWebber Incorporated and Artemis Capital Group, Inc.

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A RESOLUTION of the Port Commission of the Port of Seattle, authorizing the sale of \$108,830,000 Subordinate Lien Revenue Bonds, Series 1997, for the purpose of financing capital improvements within the Port; providing the date, form, terms, maturity, and method of determining interest rates of such series of Bonds; providing the covenants and conditions under which such Bonds will be issued; appointing a remarketing agent; approving the forms of certain documents; and providing for the sale of the Bonds to Lehman Brothers Inc., Goldman, Sachs & Co., PaineWebber Incorporated and Artemis Capital Group, Inc.

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

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

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

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

Resolution Number	Date of Issue		Original Principal Amt.	Currently Outstanding (1/2/97)	Final Maturity Dates
3060	2/1/90	(A)	\$ 66,240,492.05	\$ 40,765,492.05	12/1/14
3060	2/1/90	(B)	59,969,771.35	57,659,771.35	12/1/14
3060	2/1/90	(C)	24,805,000.00	16,675,000.00	12/1/05
3111	4/1/92	(A)	25,450,000.00	21,610,000.00	11/1/17
3111	4/1/92	(B)	115,440,000.00	98,270,000.00	11/1/17
3120	2/1/93	(A)	21,655,000.00	10,940,000.00	4/1/00
3120	2/1/93	(B)	60,750,000.00	35,560,000.00	11/1/01
3160	11/1/93	(C)	21,170,000.00	8,930,000.00	1/1/99
3155	2/1/94	(A)	27,135,000.00	26,140,000.00	12/1/11
3155	2/1/94	(B)	50,000,000.00	50,000,000.00	5/1/19
3155	2/1/94	(C)	51,755,000.00	45,665,000.00	7/1/09
3196	9/1/95	(A)	26,345,000.00	15,860,000.00	2/1/01
3215	4/1/96	(A)	31,820,000.00	31,820,000.00	9/1/21
3215	4/1/96	(B)	74,520,000.00	74,520,000.00	9/1/17

(the "Outstanding First Lien Bonds"); and

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

WHEREAS, pursuant to Resolution No. 3112, as amended, the Port has previously issued and there remain outstanding \$25,775,000 of Subordinate Lien Revenue Bonds, 1992 (the "Outstanding Subordinate Lien Bonds"); and

WHEREAS, said Resolution No. 3112 permits the Port to issue revenue bonds 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 a series 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 and maturity of such 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 such series of subordinate lien revenue bonds be sold pursuant to negotiated sale as herein provided; and

WHEREAS, the Port has caused to be delivered to the Registrar an irrevocable letter of credit issued by Canadian Imperial Bank of Commerce, acting through its New York Agency (the "Bank"), in an amount equal to the principal amount of the bonds herein authorized plus an amount equal to 50 days' interest on the such bonds computed at an assumed maximum rate of 10% per annum and expiring on March 26, 2002 if not earlier terminated or extended in accordance with its terms;

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

ARTICLE I.

DEFINITIONS; INTERPRETATION

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

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

"Aggregate Annual Debt Service" means Annual Debt Service for all Outstanding Subordinate Lien Parity Bonds and all Subordinate Lien Parity Bonds authorized but unissued

under a Subordinate Lien Resolution unless such unissued Subordinate Lien Parity Bonds are authorized to provide permanent financing in connection with the issuance of short-term obligations.

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

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

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

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

"Authorized Denominations" means

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

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

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

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

"Available Revenue" means the Gross Revenue of the Port after providing for the payments set forth in paragraphs First, Second, Third and Fourth of Section 5.01(b) of this resolution.

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

"Bank" means, initially, Canadian Imperial Bank of Commerce, acting through its New York Agency, and thereafter, the issuer of any Alternate Credit Facility.

"Bank Bonds" shall have the meaning assigned to such term in Section 4.04 hereof.

"Bank Interest Rate" means the rate of interest payable with respect to Bank Bonds, which rate of interest shall be determined in accordance with the provisions of the Reimbursement Agreement.

"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 Port out of the 30-month period next preceding the date of issuance of an additional series of Future Subordinate Lien Parity Bonds.

"Beneficial Owner" means the beneficial owner of all or a portion of a Bond while the such Bond is in fully immobilized form.

"Bond" or **"Bonds"** means any of the Port of Seattle, Washington Subordinate Lien Revenue Bonds, Series 1997, authorized to be issued by this resolution and shall include the Reimbursement Bond.

"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.

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

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

"Business Day" means a day (a) other than a day on which banks in Seattle, Washington or New York, New York are authorized or required to remain closed and (b) on which the New York Stock Exchange is not closed.

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

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

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

"Commercial Paper Bond" means any Bond while in a Commercial Paper Mode.

"Commercial Paper Mode" means the Mode in which the Bonds bear interest at rates, determined for terms of 270 days or less, payable on the Business Day following the last day of such terms.

"Commercial Paper Rate" means the per annum interest rate for any 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.

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

"Computation Period" means the period between Computation Dates.

"Construction Fund - 1997" means the account by that name 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.

"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 Facilities" means the Letter of Credit and any one or more Alternate Credit Facilities then in effect.

"Current Mode" means, on any date, the Mode in effect on that date for the Bonds.

"Daily Mode" means the Mode in which the interest rate on the Bonds is determined on a daily basis.

"Daily Rate" means the per annum interest rate on the 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 which are not designated as Balloon Maturity Bonds in the Subordinate Lien Resolution authorizing their issuance, the principal amount thereof equal to the Accreted Value thereof maturing or scheduled for redemption in such period, and the interest payable during such period;

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

(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 such certificate.

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 shall include reimbursement obligations to providers of Credit Facilities to the extent authorized in a Subordinate Lien Resolution.

"Default Tender Date" means the Business Day that is five Business Days after receipt by the Registrar from the Bank or other issuer of an Alternate Credit Facility or Liquidity Facility of notice that an event of default has occurred and requesting a mandatory tender of the Bonds or stating that the Credit Facility or Liquidity Facility will not be reinstated.

"Designated Port Representative" means the Executive Director or the chief financial officer of the Port or such other person as may be directed from time to time by resolution of the Commission.

"Discharge" occurs on the date that all amounts due under the terms of a 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.

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

"Expiration Date" means the stated expiration date of the Letter of Credit, as such stated expiration date may be extended in accordance with the terms of the Letter of Credit.

"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 which contribute in some measure to its Gross Revenue.

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

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

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

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

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

"Fixed Rate" means a per annum interest rate on any Bond to the maturity thereof determined pursuant to Section 2.09.

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

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

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

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

"Interest Accrual Period" means the period during which a Bond accrues interest payable on any Interest Payment Date which shall commence on the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Mode, from 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 the Reimbursement Bond shall be as specified in the Reimbursement Agreement.

"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 a 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;
- (d) with respect to Bonds in the Long Term Mode (i) the first Business Day of each March and September prior to the Purchase Date and (ii) the Purchase Date;
- (e) with respect to Bonds in the Fixed Mode, each March 1 and September 1;
- (f) with respect to Bank Bonds, as to that portion of the Purchase Price of the Bond paid by the Bank and constituting accrued interest, the date of purchase and thereafter, unless the Reimbursement Agreement is amended or replaced and thereafter specifies different payment dates, the first Business Day of each March, June, September and December, the applicable Maturity Date, the date of any optional redemption of a Bank Bonds and the date of any remarketing of those Bank Bonds;
- (g) any Mode Change Date;
- (h) any Mandatory Purchase Date;
- (i) the Maturity Date (but only with respect to the particular Bonds maturing on that date) and
- (j) with respect to the Reimbursement Bond, the dates specified therefor in the Reimbursement Agreement.

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

- (a) with respect to a 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 the Weekly Mode, initially, shall be from and including the first day that the Bonds become subject to the Weekly Mode to and including the following Tuesday and thereafter commencing on each Wednesday to and including Tuesday of the following week *provided that* in the case of a conversion from a Weekly Mode to a different Mode, the last Interest Period prior to conversion shall end on the last day immediately preceding the Mode Change Date.
- (c) with respect to the Long Term Mode, initially, shall be a period of one year or more from and including the Mode Change Date to, but not including, the Purchase Date established pursuant to Section 2.09, and thereafter shall be the period of one year or more from and including such Purchase Date to but not including the next Purchase Date or Maturity Date established by the Remarketing Agent pursuant to Section 2.09;

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

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

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

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

"Interest Portion" means the dollar amount available 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 the Bonds.

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

"Investment Company" means any investment company registered under the Investment Company Act of 1940, as amended.

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

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

"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.

"Long Term Bond" means any Bond while in the Long Term Mode.

"Long Term Mode" means the Mode in which the interest rate on the Bonds 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 a Bond on and after a Mode Change Date for the such Bond 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 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),

(c) any Substitution Tender Date,

- (d) any Expiration Tender Date, and
- (e) any Default Tender Date.

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

"Maturity Date" means September 1, 2022, and upon a change to the Long Term Mode or Fixed Mode, any Serial Maturity Date or Term Maturity Date 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) the maximum interest rate permitted by applicable law and (b) the per annum interest rate used under the Credit Facility or any Liquidity Facility, which initially shall be 10%.

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

"Mode Change Date" means the date one Mode terminates and another Mode begins.

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

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

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

"New Mode" means the Mode to which the Bonds are to be changed in accordance with Section 2.10.

"Notice Parties" means the Port, the Remarketing Agent, the Registrar and the Bank.

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

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

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

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

- (a) Bonds 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 shall have been executed by the Port and delivered by the Registrar hereunder.

Notwithstanding the foregoing, Bank Bonds and the Reimbursement Bond shall remain outstanding until the Bank is paid all amounts due on such Bonds.

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

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

"Payments" mean:

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

"Permitted Prior Lien Bonds" means and includes the First Lien Bonds and any other revenue bonds that may be issued in the future at the discretion of the Port payable from Net Revenues available after the payment of the amounts described in paragraphs First, Second, and

Third of Section 5.01(b) of this resolution, all as permitted in Section 5.04(a) of this resolution. All Permitted Prior Lien Bonds shall have liens on Net Revenues superior to the lien thereon of the Subordinate Lien Parity Bonds.

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

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

"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.

"PSA Municipal Index" means the Public Securities Association Municipal 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 Public Securities Association; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then "PSA Municipal Index" shall mean such other reasonably comparable index selected by the Designated Port Representative.

"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, plus, in the case of any Bond purchased on a Substitution Tender Date, Default Tender Date or Expiration Tender Date, accrued interest, if any, to the Mandatory Purchase Date.

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

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

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

(c) in the case of the initial conversion to the Weekly Mode, shall be no later than 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) 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.

"Receipts" mean:

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

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

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

"Record Date" means:

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

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

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

"Redemption Price" means an amount equal to the principal of and premium, if any, and accrued interest, if any, on the Bonds to be paid on the Redemption Date.

"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 either Seattle, Washington, or New York, New York, for the purposes of (a) registering and authenticating the Bonds, (b) maintaining the Bond Register, (c) effecting transfer of ownership of the Bonds, (d) paying interest on and principal of the Bonds and (e) drawing any amounts under any Credit Facility or Liquidity Facility for the purpose of paying the Purchase Price of any Bonds.

"Reimbursement Agreement" means the Reimbursement Agreement dated as of March 1, 1997 between the Port and the Bank and any other similar agreement entered into in connection with the issuance of any Alternate Credit Facility or Liquidity Facility and any and all modifications, alterations, and amendments and supplements thereto.

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

"Remarketing Agent" means Lehman Brothers Inc. or any successor thereto 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.

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

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

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

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

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

"S&P" shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody's or Fitch) selected by the Designated Port Representative.

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

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

"Subordinate Lien Bond Fund" means the Port of Seattle Subordinate Lien Bond Fund, Series 1997, 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 two times Aggregate Annual Debt Service with respect to all Subordinate Lien Parity Bonds then Outstanding.

"Subordinate Lien Rate Covenant" has the meaning given such term in Section 5.05(a) of this resolution.

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

"Substitution Date" means the date on which an Alternate Credit Facility or a Liquidity Facility or a combination thereof is to be substituted for an existing Credit Facility.

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

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

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

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

"Underwriters" means Lehman Brothers Inc., Goldman, Sachs & Co., PaineWebber Incorporated and Artemis Capital Group, Inc.

"Weekly Mode" means the Mode in which the Interest Rate on the Bonds is determined on a weekly basis.

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

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

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

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

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

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

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

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

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

ARTICLE II.

ISSUANCE, CONDITIONS AND TERMS OF BONDS

Section 2.01. Plan of Finance.

The Port intends to undertake improvements to its marine terminal facilities at the locations described on Exhibit A attached hereto and incorporated by this reference herein (the "Projects"). The total cost of the Projects is hereby estimated to be \$104,072,000. 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 principal amount of \$108,830,000 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.

(b) *Series Designation; Principal Amounts; Dating.* The Bonds (other than the Reimbursement Bond) shall be designated "Port of Seattle, Washington Subordinate Lien Revenue Bonds Series 1997". The Bonds shall be dated as of the Closing Date, 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, such 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 (other than the Reimbursement Bond) initially shall bear interest in the Weekly Mode. Bonds (other than the Reimbursement Bond and any Bank Bonds) in any Mode, other than a Fixed Mode, may be changed to any other Mode at the times and in the manner provided herein. On the Mode Change Date, the Current Mode for the Bonds (other than the Reimbursement Bond) 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 (other than the Reimbursement Bond) 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 either from or to a Long-Term Mode or to a Fixed Mode, the Port shall obtain a Favorable Opinion of Bond Counsel with respect to such change in Mode.

(d) *Determinations Conclusive.* The interest rates determined by the Remarketing Agent in accordance herewith and with the Remarketing Agreement and contained in the records of the Registrar, and the determination by the Remarketing Agent of Interest Periods for Commercial Paper Bonds in accordance herewith, absent manifest error, shall be conclusive and binding upon the Port, the Remarketing Agent, the Registrar, the Bank and the Registered Owners and Beneficial Owners of the Bonds.

(e) *Maximum Rate.* No Bonds other than Bank Bonds and the Reimbursement Bond shall bear interest at an interest rate higher than the Maximum Rate

Section 2.03. Execution. The Bonds shall be executed by the manual or facsimile signatures of the President and Secretary of the Commission, and the official seal of the Port shall

be reproduced thereon. The validity of any 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. The provisions of this Section 2.05 shall not be applicable to the Reimbursement Bond.

(a) *Registrar/Bond Register.* The Bonds shall be issued only in registered form as to both principal and interest. The Port hereby requests that the Treasurer of the Port appoint the fiscal agency of the State of Washington as the Registrar for the 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 the Registrar, the Port, the Remarketing Agent and the Bank and a successor Registrar appointed by the Treasurer of the Port. Any successor Registrar must be a commercial bank with trust powers or trust company. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder, and the Credit Facility shall have been transferred, together with all other funds then held by the Registrar, to the successor Registrar. The Registrar is authorized, on behalf of the Port, to authenticate and deliver 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.* In order 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.* The Port and the Registrar, each in its discretion, may deem and treat the Registered Owner as the absolute owner thereof for all purposes, and neither the Port nor the Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in this section, but such registration may be transferred 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. The Port and the Registrar shall be entitled to treat DTC 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, legal or otherwise, to any other party including DTC or its successor (or substitute depository or its successor), except to the Registered Owners.

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

(1) *Bonds Registered in the Name Designated by DTC.* The Bonds shall be registered initially in the name of "CEDE & Co.," as nominee 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 depository appointed by the Board pursuant to subsection (2) below or such substitute depository's successor; or (iii) to any person as provided in paragraph (4) below.

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

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

(4) *Termination of Book-Entry System.* In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the Commission determines that it is in the best interest of the beneficial owners of the 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 Commission shall deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any Authorized Denomination. Upon receipt of all then Outstanding Bonds by the Registrar together with a written request on behalf of the Commission 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.

(i) *Transfer or Exchange of Registered Ownership.* Change in Denominations. If the Bonds are no longer held in immobilized, book-entry form, the registered ownership of any Bond may be transferred or 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, Maturity Date and Interest Rate and for the same aggregate principal amount in any Authorized Denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, Maturity Date and Interest Rate, in any Authorized Denomination. Other than in connection with an optional or mandatory tender for purchase, the Registrar shall not be obligated to transfer or exchange any Bond during the five-day period prior to the selection of Bonds for redemption or the Maturity Date or following any publication 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. In case any Bond shall be 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 Commission. 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 Seattle, Washington or 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, commencing with May 7, 1997, 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.

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

(3) If the Bonds are no longer held by a Securities Depository, during a Long Term Mode or a Fixed Mode, the 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 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 on the Bonds accruing interest during the Commercial Paper Mode, Daily Mode or Weekly Mode shall be paid to the Registered Owners entitled thereto in immediately available funds by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registrar as directed by the Registered Owner in writing or as otherwise directed in writing by the Registered Owner prior to the time of payment with respect to Bonds during a Commercial Paper Mode or five Business Days prior to the Interest Payment Date with respect to Bonds during a Daily Mode or Weekly Mode.

(4) In the case of Bank Bonds and the Reimbursement Bond, interest shall accrue and be payable in accordance with Section 2.11 hereof and the Reimbursement Agreement and principal and interest shall be paid by wire transfer of immediately available funds to an account in the United States specified in the Reimbursement Agreement or as otherwise specified by the Bank 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 Bank, 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.

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 Bank shall be entitled to and, where necessary, deemed to have been assigned all rights and privileges as if the Bank were the Registered Owner of those

Bank Bonds, except to the extent such rights and privileges conflict with the Reimbursement Agreement, in which case the terms of the Reimbursement Agreement shall prevail.

Section 2.09. Determination of Interest Rates.

(a) *Determination by Remarketing Agent.*

(1) The Interest Rate for Bonds (other than Commercial Paper Bonds, the Reimbursement Bond and Bank Bonds) shall be determined by the Remarketing Agent as the rate of interest which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value as of the date of determination equal to the principal amount thereof (plus accrued interest), taking into account prevailing market conditions, and with respect to the Commercial Paper Mode, the Remarketing Agent shall determine the Commercial Paper Rate and the Interest Period for each Bond (which shall not exceed 270 days) at such rate and for such period 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 Bond is 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 which do not extend beyond the Mandatory Purchase Date and (ii) the Remarketing Agent shall not establish any Interest Period if, as a result of the selection of such Interest Period, the Aggregate Interest Coverage would be greater than the Interest Portion. The Remarketing Agreement shall include a covenant by the Remarketing Agent to comply with the limitations established by this resolution. All Bonds having the same Maturity Date (other than Bank Bonds, the Reimbursement Bond and Commercial Paper Bonds) shall bear interest at the same Interest Rate, and all Bonds (other than Bank Bonds and the Reimbursement Bond) shall be at all times in the same Mode.

(2) In the event the Remarketing Agent fails for any reason to determine, or notify the Registrar of, 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 PSA Municipal 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, 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) *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 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 Port 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 Fixed Rate shall be set for each such date.

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

(1) The Fixed Rate during the Fixed Mode shall be effective from and including the Mode Change Date and remain in effect until the Maturity Date. The Fixed 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 telephone or Electronic Means by the close of business on such Rate Determination Date.

(2) If Term Maturity Dates or Serial Maturity Dates are 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 the Reimbursement Bond) shall bear interest at a rate equal to the PSA Index then in effect.

Section 2.10. Conversions Between Modes. The Designated Port Representative may elect to convert the Bonds (other than Bank Bonds and the Reimbursement Bond) 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 an Interest Payment Date on which interest is payable for the Daily Mode or Weekly Mode from which the conversion is made.

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

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

(4) In the case of a change from the Long Term Rate 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 Registrar, the Bank and the Remarketing Agent not fewer than 30 days before the proposed conversion from a Commercial Paper Mode, Daily Mode or Weekly Mode and not fewer than 45 days before the proposed conversion from a Long Term Mode.

(c) *Notices by Registrar.* The Registrar shall give notice by first class mail, of proposed conversion to the Registered Owners of Bonds then in the Commercial Paper, Daily Mode or Weekly Mode not less than 15 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 will be subject to mandatory tender for purchase on the Mode Change Date (except in the case of conversions between the Daily Mode and the Weekly Mode);

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

(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) that prior to the commencement of each Interest Period during a Long Term Mode and the Fixed Mode, Bonds may become Serial Bonds and/or Term Bonds maturing or subject to scheduled mandatory redemption on the first Interest Payment Date in September of each year, commencing in the next succeeding September after the Mode Change Date, in accordance with the limitations set forth in Section 3.01.

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

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

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

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

(4) if the Bonds are converted to a Mode with Authorized Denominations of less than \$100,000 and/or with an Interest Period of more than nine months the Port, on or prior to the Mode Change Date, shall have undertaken to comply with all applicable rules and regulations regarding Rule 15c2-12 (b) (5) promulgated by the Securities and Exchange Commission; and

(5) no conversion to a New Mode, other than the Fixed Mode, shall be made if an Interest Period will extend beyond the Expiration Date.

(e) *Failure to Satisfy Conditions Precedent to Mode Change.* If fewer than all of the Bonds 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 all Bonds shall be changed to a Commercial Paper Mode on the Mode Change Date.

Section 2.11. Interest Rate on Bank Bonds and Reimbursement Bond. The rate of interest on each 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. Bank Bonds shall not bear interest at the Bank Interest Rate after such Bonds have been remarketed unless such Bonds shall again become Bank Bonds. The Reimbursement Bond shall bear interest as set forth in the Reimbursement Agreement.

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

No. R-_____

\$108,830,000

UNITED STATES OF AMERICA

PORT OF SEATTLE
SUBORDINATE LIEN REVENUE BOND
SERIES 1997

MATURITY DATE

ISSUE DATE

CUSIP

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED EIGHT MILLION, EIGHT HUNDRED
THIRTY THOUSAND AND NO/100 DOLLARS
(\$108,830,000.00)

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 and Seattle, Washington (the "Registrar"). Both principal of and interest on this Bond shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") between the State and The Depository Trust Company ("DTC"). Capitalized terms used in this Bond have the meanings given such terms in Resolution No. 3238, as amended, of the Port Commission (the "Bond Resolution"). Interest on this Bond shall accrue at Daily Rates, Weekly Rates, Commercial Paper Rates, Long Term Rates or Fixed Rates, payable on Interest Payment Dates, all as provided in the Bond Resolution.

This Bond, 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 created therein 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 are hereby declared to be a first and prior lien and charge upon the Gross Revenue, subject to the liens thereon of any Permitted Prior Lien Bonds and subject further to the Operating Expenses of the Port and equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the payment of the Port's outstanding Subordinate Lien Revenue Bonds, Series 1992 and 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 on behalf of the State with the manual or facsimile signatures of the President and Secretary of its Port Commission and caused a facsimile of the official seal of the Port to be reproduced hereon.

PORT OF SEATTLE

(SEAL)

By _____
President, Port Commission

ATTEST:

By _____
Secretary, Port Commission

The Certificate of Authentication for the 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, Washington Subordinate Lien Revenue Bonds, Series 1997 described in the within-mentioned Bond Resolution.

WASHINGTON STATE FISCAL
AGENCY, as Registrar

By _____
Authorized Signatory

Date of Authentication: _____

Section 2.13. Defeasance. If money and/or Government Obligations maturing at such time(s) and bearing such interest to be earned thereon (without any reinvestment thereof) as will provide a series of payments which shall be sufficient together with any money initially deposited, to provide for the payment of the principal of, premium, if any, and interest (if the rate of interest is not fixed, 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 during the Commercial Paper Mode, the Daily Mode or the Weekly Mode may be made unless the Port shall have received written notice from S&P to the effect that the rating then in effect with respect to the Bonds will not be withdrawn, reduced or suspended as a result of the proposed defeasance.

ARTICLE III.

REDEMPTION OF BONDS

Section 3.01. Mandatory Redemption. The Maturity Date for the Bonds (other than the Reimbursement Bond and 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.

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 which permit all remaining Outstanding Bonds to continue in Authorized Denominations, on their respective Purchase Dates at a redemption price equal to the principal amount thereof.

Section 3.03. Optional Redemption of Bonds in the Daily Mode or the Weekly Mode. Bonds in the Daily Mode or the Weekly Mode shall be subject to redemption at the option of the Port, in whole or in part in principal amounts which permit all remaining Outstanding Bonds to continue in Authorized Denominations, on any Interest Payment Date for those Bonds at a redemption price equal to the principal amount thereof.

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

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

Section 3.06. Selection of Bonds for Redemption. Whenever fewer than all the Outstanding Bonds are to be redeemed, the Bonds to be redeemed shall be selected in accordance with the operational arrangements of DTC referred to in the Letter of Representations. Notwithstanding the foregoing, Bank Bonds shall in all cases be redeemed first. In no event shall any Bond be outstanding in a principal amount that is not an Authorized Denomination.

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

Section 3.08. Effect of Redemption. If notice of redemption has been duly given and money for the payment of the Redemption Price of the Bonds or portions thereof to be redeemed is held by the Registrar, then on the Redemption Date the Bonds or portions thereof so called for redemption shall become payable at the Redemption Price specified in such notice; and from and after the Redemption Date, interest thereon or on portions thereof so called for redemption shall cease to accrue, such Bonds or portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security hereunder and the Owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such Bonds to the Registrar. Notwithstanding the foregoing, any Bank Bonds shall remain Outstanding until the Bank is paid all amounts due in connection with such Bonds or portions thereof to be redeemed on the Redemption Date. After payment to the Bank of all amounts due on Bank Bonds the Bank shall surrender such Bonds to the Registrar for cancellation.

Section 3.09. Purchase of Bonds In Lieu of Proceedings for Redemption. The Port reserves the right to purchase any of the Bonds offered to it by a Beneficial Owner or the Registered Owner at any time at any price acceptable to the Port. Bonds so purchased by the Port will be redeemed and retired and will not be remarketed.

ARTICLE IV.

PURCHASE OF BONDS

Section 4.01. Tenders for Purchase. As provided in Article II hereof, and notwithstanding anything to the contrary in this Article IV, tenders and purchase of Bonds shall be made pursuant to DTC's rules and procedures so long as any Bond is registered in the name of Cede & Co., as nominee of DTC. Whenever in the context of this resolution, a Registered Owner or Beneficial Owner is offered or required the opportunity to tender a Bond for purchase, the

tender shall be accomplished by the making of or the irrevocable authorization to make appropriate entries on the books of DTC or any DTC Participant. The payment of the Purchase Price for tendered Bonds under this Section 4.01 shall be made solely from remarketing proceeds and/or from the proceeds of drawing on the Letter of Credit or a 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, 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 or telephone to the Registrar, 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 4.01 shall be made solely from remarketing proceeds and/or from the proceeds of drawing on the Letter of Credit or a 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, plus interest accrued during such Interest Period. 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 and on the first day of each succeeding Interest Period, respectively, at a Purchase Price equal to the principal amount thereof plus accrued interest. 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, unless such Owners notify the Remarketing Agent, by means of a Notice of Retention in the form attached hereto as Exhibit B delivered no later than the date specified in a Notice of Mandatory Tender in the form attached hereto as Exhibit B, that they wish to retain their Bonds (in no event, later than 10 days prior to the Mandatory Purchase Date).

(c) *Mandatory Purchase Upon Substitution or Expiration of Letter of Credit.* On or prior to the 25th 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 or a combination of an Alternate Credit Facility and a Liquidity Facility (unless the Port has elected to convert the Bonds to a Fixed Mode on or prior to the Expiration Date), then the Registrar shall give notice to the Registered Owners and the other Notice Parties stating:

(i) in the case of a Substitution Tender Date, (A) that the Letter of Credit is being replaced by an Alternate Credit Facility and/or Liquidity Facility (specifying the identity of the issuer of the Alternate Credit Facility and/or the 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); or

(ii) in the case of an Expiration Tender Date, that (A) the Letter of Credit is scheduled to expire (specifying the Expiration Date); (B) the Port has not arranged for the extension of the Letter of Credit or Alternate Credit Facility and/or Liquidity Facility or an Alternate Credit Facility and/or Liquidity Facility has not been delivered as of the date of such notice; 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.* Each Bond in a Daily Mode, Weekly Mode, Commercial Paper Mode or Long Term Mode is subject to mandatory purchase at the Purchase Price on the Default Tender Date that is specified by the Bank in a written notice pursuant to the Reimbursement Agreement that an "Event of Default," as defined in the Reimbursement Agreement, has occurred and is continuing. Such written notice shall be given by the Bank 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.

Section 4.03. Remarketing and Purchase.

(a) *Remarketing of Tendered Bonds.* Unless otherwise instructed by the Port, with the consent of the Bank, the Remarketing Agent shall use all reasonable 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 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 Bank to the effect that the "Principal Portion" and the "Interest Portion" as defined in the Liquidity Facility or Credit Facility has been fully reinstated with respect to such Bank Bonds or will be upon the remarketing of the Bonds.

(b) *Purchase of Tendered Bonds.*

(1) Notice Not later than 12:00 p.m., New York City time, on any Purchase Date or Mandatory Purchase Date, as the case may be, the Remarketing Agent shall give notice by telephone or Electronic Means to the Registrar of the principal amount of tendered Bonds which were remarketed and those which 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 the Bank or the issuer of any Liquidity Facility by telephone or Electronic Means, specifying the principal amount of tendered Bonds 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 direct to be paid 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 the Bank or the issuer of any Liquidity Facility of any deficiency (but no later than 12:30 p.m., New York time). Pursuant to the Credit Facility or Liquidity Facility, the Bank or the

issuer of any Liquidity Facility shall, following receipt of purchase notices and transfer instructions from the Registrar in the name of the Bank or the issuer of a Liquidity Facility, 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 2:45 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 from the Bank or the issuer of any Liquidity Facility, any such amounts shall be deposited by the Registrar in the Purchase Account to be used solely for the payment of the Purchase Price of tendered Bonds and shall not be commingled with other funds held by the Registrar. All Bonds so purchased by the Bank or the issuer of any Liquidity Facility shall be registered in the name of the Bank or the issuer of any Liquidity Facility, as the case may be, on the Purchase Date, shall be held in trust by the Registrar on behalf of the Bank or the issuer of any Liquidity Facility, as the case may be, and shall not be released from such trust unless the Registrar shall have received written instructions from the Bank or the issuer of any Liquidity Facility and notice that the Credit Facility or Liquidity Facility has been reinstated.

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

Section 4.04. Purchase Account. There is hereby created 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 the Bank or the issuer of any Liquidity Facility pursuant to the Credit Facility or a Liquidity Facility, such money to be used to purchase unremarketed Bonds, which Bonds shall thereafter be registered in the name of the Bank or the issuer of such Liquidity Facility and considered Bank Bonds.

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

On the date of purchase, the Registrar shall register and deliver (or hold) or cancel all Bonds purchased on any purchase date as follows: (A) Bonds purchased or remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:15 p.m., New York City time, in accordance with the instructions of the Remarketing Agent; (B) Bonds purchased with proceeds of a drawing on the Credit Facility or Liquidity Facility shall be held as Bank Bonds and shall be held in trust by the Registrar on behalf of the Bank or the issuer of any Liquidity Facility and shall not be released from such trust unless the Registrar shall have received written instructions from the Bank or the issuer of any Liquidity Facility and, unless the Bonds are to be cancelled, notification that the Letter of Credit 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 the Credit Facility or Liquidity Facility pursuant to this Section shall constitute "Bank Bonds" and shall be held by the Registrar as agent for the Bank or the issuer of any Liquidity Facility 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 confirmation from the Bank or the issuer of any Liquidity Facility to the extent contemplated by the terms of the 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 Bank or the issuer of any Liquidity Facility 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 Bank or the issuer of any Liquidity Facility 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 Bank or the issuer of any Liquidity Facility pursuant to the Reimbursement Agreement. Unless an Event of Default has occurred or if the Port otherwise instructs, 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 Letter of Credit with respect to the drawings with which such Bonds were purchased, at a price equal to the principal amount thereof plus accrued interest.

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 Bank (or its designee) or (ii) credited on the books of the Securities Depository to the account of the Bank or the issuer of any Liquidity Facility or their respective nominee.

In the event that any Bonds are registered to the Bank or the issuer of any Liquidity Facility pursuant to the provisions of this section above to the extent requested by the Bank or the issuer of any Liquidity Facility, the Remarketing Agent shall offer for sale and use its best efforts to sell such Bonds at a price equal to the principal amount thereof plus accrued interest.

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; (B) 12:00 noon, New York City time, on the purchase date in the case of Bonds accruing interest at Weekly Rates; or (C) 5:00 p.m., New York City time, on the second Business Day prior to the purchase date in the case of Bonds accruing interest at Long Term Rates, except for Bonds delivered by or on behalf of an Investment Company in accordance with Section 4.06 hereof which may be delivered by 3:00 p.m., New York City time, on the purchase date. 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. Letter of Credit; Alternate Credit Facility.

(a) During any Mode (other than the Fixed Mode), while the Credit Facility or Liquidity Facility is in effect, on each Purchase Date or Mandatory Purchase Date, the Registrar, by telecopied demand given before 12:45 p.m., New York time, shall notify the Bank or the issuer of any Liquidity Facility of its need for funds to pay the interest on and/or principal of and/or the Purchase Price of tendered Bonds in accordance with the terms of the Credit Facility or Liquidity Facility so as to receive thereunder by 2:45 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 Bank or the issuer of any Liquidity Facility to pay the Purchase Price of tendered Bonds in the Bank Purchase Subaccount pursuant to Section 4.04 hereof. During any Mode (other than the Fixed Mode), while the Letter of Credit is in effect, on the Business Day prior to any Interest Payment Date and/or 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 Bank or the issuer of any Liquidity Facility of its need for funds to pay interest on and/or principal of the Bonds 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 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 Liquidity Facility or Credit Facility may be made for Bank Bonds or Bonds held by the Port.

(b) If at any time there shall have been delivered to the Registrar (i) an Alternate Credit Facility or Liquidity Facility in substitution for the Letter of Credit then in effect, (ii) a Favorable Opinion of Bond Counsel, and (iii) written evidence satisfactory to the Bank of the provision for purchase from the Bank of all Bank Bonds, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due it under the Reimbursement Agreement and the Reimbursement Bond on or before the effective date of such Alternate Credit Facility or Liquidity Facility, then the Registrar shall accept such Alternate Credit Facility or Liquidity Facility on the Substitution Date and shall surrender the Letter of Credit immediately to the Bank following the Substitution Date. The Port shall give the Registrar, the Remarketing Agent and the Bank written notice of the proposed substitution of an Alternate Credit Facility or Liquidity Facility for the Letter of Credit then in effect no less than 45 days prior

to the proposed Substitution Date. Notice of the substitution of an Alternate Credit Facility or Liquidity Facility shall be given by the Registrar to the Registered Owners.

Section 4.06. Tenders by Investment Companies. The Owner of any Bond issued hereunder that is an Investment Company, or is holding Bonds on behalf of an Investment Company, may, at its option, notify the Remarketing Agent and the Registrar of such fact in writing and in such notice irrevocably elect to have its Bond(s) purchased on the next date on which such Bond(s) may be purchased pursuant to Section 4.01 hereof. Any notice delivered by an Investment Company with respect to its Bond(s) shall contain the information required under Section 4.01 hereof and shall be irrevocable with the same effect described in Section 4.01.

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 1997" (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, from time to time, 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 the Reimbursement Bond); 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 and the Reimbursement Bond).

(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 to maintain any required balance therein; and

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

(c) *Lien on Available Revenue.* The Bonds and the lien thereof created and established hereunder shall be obligations only of the Subordinate Lien Bond Fund, hereinafter 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. However, any Future Subordinate Lien Parity Bonds and the Outstanding Subordinate Lien Parity Bonds shall not be secured by the Letter of Credit. Funds drawn under the Letter of Credit shall be held separately and shall not be available for payments with respect to the Outstanding Subordinate Lien Parity Bonds and Future Subordinate Lien Parity Bonds.

From and after the time of issuance and delivery of the 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 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 Bond.* The obligations of the Port under the Reimbursement Agreement are evidenced by the "Reimbursement Bond" issued by the Port thereunder. The "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 Fund 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 the Credit Facility for the payment of the principal of or interest on the Bonds; and

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

The Credit Facility shall be the obligation of the Bank to pay to the Registrar, in accordance with the terms thereof, such amounts as shall be specified therein and available to be drawn thereunder for the timely payment of the principal of and interest on the Bonds (whether at their stated maturity, or upon redemption or otherwise), and, if the 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 Credit Facility shall be reduced to the extent of any drawings thereunder and reinstated in accordance with the terms thereof. The Letter of Credit delivered on the Closing Date shall terminate on March 26, 2002 or earlier upon the occurrence of one of the events resulting in early termination specified therein or later if extended as provided in the Reimbursement Agreement and Letter of Credit.

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

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 from time to time one or more series of First Lien Bonds by means of a Series Resolution (as such term is defined and required under the Master Resolution) for any purpose of the Port now or hereafter permitted by law, provided that the Port shall comply with the terms and conditions for the issuance of First Lien Bonds set forth in the Master Resolution. In addition, and provided that the Port is not in default of its obligations under this resolution, the Port also reserves the right to issue obligations payable from Net Revenue available after payment of the amounts described in paragraphs First through Third of Section 5.01(b) of this resolution, and having lien(s) on such Net Revenues prior to the lien of the Bonds and the Outstanding Subordinate Lien Bonds. 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, except that the Port hereby reserves the right to issue additional revenue bonds, which shall constitute a charge and lien upon the Available Revenue equal to the lien thereon of the Bonds, if at the time of the issuance of such Future Subordinate Lien Parity Bonds the Port is not in default under this resolution, and 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 paragraphs, compliance with the coverage requirements of this Section 5.04 shall be demonstrated conclusively by a certificate of a Consultant. Upon the issuance of any Future Subordinate Lien Parity Bonds, Available Revenue shall be distributed among each series of Subordinate Lien Parity Bonds on a pro rata basis without regard to the existence of a funded debt service reserve or a surety bond.

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

(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 Instrument 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 Instrument 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.

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 and any other bond fund established or maintained for the benefit of Subordinate Lien Parity Bonds and any other amounts due to the Bank and to the insurer for the Outstanding Subordinate Lien Parity Bonds, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service (herein referred to as the "Subordinate Lien Rate Covenant").

If the Available Revenue in any fiscal year is less than required to fulfill the Subordinate Lien Rate Covenant, then the Port will retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges; and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commission, on the basis of such recommendations and other available information, will establish rentals, tariffs, rates, fees and charges for services and operations which will be necessary to meet the Subordinate Lien Rate Covenant in the fiscal year during which such adjustments are made. If the Commission has taken the steps set forth in this paragraph and the Available Revenue in the fiscal year in which adjustments are made nevertheless is not sufficient to meet the Subordinate Lien Rate Covenant, there shall be no default under this Section 5.04(a) during such fiscal year, unless the Port fails to meet the Subordinate Lien Rate Covenant for two consecutive fiscal years.

(b) *Performance of Covenant.* The Port will duly and punctually pay or cause to be paid out of the Subordinate Lien Bond Fund the principal of and interest on the 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 liabilities and property damage insurance which will protect the Port against anyone claiming damages of any kind or nature, if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the Commission or the Designated Port Representative shall deem necessary.

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

Section 5.06. Disposition of Bond Proceeds. The proceeds of the Bonds shall be applied as follows:

(a) All interest, if any, on the Bonds accrued from their date to the date of delivery shall be paid into the Subordinate Lien Bond Fund;

(b) 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

(c) The remainder of the proceeds of the Bonds shall be paid into the Construction Fund-1997 (hereinafter authorized to be created).

The Treasurer of the Port is hereby authorized and directed to create a special account, the "Port of Seattle 1997 Capitalized Interest Account" (the "1997 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 (including reimbursement to the Bank) 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, 1997" (the "Construction Fund-1997"). The money on deposit in the Construction Fund-1997 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 which will mature prior to the date on which such money shall be needed.

In the event that it shall not be possible or practicable to accomplish all of the Projects, the Port may apply the proceeds of the Bonds to pay the costs of such portion thereof or such other projects as the Commission shall determine to be in the best interests of the Port, subject to the limitations of Section 5.07 of this resolution.

Any part of the proceeds of the Bonds remaining in the Construction Fund-1997 and the 1997 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 5.07 hereof or may be transferred to the Subordinate Lien Bond Fund for the uses and purposes therein provided.

Section 5.07. Tax Covenants

(a) *General Tax Exemption Covenant.* The Commission hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the Port which may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said section. The Commission will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) and the applicable Regulations thereunder throughout the term of the Bonds.

(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.

(c) *Arbitrage Rebate.* The Port will pay to the United States of America in accordance with the provisions of this section (i) rebate installment payments which, when added

to the future value as of the Computation Date of all previous rebate payments made with respect to the Bonds, equal at least 90% of the Rebatable Arbitrage with respect to the Bonds, and (ii) a final rebate installment payment in an amount which, when added to the future value of all previous rebate payments made with respect to the Bonds, equals 100% of the Rebate Amount.

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

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

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

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

(d) *Use of Proceeds of Bonds.*

(1) The Projects include only facilities that are (A) directly related and essential to transferring passengers or cargo to or from docks or wharves or (B) functionally related and subordinate to such docks or wharves (the projects referred to in this subsection (d) are hereinafter referred to as the "marine projects").

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

(3) The Projects shall not include any:

- (i) lodging facility,
- (ii) retail facility (including food and beverage facilities) in excess of a size necessary to serve passengers and employees,
- (iii) retail facility (other than parking) for passengers or the general public located outside the marine terminal,
- (iv) office building for persons who are not employees of a governmental unit or the Port, or
- (v) industrial park or manufacturing facility that is to be used for any private business use (within the meaning of Section 141(b)(6) of the Code).

(4) Any element of the Projects that is an office must be located at the marine terminal, and no more than a de minimis amount of the functions performed at such office

may not be directly related to day-to-day operations of the marine terminal. Any storage or training facilities included in the Projects must be located at the marine terminal and must be of a character and size commensurate with the character and size of the marine terminal.

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

Section 5.08. Defaults and Remedies. The Port hereby finds and determines that the failure or refusal of the Port or any of its officers to perform the covenants and obligations of this resolution will endanger the operation of the Facilities and the application of Gross Revenue and such other money, funds and securities to the purposes herein set forth. Any one or more of the following shall constitute a Default under this resolution:

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

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

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

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

Upon the occurrence of a Default and so long as such Default shall not have been remedied, 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 a majority 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 5.09. Compliance with Parity Conditions. The Commission hereby finds and determines as required by Section 17(b) of the Resolution No. 3112, as amended, as follows:

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

Second: This Commission has been assured that prior to the issuance and delivery of the Bonds, it will have on hand a certificate from the Designated Port Representative (prepared as prescribed in Section 17(b) of the Resolution No. 3112) demonstrating fulfillment of the Subordinate Lien Parity Test, commencing on the first full fiscal year following the later 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 17(b) of the Master Resolution having been complied with, the payments required herein to be made out of the Available Revenue to pay and secure the payment of the principal of, premium, if any, and interest on the Bonds shall constitute a lien and charge upon such Available Revenue equal in rank to the lien and charge thereon of the Outstanding Subordinate Lien Bonds.

ARTICLE VI.

THE REMARKETING AGENT; THE REGISTRAR; SALE OF BONDS

Section 6.01. Appointment of Remarketing Agent. There shall at all times prior to conversion of the Mode to the Fixed Mode be a Remarketing Agent hereunder. The Port appoints Lehman Brothers Inc. as the initial Remarketing Agent hereunder to remarket the Bonds pursuant to this resolution, and to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Bank, 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 Remarketing Agent, the Bank and the Registrar. Any successor Remarketing Agent shall be authorized by law to perform all the duties set forth in this resolution.

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

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

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

Section 6.04. Sale of Bonds. The Bonds shall be sold by negotiated sale to Lehman Brothers Inc., Goldman, Sachs & Co., PaineWebber Incorporated and Artemis Capital Group, Inc., as Underwriters (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, regarding the Bonds reproduced on each definitive Bond.

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 Preliminary Official Statement. The Designated Port Representative is hereby authorized to review and approve on behalf of the Port the preliminary Official Statement for purposes of Securities and Exchange Commission Rule 15c2-12 and to take such other actions as may hereafter be required to maintain compliance with said Rule (and any such actions taken prior to the date of adoption of this resolution are hereby ratified and approved).

Section 6.06. Approval of Official Statement. The Designated Port Representative is hereby authorized and directed to review, approve and execute on behalf of the Port a final official statement with respect to the Bonds.

Section 6.07. Approval of Financing Documents. The Commission finds that entering into the Remarketing Agreement and the Reimbursement Agreement is in the Port's best interest. The Commission therefore authorizes the execution of those documents and of the Official Statement by the Designated Port Representative (with such changes to those documents as may be approved by the Designated Port Representative and are consistent with this resolution) and the performance by the Port of its obligations thereunder.

Section 6.08. 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 extensions of the Expiration Date, and execute documents necessary to effect such changes, and (c) effect such changes in Mode and negotiate such extensions of and fees for the liquidity facilities for the Bonds, and execute documents necessary to effect such changes.

Section 6.09. Appointment of Successor to Remarketing Agent(s) or Bank. The Commission authorizes the Designated Port Representative to appoint successor(s) to the Remarketing Agent (with the prior written consent of the Bank, 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.

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

ARTICLE VII.

MISCELLANEOUS

Section 7.01. Contract; Severability. The covenants in this resolution and in the Bonds shall constitute a contract between the Port and the Registered Owner of each and every Bond. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the Port shall be declared by any court of competent jurisdiction and final appeal (if any appeal be taken) to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

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

Section 7.03. References to Bank or Issuer of Liquidity Facility. Notwithstanding any provisions contained herein to the contrary, after the expiration or termination of the Credit Facility and after all obligations owed to the Bank or the issuer of the Liquidity Facility pursuant to the Reimbursement Agreement have been paid in full or discharged, all references to the Bank or the issuer of the Liquidity Facility and the Credit facility contained herein shall be null and void and of no further force and effect. The Registrar shall not have any lien on moneys received under the Credit Facility or the Liquidity Facility for payment of its fees and expenses, and the Registrar shall not seek indemnity as a condition to making a drawing under the Credit Facility 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 Bank

CANADIAN IMPERIAL BANK OF COMMERCE
350 South Grand Avenue, Suite 2600
Los Angeles, California 90071
Attention: John Greenlee
Telephone: (213) 617-6250
Telefax: (213) 628-9891

CANADIAN IMPERIAL BANK OF COMMERCE
425 Lexington Avenue, 7th Floor
New York, New York 10017
Attention: Geraldine Kerr
Telephone: (212) 856-3684
Telefax: (212) 856-6761

The Remarketing Agent

LEHMAN BROTHERS INC.
Columbia Center, Suite 7101
701 Fifth Avenue
Seattle, Washington 98104
Telephone: (206) 344-5838
Telefax: (206) 233-2817

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

Registrar

THE BANK OF NEW YORK
101 Barclay Street, 21W
New York, New York 10286
Attention: Corporate Trust Registrar Administration
Telephone: (212) 815-5466
Telefax: (212) 815-5393

Moody's

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

S&P:

STANDARD & POOR'S RATINGS SERVICES, a Division of the McGraw Hill
Companies
25 Broadway
New York, New York 10004
Attention: Manager, Municipal Finance Department

Section 7.05. Payments Due on Holidays. If an Interest Payment Date is not a Business Day then payment shall be made on the next Business Day and, except as provided in Article II, no interest shall accrue for the intervening period.

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

- (a) The Remarketing Agent or the Registrar resigns or is replaced;
- (b) This resolution is amended or supplemented;
- (c) An Alternate Credit Facility or Liquidity Facility is provided;
- (d) The Bonds are changed from one Mode to another Mode (specifying the length of the new Interest Period(s));
- (e) There has been a redemption or defeasance of the Bonds;
- (f) A Mandatory Purchase Date has occurred as a result of the nonreinstatement of the Letter of Credit; or
- (g) The Remarketing Agreement, the Reimbursement Agreement or the Letter of Credit 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 a majority 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 a majority in aggregate principal amount of the Bonds so affected, and (b) except as expressly authorized hereunder, no amendment which alters the interest rates on any 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.

Section 7.09. Amendments With Bank's Consent. Any amendment or supplement to this resolution shall require the prior written consent of the Bank.

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

ADOPTED by the Port Commission of the Port of Seattle at a meeting thereof, held this 25th day of March, 1997, and duly authenticated in open session by the signatures of the commissioners voting in favor thereof and the seal of the commission duly affixed.

PORT OF SEATTLE, WASHINGTON

Paige R Miller
PAIGE MILLER

Patricia Davis
PATRICIA DAVIS

Paul Schell
PAUL SCHELL

Jack Block
JACK BLOCK

Commissioners

EXHIBIT A

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

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

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

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

(4) Dock replacement and other improvements at Terminal 46, 401 Alaskan Way, Seattle, WA 98134. Terminal 46 is owned by the Port and will be leased to an operator.

EXHIBIT B

NOTICE OF RETENTION

Relating to
Port of Seattle
Subordinate Lien Revenue Bonds, Series 1997

The undersigned Owner acknowledges receipt of a Notice of Mandatory Purchase dated _____, 19____, and understands that after the Mandatory Purchase Date (1) if the Mandatory Purchase Date is also the first day of the Fixed Rate Period for the Bonds, Owners will no longer be permitted to tender their Bonds for purchase at their option and interest on the Bonds will be paid on each March 1 and September 1, (2) payment of principal of and interest on the Bonds [and, if applicable, the Purchase Price of Bonds tendered for purchase], will be secured by a [describe credit facility] issued by [insert name of credit provider], (3) the Bonds are expected to be rated by _____ [insert name of Rating Agency]; however, the current rating may be increased or reduced or withdrawn on the Mandatory Purchase Date and such reduction or withdrawal may adversely affect the exclusion from gross income of interest on the Bonds, (4) if the Mandatory Purchase Date also is the first day of the Long Term Mode or the Fixed Mode, after the Mandatory Purchase Date the Bonds will bear a fixed rate of interest, and (5) the Bonds will be subject to mandatory tender on _____. The undersigned hereby irrevocably elects to retain the following Bonds owned by the Owner subsequent to the Mandatory Date of this and those Bonds.

<u>Number of Bond</u>	<u>Principal Amount of Bond</u>
	\$
	\$
	\$
	\$

The undersigned owner recognizes that no interest will be paid on the Bond or Bonds attached to this Notice after the Mandatory Purchase Date unless they are tendered for exchange in accordance with the terms of the Notice of Mandatory Purchase.]

[Upon presentation and surrender of this Notice of Retention and the above-described Bonds, the Trustee shall exchange the Bond or Bonds indicated in this Notice of Retention for a Bond or Bonds which have the terms in effect with respect to such Bond or Bonds subsequent to the Mandatory Purchase Date.]

DATED: _____

Owner

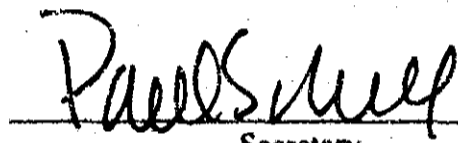
CERTIFICATE

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

1. That the attached resolution numbered 3238, as amended (the "Resolution"), is a true and correct copy of a resolution of the Port, as finally adopted at a meeting of the Commission held on the 25th day of March, 1997, and duly recorded in my office.

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Port this 25th day of March, 1997.


Secretary PAUL SCHELL