

**PFC  
MASTER RESOLUTION**

**RESOLUTION NO 3284, AS AMENDED**

**A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF SEATTLE, WASHINGTON, AUTHORIZING PASSENGER FACILITY CHARGE REVENUE BONDS OF THE PORT DISTRICT TO BE ISSUED IN SERIES TO FINANCE AIRPORT CAPITAL IMPROVEMENTS.**

ADOPTED July 16, 1998

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\* This table of contents is not a part of this resolution as adopted but is provided for convenience of reference only.

**RESOLUTION NO. 3284, AS AMENDED**

**A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF SEATTLE, WASHINGTON, AUTHORIZING PASSENGER FACILITY CHARGE REVENUE BONDS OF THE PORT DISTRICT TO BE ISSUED IN SERIES TO FINANCE AIRPORT CAPITAL IMPROVEMENTS**

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

WHEREAS, the Port is authorized by the Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act") to impose and collect passenger facility charges for the purpose of financing capital improvements at the Airport,

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

Section 1     Definitions     As used in this resolution, the following words and phrases shall have the meanings hereinafter set forth unless the context clearly shall indicate that another meaning is intended

"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 Series Resolution as the amount representing the initial principal amount of such PFC 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 PFC 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 Series Resolution authorizing the issuance of such PFC Bonds

"Additional Pledged Revenue" means any income, receipt or revenue of the Port (other than PFC Revenue) legally available and pledged irrevocably by resolution of the Commission to the payment of the principal of and interest on First Lien PFC Bonds and/or Subordinate Lien PFC Obligations.

"Adjusted Costs" means Costs of Projects paid or legally obligated to be paid from PFC Revenue to date, minus Projected Aggregate Debt Service with respect to First Lien PFC Bonds,

**minus** amounts then on deposit in the funds and accounts created under this resolution and available for the payment of debt service on PFC Bonds and **minus** Costs of Projects paid from the proceeds of PFC Bonds

**“Aggregate Annual Debt Service”** means Annual Debt Service for all Outstanding First Lien PFC Bonds and all First Lien PFC Bonds authorized but unissued under a Series Resolution

**“Airport”** means Seattle-Tacoma International Airport

**“ANCA”** means the Airport Noise and Capacity Act of 1990, as amended

**“Annual Debt Service”** means the total amount of Debt Service for any PFC Bond or Series of PFC Bonds in any fiscal year or Base Period

**“Average Annual Debt Service”** means the aggregate dollar amount of Debt Service with respect to PFC Bonds through the scheduled maturities thereof (stated maturity dates or mandatory redemption dates with respect to term debt), divided by the number of years remaining during which PFC Bonds are scheduled to mature or be subject to mandatory redemption (commencing with the year following the year of calculation)

**“Balloon Maturity Bonds”** means any PFC Bonds which are so designated in the Series Resolution pursuant to which such PFC Bonds are issued Commercial paper (obligations with a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Bonds

**“Base Period”** means any consecutive 12-month period selected by the Port out of the 18-month period next preceding the date of issuance of an additional Series of PFC Bonds

**“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.

**“Capital Appreciation Bonds”** means PFC 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 PFC Bonds, provided that if so provided in the Series Resolution authorizing their issuance, PFC Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which PFC Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value

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

**"Collecting Carriers"** means air carriers and their agents who are required by the PFC Act to collect PFCs

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

**"Consultant"** means at any time an independent consultant or consultant firm nationally recognized in 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. The term Consultant shall also include an independent certified public accountant or public accounting firm appointed by the Port to make such calculation or to provide such certificate or an independent nationally recognized financial advisor or firm of financial advisors appointed by the Port for purposes of making calculations required by this resolution

**"Costs of Projects"** means all costs paid or legally obligated to be paid by the Port in connection with the acquisition and construction of Projects, and the placing of the same in operation, including, but without limiting the generality of the foregoing, paying all or a portion of the principal of and/or interest on PFC Bonds or any portion thereof issued to finance the costs of such Projects to the extent permitted by the PFC Act and the PFC Regulations; paying amounts required to meet any reserve requirement for such Series of PFC Bonds, 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 Projects 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 if and to the extent permitted by the PFC Act, the PFC Regulation and State law

**"Credit Facility"** means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement or other financial instrument which obligates a third party to make payment or provide funds for the payment of financial obligations of the Port, including but not limited to payment of the principal of, interest on or purchase price of PFC Bonds or meeting reserve requirements therefor

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

(1) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds which are not designated as Balloon Maturity Bonds in the Series Resolution authorizing their issuance, the principal amount thereof shall be equal to the Accreted Value thereof maturing or scheduled for redemption in such period, and the interest, if any, payable during such period,

(2) with respect to any Outstanding Fixed Rate Bonds, an amount equal to (A) the principal amount of such PFC Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (B) the amount of any payments required to be made during such period into any sinking fund established for the payment of any such PFC Bonds, plus (C) all interest payable during such period on any such PFC Bonds Outstanding and with respect to PFC 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 PFC Bonds on the date(s) specified in the Series Resolution authorizing such PFC Bonds,

(3) with respect to First Lien PFC 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 First Lien PFC Bonds during such period computed on the assumption that the amount of First Lien PFC 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 Series Resolution authorizing the issuance of such First Lien PFC 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, (ii) at an interest rate equal to the highest rate payable by the Port with respect to such First Lien PFC Bonds; (iii) to provide for essentially level annual debt service of principal and interest over such period,

(4) with respect to all other Series of PFC 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 PFC 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 PFC Bonds during such period computed on the assumption that the amount of PFC 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 Series Resolution authorizing the issuance of such PFC 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 (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 Designated Port Representative's Certificate or the Independent Aviation Consultant's Certificate then within ten days prior to the date of such certificate, (iii) to provide for essentially level annual debt service of principal and interest over such period, and

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

With respect to any PFC Bonds payable in other than U S Dollars, Debt Service shall be calculated as provided in the Series Resolution authorizing the issuance of such PFC Bonds. Debt Service shall be net of any interest and principal funded out of PFC Bond proceeds or the proceeds of other funds or indebtedness

Debt Service shall include reimbursement obligations to providers of Credit Facilities to the extent such reimbursement obligations are outstanding or as otherwise authorized in a Series Resolution

"Default" means any of the events specified in Section 14 of this resolution.

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

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

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

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

(b) for which the Port's obligations to make all or any portion of Port Payments may be secured by a pledge of and lien on Revenues on an equal and ratable basis with the Outstanding PFC Bonds,

(c) under which Reciprocal Payments are to be made directly into a bond fund for Outstanding PFC Bonds,

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

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

**"Derivative Product Account"** means the Derivative Product Account, if any, created and established under Section 10 hereof

**"Designated Port Representative"** means the Executive Director, the chief financial officer, director of finance and budget of the Port or such other person as may be directed from time to time by resolution of the Commission

**"Designated Port Representative's Certificate"** means a certificate dated no earlier than 30 days earlier than the delivery of the Future First Lien PFC Project Bonds, executed by a Designated Port Representative and stating that

(i) the First Lien Sufficiency Covenant will be met upon the issuance of the Future First Lien PFC Project Bonds, and

(ii) Pledged Revenue received during the Base Period (as shown in the audited or unaudited financial statements of the Port) was not less than 150% of Maximum Annual Debt



Service on all First Lien PFC Bonds that will be Outstanding upon the issuance of such Future First Lien PFC Project Bonds,

*provided, however,* that in preparing such certificate, the Designated Port Representative

(1) shall take into account any Forecast PFC Rate Adjustment as if such new rate had been in effect during the entire Base Period and

(2) may take into account any Additional Pledged Revenue only if each Rating Agency then maintaining a rating on First Lien PFC Bonds has confirmed, on or prior to the date of the Designated Port Representative's Certificate that such Additional Pledged Revenue will not in and of itself cause such Rating Agency to reduce or to withdraw its then current underlying rating on the First Lien PFC Bonds then Outstanding

**"Estimated Average Derivative Rate"** means

(a) as to the variable rate payments to be made by either party at a First Lien level of security,

(i) if the Port is the variable rate payor, the maximum contractual rate specified in the Derivative Product contract, or

(ii) if the Reciprocal Payor is the variable rate payor, the lesser of the maximum contractual rate specified in such contract or the then-prevailing value of the variable rate formula, subject to provisions of subsection (c) hereof, and

(b) as to the variable rate payments made by either party at a Subordinate Lien level of security,

(i) if the Port is the variable rate payor, the greater of the then-prevailing value of the variable rate formula or the average of the variable rate formula during the immediately preceding 12 months, or

(ii) if the Reciprocal Payor is the variable rate payor, the lesser of the then-prevailing value of the variable rate formula or the average of the variable rate formula during the immediately preceding 12 months, and

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

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

**"FAA"** means the Federal Aviation Administration, or the successor to its powers and authority

**"FAA Notice"** means a notice from the FAA by certified mail to the Port and the Standby Trustee of suspected violation(s) of PFC Regulations

**"Favorable Opinion of Bond Counsel"** means, with respect to any action, a written legal opinion of Bond Counsel, to the effect that such action is permitted under the laws of the State and under applicable resolutions of the Commission, including this resolution and will not impair the exclusion of interest on a PFC 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 PFC Bond)

**"First Lien Bond Account"** means the special fund of the Port authorized to be created by Section 8(a) of this resolution for the purpose of paying the principal of, interest on and redemption price, if any, on First Lien PFC Bonds

**"First Lien PFC Bonds"** means the obligations of any Series identified as "First Lien PFC Bonds" in the Series Resolution with respect to such Series.

**"First Lien Payment Date"** means each date on which the principal of and/or interest on First Lien PFC Bonds is scheduled to mature or to become due and payable

**"First Lien Reserve Account"** means the special account authorized to be created pursuant to Section 8(b) of this resolution

**"First Lien Reserve Account Requirement"** means the lowest of (i) Maximum Annual Debt Service with respect to Outstanding First Lien PFC Bonds, (ii) 125% of Average Annual Debt Service with respect to Outstanding First Lien PFC Bonds, and (iii) 10% of the initial principal amount of each Series of First Lien PFC Bonds then Outstanding

**“First Lien Sufficiency Covenant”** means the requirement that (i) Unspent PFC Authority plus (ii) Projected Additional Pledged Revenue is at least equal to 105% of Projected Aggregate Debt Service with respect to all Outstanding First Lien PFC Bonds

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

**“Forecast PFC Rate Adjustment”** means (i) any required reduction in the rate of the levy of PFCs that constitute PFC Revenue or (ii) any increase in the rate of the levy of PFCs if the Port has taken all actions and has received all approvals required to impose such PFCs and if legislation has been enacted to permit such increase in the rate of levy of PFCs.

**“Future First Lien PFC Project Bonds”** means PFC Project Bonds issued in the future (after the issuance of the first two Series) as First Lien PFC Bonds pursuant to a Series Resolution.

**“Future First Lien PFC Refunding Bonds”** means PFC Refunding Bonds (i.e., PFC Bonds that refund previously issued First Lien PFC Bonds) issued in the future as First Lien PFC Bonds pursuant to a Series Resolution. **“Government Obligations”** has the meaning given such term in RCW Ch. 39.53, as now or hereafter amended.

**“Independent Aviation Consultant”** means a Consultant who is an independent consultant nationally recognized in aviation matters. **“Independent Aviation Consultant’s Certificate”** means a certificate dated no earlier than 30 days earlier than the delivery of the Future First Lien PFC Project Bonds, executed by an Independent Aviation Consultant and stating that

(i) the First Lien Sufficiency Covenant is estimated to be met upon the issuance of the Future First Lien PFC Project Bonds, and

(ii) in each of the first five full calendar years (commencing with the first such year following the date of issuance of the Future First Lien PFC Project Bonds) following the date of issuance of the Future First Lien PFC Project Bonds, the amount of Pledged Revenue to be collected in each such year is estimated to be not less than 150% of Maximum Annual Debt

Service on all First Lien PFC Bonds to be Outstanding after the issuance of the proposed Future First Lien PFC Project Bonds,

*provided, however,* that in computing the amount of Pledged Revenue, the Independent Aviation Consultant

(1) shall take into account any Forecast PFC Rate Adjustment on the assumption that such Forecast PFC Rate Adjustment will be in effect during the full five-year period,

(2) may take into account any Projected Additional Pledged Revenue estimated to be received during the full five-year period, and

(3) reasonable projections of PFC Revenue, based upon the methodology set forth in the certificate taking into account any projected change in the number of enplanements during the five-year period following the issuance of the Future First Lien PFC Project Bonds

"Maximum Annual Debt Service" means the highest Annual Debt Service with respect to all First Lien PFC Bonds, including the Future First Lien PFC Project Bonds, if such calculation is made with respect to the delivery of a Designated Port Representative's Certificate or an Independent Aviation Consultant's Certificate

"Monthly First Lien Debt Service Deposit" means an approximately equal amount to be deposited monthly in the First Lien Bond Account, such that the amount projected to be on hand in the First Lien Bond Account on the next succeeding First Lien Payment Date shall be sufficient to pay the principal of and interest on First Lien PFC Bonds then coming due, on the assumption that the deposit with respect to interest and with respect to principal shall be made in each month commencing with the month following the date of issuance of First Lien PFC Bonds or the date following which capitalized debt service is no longer available for deposit in the First Lien Bond Account

"Original Issue Discount Bonds" means PFC Bonds which are sold at an initial public offering price of less than 90% of their face value and which are specifically designated as Original Issue Discount Bonds in the Series Resolution authorizing their issuance

"Outstanding" in connection with PFC Bonds means, as of the time in question, all PFC Bonds authenticated and delivered under a Series Resolution, except:

(a) PFC Bonds theretofore cancelled or required to be cancelled under a Series Resolution,

(b) PFC Bonds which are deemed to have been paid in accordance with a Series Resolution, and

(c) PFC Bonds in substitution for which other PFC Bonds have been authenticated and delivered pursuant to a Series Resolution

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

**"PFC"** means passenger facility charges authorized from time to time under the PFC Act

**"PFC Act"** means the Aviation Safety and Capacity Expansion Act of 1990, Pub L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, recodified as 49 U S § 40117, as amended or replaced from time to time

**"PFC Authority"** means the Record of Decision dated June 24, 1998, as the same may be amended from time to time, and any other record of decision (and amendments) relating to PFCs imposed or to be imposed by the Port at the Airport

**"PFC Bonds"** means the bonds, notes or other evidences of indebtedness issued from time to time in Series pursuant to and under authority of Sections 4 and 7 hereof. The term "PFC Bonds" may include reimbursement obligations of the Port to the issuer of a Credit Facility

**"PFC Capital Fund"** means the fund of that name created pursuant to Section 2(b) of this resolution

**"PFC Project Bonds"** means PFC Bonds, the proceeds of which will be used in whole or in part to pay Costs of Projects or to refund PFC Bonds or other indebtedness of the Port not previously issued as First Lien PFC Bonds

**"PFC Refunding Bonds"** means PFC Bonds, the proceeds of which will be used to refund other obligations constituting First Lien PFC Bonds

**"PFC Regulations"** means Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act

**"PFC Revenue"** means all revenue received by the Port from time to time from PFCs pursuant to PFC Authority imposed by the Port at the Airport pursuant to the PFC Act and PFC Regulations including any investment income with respect thereto including proceeds thereof and

gains from sales of investments after such revenue has been remitted to the Port as provided in the PFC Regulations, all of which are pledged to PFC Bonds

**"PFC Revenue Fund"** means, collectively, all special accounts of the Port separately designated and maintained by the Port into which all PFC Revenue shall be deposited

**"Pledged Revenue"** means PFC Revenue, Additional Pledged Revenue, if any has been pledged to First Lien PFC Bonds, and interest earnings on the First Lien Reserve Account to the extent that such earnings are available for transfer to the First Lien Bond Account

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

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

**"Project"** or **"Projects"** means any additions, betterments, extensions, other improvements of or related to the Airport or other costs incurred for any purpose at or related to the Airport from time to time (whether or not located at the Airport), including, without limitation, the acquisition of land, which shall be authorized by the FAA and shall constitute an "approved project," as such term is defined in PFC Regulations Section 158.3

**"Projected Additional Pledged Revenue"** means anticipated receipts of Additional Pledged Revenue provided that each Rating Agency then maintaining a rating on First Lien PFC Bonds has confirmed that such Additional Pledged Revenue will not in and of itself cause such Rating Agency to reduce or to withdraw its then current underlying rating on the First Lien PFC Bonds then Outstanding, unless such rating confirmation has previously been provided

**"Projected Aggregate Debt Service"** means the aggregate amount of Annual Debt Service through the scheduled maturity(ies) of one or more Series of PFC Bonds or through any optional redemption date together with premium, if any, applicable to such one or more Series of PFC Bonds, in each case calculated with the goal of minimizing the aggregate dollar amount necessary to pay and redeem such Series of PFC Bonds whether at maturity or redemption prior to stated maturity

**"Projected Costs"** means Costs of Projects minus Projected Aggregate Debt Service

'Qualified Insurance' means any non-cancellable municipal bond insurance policy or surety bond with an initial term prior to the final maturity date of the First Lien PFC Bonds of at least five years, issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) (i) which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest Rating Categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability or (ii) by issuing its policies causes obligations insured thereby to be rated in one of the two highest Rating Categories by one or more of the Rating Agencies, *provided, however*, that the issuer of any Qualified Insurance is required to be rated in one of the two highest Rating Categories by each Rating Agency then maintaining an underlying rating with respect to the Series of PFC Bonds being secured thereby

"Qualified Letter of Credit" means any irrevocable letter of credit with a minimum term prior to the final maturity date of First Lien PFC Bonds of five years issued by a financial institution, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest Rating Categories by one or more of the Rating Agencies. If a Qualified Letter of Credit may expire in accordance with its terms prior to the stated maturity of any PFC Bonds to be secured thereby, the letter of credit shall require that (unless the Qualified Letter of Credit is replaced with cash, Qualified Insurance or another Qualified Letter of Credit) it be drawn upon in full prior to its expiration for deposit into the First Lien Reserve Account, *provided, however*, that the issuer of any Qualified Letter of Credit is required to be rated in one of the two highest Rating Categories by each Rating Agency then maintaining an underlying rating with respect to the Series of PFC Bonds being secured thereby

"Rating Agencies" means Moody's Investors Service or its successors and assigns, Standard & Poor's Ratings Service or its successors and assigns, Fitch IBCA, Inc or its successors and assigns and/or such other securities rating agency selected by the Port to provide a rating with respect to a Series of PFC Bonds, or any portion thereof, which Rating Agency, as of the applicable date, shall have assigned a rating to any Series of PFC Bonds or any portion thereof

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

**“Reciprocal Payor”** means any bank or corporation, partnership or other entity whose guarantor maintains or who maintains for itself at least one of two highest Rating Categories from a Rating Agency and which is a party to a Derivative Product and which is obligated to make one or more Reciprocal Payments thereunder

**“Registrar”** means any person, firm, association, corporation or public body as designated and appointed from time to time by resolution of the Commission or by a Series Resolution, to act as registrar for one or more Series of PFC Bonds

**“Series”** means any separate Series of PFC Bonds issued pursuant to this resolution. A Series of Bonds may be First Lien PFC Bonds or Subordinate Lien PFC Obligations

**“Series Resolution”** means a resolution authorizing the issuance of a Series of PFC Bonds, as such resolution may thereafter be amended or supplemented.

**“Standby Trustee”** means Norwest Bank Minnesota, N A , Minneapolis, Minnesota.

**“Subordinate Lien PFC Obligations”** means the obligations of any Series identified as “Subordinate Lien PFC Bonds” in the Series Resolution with respect to such Series

**“Term Bonds”** means the Bonds of any Series identified as “Term Bonds” in the Series Resolution with respect thereto

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

**“Unspent PFC Authority”** means the aggregate dollar amount of PFCs authorized to be collected by the Port under PFC Authority minus the dollar amount of Adjusted Costs

***Rules of Interpretation*** In this resolution, unless the context otherwise requires

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

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



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

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

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

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

**Section 2      Priority of Use of PFC Revenue/PFC Capital Fund**

(a) *Flow of Funds* The Port's PFC Revenue and Additional Pledged Revenue, if pledged to First Lien PFC Bonds, shall be deposited in the PFC Revenue Fund as collected. The PFC Revenue Fund shall be held separate and apart from all other funds and accounts of the Port, and the PFC Revenue deposited therein shall be used only for the following purposes and in the following order of priority on or before the 25th day of each month following the date of adoption of this resolution and until so applied shall be pledged to the payment of and subject to a lien and charge in favor of Registered Owners of the PFC Bonds

First, to make the Monthly First Lien Debt Service Deposit into the First Lien Bond Account (but only to the extent that such Monthly First Lien Debt Service Deposit is not made from amounts held as capitalized interest),

Second, to make all payments required to be made into the First Lien Reserve Account to maintain the required balance therein,

Third, to make all payments required on a monthly basis to be made into any other bond redemption fund and debt service account created to pay the principal of, premium, if any, and interest on any Subordinate Lien PFC Obligations,

Fourth, to make all payments required to be made into any other reserve account created to secure the payment of the principal of and interest on any Subordinate Lien PFC Obligations, and

Fifth, to the PFC Capital Fund

(b) *PFC Capital Fund* There is hereby authorized to be created and the Treasurer of the Port is directed to create a separate fund of the Port to be designated as the "PFC Capital Fund" Money in the PFC Capital Fund may be used and disbursed (i) to pay the Costs of Projects, or (ii) be transferred to the PFC Revenue Fund, or (iii) to make necessary additions, betterments, improvements and repairs to or extension and replacements of the Projects if permitted by PFC Regulations, or to the extent permitted by PFC Regulations, for any other lawful Port purposes; or (iv) to pay debt service on any other obligation incurred by the Port to pay Costs of Projects and, until so applied, shall be pledged to the payment of and subject to a lien and charge in favor of Registered Owners of the PFC Bonds Money on hand in the PFC Capital Fund may be invested in any legal investment for funds of port districts in the State

Section 3. Authorization and Lien of PFC Bonds Revenue bonds of the Port, unlimited in amount, to be known as the "Port of Seattle, Washington, Passenger Facility Charge Revenue Bonds," are hereby authorized to be issued in Series, and each such Series may be issued from time to time pursuant to this resolution in such amounts and upon such terms and conditions as the Commission may from time to time deem to be necessary or advisable, for any purposes of the Port now or hereafter permitted by law

The PFC Bonds and the lien thereof created and established hereunder shall be obligations only of the only of the special funds established under this resolution or in the Series Resolution authorizing their issuance The PFC Bonds shall be payable solely from and secured solely by PFC Revenue and Additional Pledged Revenue, if any, provided, however, that any Series of PFC Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that Series of PFC Bonds.

From and after the time of issuance and delivery of the PFC Bonds of each Series 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 special funds created for the payment of each Series of PFC Bonds out of PFC Revenue and Additional Pledged Revenue, if any, on or prior to the date on which the interest on or principal of and interest on the PFC Bonds shall become due, the

amount necessary to pay such interest or principal and interest coming due on the PFC Bonds of such Series. The foregoing sentence shall constitute a pledge of PFC Revenue and Additional Pledged Revenue, if any, to the payment of PFC Bonds.

Said amounts so pledged to be paid into the First Lien Bond Account are hereby declared to be a prior lien and charge upon the PFC Revenue superior to all other charges of any kind or nature whatsoever except for charges equal in rank that may be made thereon to pay and secure the payment of the principal of and interest on First Lien PFC Bonds issued under authority of a Series Resolution in accordance with the provisions of Sections 4 and Section 5 or 6 of this resolution.

Any amounts pledged to be paid into a debt service fund and or reserve account created to pay and secure the payment of Subordinate Lien PFC Obligations shall, subject to the provisions of Section 2 and of the prior paragraph of this Section 3, have the lien position on PFC Revenue set forth in the Series Resolution authorizing their issuance.

The PFC 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.

Section 4     Authorization of Series of PFC Bonds     The Port may issue hereunder from time to time one or more Series of PFC Bonds by means of a Series Resolution for any purpose of the Port for which PFC's may be used or for refunding purposes. All PFC Bonds authorized to be issued under Series Resolutions shall be First Lien PFC Bonds or Subordinate Lien PFC Obligations upon fulfillment of the conditions of this resolution and conditions, if any, established in future Series Resolutions, at the time of authorization or issuance of such PFC Bonds. As a condition precedent to the issuance of First Lien PFC Bonds (other than initial two Series issued in 1998), the Port shall comply with the limitations set forth in (i) Section 4 and (ii) Section 5 and/or Section 6. As a condition precedent to the issuance of Subordinate Lien PFC Obligations, the Port shall comply with the limitations set forth in (i) Section 4 and (ii) Section 7.

Each Series of PFC Bonds shall be authorized by a Series Resolution which shall, among other provisions, specify and provide for:

(a)     the authorized principal amount, designation and Series of such PFC Bonds,

(b) the general purpose or purposes for which such Series of PFC Bonds is being issued, and the deposit, disbursement and application of the proceeds of the sale of the PFC Bonds of such Series,

(c) the date or dates, and the maturity date or dates, of the PFC Bonds of such Series, and the principal amount maturing on each maturity date,

(d) the interest rate or rates on the PFC Bonds of such Series (which may be a rate of zero) and the interest payment date or dates therefor, and whether such interest rate or rates shall be fixed, variable or a combination of both and, if necessary, the manner of determining such rate or rates,

(e) the circumstances, if any, under which the PFC Bonds of such Series will be deemed to be no longer Outstanding,

(f) the currency or currencies in which the PFC Bonds of such Series are payable,

(g) the denominations of, and the manner of dating, numbering, and, if necessary, authenticating, the PFC Bonds of such Series,

(h) the Paying Agent or Paying Agents, if any, for the PFC Bonds of such Series and the duties and obligations thereof,

(i) the place or places of payment of the principal, redemption price, if any, or purchase price, if any, of and interest on, the PFC Bonds of such Series,

(j) the tender agent or tender agents, if any, for the PFC Bonds of such Series and the duties and obligations thereof,

(k) the remarketing agent or remarketing agents, if any, for the PFC Bonds of such Series and the duties and obligations thereof,

(l) the Registrar or Registrars, if any, for the PFC Bonds of such Series and the duties and obligations thereof,

(m) the form or forms of the PFC Bonds of such Series and any coupons attached thereto, which may include but shall not be limited to, registered form, bearer form with or without coupons, and book-entry form, and the methods, if necessary, for the registration, transfer and exchange of the PFC Bonds of such Series,

(n) the terms and conditions, if any, for the redemption of the PFC Bonds of such Series prior to maturity, including the redemption date or dates, the redemption price or prices and other applicable redemption terms,

(o) the terms and conditions, if any, for the purchase of the PFC Bonds of such Series upon any optional or mandatory tender for purchase prior to maturity, including the tender date or dates, the purchase date or dates, the purchase price or prices and other applicable terms,

(p) the manner of sale of the PFC Bonds of such Series, with or without a premium or a discount, including the sale of Original Issue Discount Bonds,

(q) if so determined by the Port, the authorization of and any terms and conditions with respect to credit or liquidity support for the PFC Bonds of such Series and the pledge or provision of moneys, assets or security other than PFC Revenue to or for the payment of the PFC Bonds of such Series or any portion thereof,

(r) the lien position of such Series and findings of parity, if applicable, and

(s) any other provisions which the Port deems necessary or desirable in connection with the PFC Bonds of such Series

**Section 5** **Initial First Lien PFC Bonds and Future First Lien PFC Project Bonds.** On this date, the Port is adopting a Series Resolution authorizing the issuance of two Series of First Lien PFC Bonds, Passenger Facility Charge Revenue Bonds, Series 1998A in the aggregate principal amount of \$118,490,000 and Passenger Facility Charge Revenue Bonds, Series 1998B in the aggregate principal amount of \$144,010,000, each having an equal first lien on PFC Revenue. Following the issuance of such initial Series, except as provided in Section 4, the Port shall not issue any Series of Future First Lien PFC Project Bonds unless a Designated Representative's Certificate or an Independent Aviation Consultant's Certificate is delivered on or prior to the date of issuance of such Future First Lien PFC Project Bonds

**Section 6** **Future First Lien PFC Refunding Bonds** The Port, by means of a Series Resolution adopted in compliance with the provisions of Section 4 hereof, may issue Future First Lien PFC Refunding Bonds hereunder as follows

(a) Future First Lien PFC Refunding Bonds may be issued at any time for the purpose of refunding (including by purchase) First Lien PFC Bonds including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption

(or purchase) making future First Lien Reserve Account deposits, making payment for Qualified Insurance or Qualified Letter of Credit and paying the expenses of issuing the First Lien PFC Refunding Bonds to purchase or refund the same and of effecting such refunding upon delivery of a Designated Port Representative's Certificate or an Independent Aviation Consultant's Certificate. Such Future First Lien PFC Refunding Bonds also may be issued without a Designated Port Representative's Certificate or an Independent Aviation Consultant's Certificate if the Annual Debt Service on such Future First Lien PFC Refunding Bonds shall not be more than the Annual Debt Service on the First Lien PFC Bonds to be refunded were such refunding not to occur, provided that such provision shall not prevent the Port from issuing Future First Lien PFC Refunding Bonds that mature later than the First Lien PFC Bonds to be refunded..

(b) Future First Lien PFC Refunding Bonds may be issued at any time for the purpose of refunding (including by purchase) any other bonds of the Port the proceeds of which were used to pay the Costs of Projects, including Subordinate Lien PFC Obligations, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption of such bonds (or purchase) First Lien Reserve Account deposits, payment for Qualified Insurance or Qualified Letter of Credit and the expenses of issuing the First Lien PFC Bonds to purchase or refund the same and of effecting such refunding, provided, however, that prior to the issuance of such Future First Lien PFC Refunding Bonds, the Port must provide a Designated Port Representative's Certificate or Independent Aviation Consultant's Certificate.

(c) Future First Lien PFC Refunding Bonds may be issued for the purpose of refunding (including by purchase) at any time within one year prior to maturity, any First Lien PFC Bonds for the payment of which sufficient PFC Revenue, or Additional Pledged Revenues, if any, are not available without the requirement of a Designated Port Representative's Certificate or Independent Aviation Consultant's Certificate

Section 7 Subordinate Lien PFC Obligations The Port may issue Subordinate Lien PFC Obligations hereunder from time to time in one or more Series by means of a Series Resolution for any purpose of the Port for which PFCs may be used or for refunding purposes. Each Series Resolution authorizing a Series of Subordinate Lien PFC Obligations shall provide that the maturity date of Subordinate Lien PFC Obligations may not be accelerated (not including therein any indirect acceleration of the maturity thereof through reimbursement obligations to the provider of a credit facility occurring as a result of the mandatory tender for purchase of

Subordinate Lien PFC Obligations) and shall further provide that following the occurrence of a Default, neither PFC Revenue nor Additional Pledged Revenue, if any, may be used to pay the principal of or interest on Subordinate Lien PFC Obligations unless all payments required to be made with respect to matured principal of and interest on First Lien PFC Bonds have been fully paid and discharged

**Section 8**      **First Lien Bond Account and First Lien Reserve Account**

(a)      *First Lien Bond Account*      A special fund of the Port designated the "Port of Seattle Passenger Facility Charge Revenue Bond Account, First Lien" (the "First Lien Bond Account") is hereby authorized to be created in the office of the Treasurer for the purpose of paying and securing the payment of the First Lien PFC Bonds. The First Lien Bond Account is pledged to the payment of First Lien PFC Bonds and 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 First Lien PFC Bonds

The Port hereby irrevocably obligates and binds itself for so long as any First Lien PFC Bonds remain Outstanding to set aside and pay into the First Lien Bond Account from PFC Revenue or money in the PFC Revenue Fund including Additional Pledged Revenue, if pledged to be deposited therein, on or prior to the respective dates on which the same become due

- (1)      such amounts as are required to pay the interest scheduled to become due and redemption premium, if any, on Outstanding First Lien PFC Bonds, and
- (2)      such amounts as are required to pay maturing principal or principal being redeemed of Outstanding First Lien PFC Bonds

The forgoing sentence shall constitute a pledge by the Port of PFC Revenue to the First Lien Bond Account

(b)      *First Lien Reserve Account*      A First Lien Reserve Account (the "First Lien Reserve Account") is hereby authorized to be created for the purpose of securing the payment of the principal of, premium, if any, and interest on the First Lien PFC Bonds

The Port hereby covenants and agrees that on the date of issuance of each Series of First Lien PFC Bonds, the Port will assure that the amount on hand in the First Lien Reserve Account shall be sufficient to meet the First Lien Reserve Account Requirement

The First Lien Reserve Account Requirement shall be maintained by deposits of cash, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the

extent that the Port obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the First Lien Reserve Account, all or a portion of the money on hand in the First Lien Reserve Account shall be transferred to the First Lien Bond Account. In computing the amount on hand in the First Lien Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the face amount thereof, and all other obligations purchased as an investment of moneys therein shall be valued at market at least annually. The market value of securities then credited to the First Lien Reserve Account shall be determined and any deficiency in the First Lien Reserve Account shall be made up in equal installments within six months after the date of such valuation. As used herein, the term "cash" shall include U S currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check, and the deposit to the First Lien Reserve Account may be satisfied by the transfer of qualified investments to such account.

If the balance on hand in the First Lien Reserve Account is sufficient to satisfy the First Lien Reserve Account Requirement, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the First Lien Bond Account and the First Lien Reserve Account to pay the principal of, premium, if any, and interest on all Outstanding First Lien PFC Bonds, the money in the First Lien Reserve Account may be used to pay such principal, premium, if any, and interest. So long as the money left remaining on deposit in the First Lien Reserve Account is equal to the First Lien Reserve Account Requirement, money in the First Lien Reserve Account shall be transferred to the First Lien Bond Account. The Port also may transfer out of the First Lien Reserve Account any money required in order to prevent any First Lien PFC Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in the First Lien Bond Account shall occur immediately prior to a First Lien Payment Date, such deficiency shall be made up from the First Lien Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the First Lien Reserve Account, in such amounts as will provide cash in the First Lien Reserve Account sufficient to make up any such deficiency with respect to the First Lien PFC Bonds, and if a deficiency still exists immediately prior to a First Lien Payment Date and after the withdrawal of cash, the Port shall then draw from any Qualified Letter of Credit or Qualified Insurance for the First Lien PFC Bonds in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as such Qualified Letter of Credit or



such Qualified Insurance shall provide Reimbursement shall be made over a twelve-month period to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments required to be made in paragraph First of Section 2(a) of this resolution. If the Port shall have failed to make any payment required to be made under such reimbursement agreement for the First Lien PFC Bonds, the issuer shall be entitled to exercise all remedies available at law or under this resolution, provided, however, that no acceleration of the First Lien PFC Bonds shall be permitted, and no remedies which adversely affect Registered Owners of the First Lien PFC Bonds shall be permitted. Any deficiency created in the First Lien Reserve Account by reason of any such withdrawal shall be made up from the next available PFC Revenue but in no event later than within one year from Qualified Insurance or a Qualified Letter of Credit or out of Pledged Revenue after making necessary provision for the payments required to be made into the First Lien Bond Account within such year.

In making the payments and credits to the First Lien Reserve Account required by this Section 8(b), to the extent that the Port has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the First Lien Reserve Account such amounts so covered by Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the First Lien Reserve Account by this Section 8(b) to the extent that such payments and credits to be made are to be made or insured by Qualified Insurance, or are to be made or guaranteed by a Qualified Letter of Credit. In the event of termination of a Qualified Letter of Credit or if the issuer of the Qualified Insurance or the Qualified Letter of Credit shall be insolvent or no longer in existence, the First Lien Reserve Account Requirement shall be satisfied (A) in equal monthly payments, within six months after the insolvency or incapacity, but no later than the date of cancellation or termination, with cash or with other Qualified Insurance or another Qualified Letter of Credit, or (B) in equal monthly payments, within six months after the insolvency of the issuer of a Qualified Letter of Credit or Qualified Insurance or termination of a Qualified Letter of Credit, out of Net Revenues (or out of other money on hand and legally available for such purpose) after making necessary provisions for the payments required to be made into the First Lien Bond Account

(c) *Pledge and Lien* Said amounts so pledged to be paid into the First Lien Bond Account and the First Lien Reserve Account by this resolution are hereby declared to be an equal and prior lien and charge upon the PFC Revenue and Additional Pledged Revenue, if any, superior to all other charges of any kind or nature whatsoever, except that the amounts so pledged are of equal lien to the lien and charge thereon of any lien and charge thereon which may hereafter be made to pay and secure the payment of the principal of, premium, if any, and interest on any Future First Lien PFC Bonds. Amounts, if any, pledged to be paid into the First Lien Bond Account and the First Lien Reserve Account from Additional Pledged Revenue shall constitute a lien and charge upon such Additional Pledged Revenue as provided by resolution of the Commission, subject to the prior liens thereon, if any, with respect to other Port obligations. The Port hereby specifically reserves the right to include other income, revenue or receipts at any time as Additional Pledged Revenue.

(d) *Use of Excess Money* Money in the First Lien Bond Account not needed to pay the interest or principal and interest next coming due on any Outstanding First Lien PFC Bonds may be used to purchase or redeem and retire First Lien PFC Bonds within the limitations provided in Section 2 of this resolution. Money in the First Lien Bond Account shall be used solely to pay principal of, interest on and premium, if any, on First Lien PFC Bonds, whether at maturity or redemption or purchase in advance of maturity of such First Lien PFC Bonds. As provided in this resolution, the Monthly Debt Service Deposit shall be adjusted from time to time, so as to ensure compliance with requirements of the Code and to avoid excessive accumulations in the First Lien Bond Account.

Money on hand in the First Lien Reserve Account in excess of the First Lien Reserve Account Requirement shall be transferred to the First Lien Bond Account.

(e) *Credit Facilities* To the extent that the Port shall have satisfied the First Lien Reserve Requirement with a Credit Facility, the Series Resolution may provide additional covenants and prescribe additional procedures with respect to such Credit Facility not inconsistent with this resolution.

Section 9 Specific Covenants The Port hereby makes the following covenants and agreements with the owners and holders of each of the First Lien PFC Bonds for as long as any of the same remain Outstanding.

(a) *First Lien Sufficiency Covenant* The Port will at all times establish, maintain and collect PFC Revenue which, together with Projected Additional Pledged Revenue, will be sufficient to meet the First Lien Sufficiency Covenant and undertake to measure compliance with the First Lien Sufficiency Covenant as of the end of each fiscal year

If the First Lien Sufficiency Covenant is not met, the Port shall

(i) redeem or defease First Lien PFC Bonds and/or Subordinate Lien PFC Obligations in amounts sufficient to permit the Port to comply with the First Lien Sufficiency Covenant, and/or

(ii) identify Additional Pledged Revenue sufficient to permit a Consultant to certify compliance with the First Lien Sufficiency Covenant, and/or

(iii) obtain an amendment to existing PFC Authority or new PFC Authority and/or

(iv) identify and agree to use other legally available funds of the Port to pay Projected Costs not already paid, in an amount sufficient (together with amounts realized as a result of the other options identified hereinabove) to meet the First Lien Sufficiency Covenant

If the First Lien Sufficiency Covenant is not met, and the steps in (i) through (iv) have not been taken, the Port shall not spend any money on deposit in the PFC Capital Fund except to pay debt service on the First Lien PFC Bonds, to make deposits to the First Lien Reserve Account, to pay debt service on Subordinate Lien PFC Obligations or to make deposits in a reserve account for Subordinate Lien PFC Obligations

The failure of the Port to meet the First Lien Sufficiency Covenant shall not constitute a Default unless, prior to curing such failure, the Port fails to take one of the actions described in (i) through (iv) above and, while such failure continues, the Port disburses money from the PFC Capital Fund for purposes other than the payment of debt service on PFC Bonds or required deposits to reserve accounts therefor

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

(c) *Property and Liability Insurance* The Port will keep all operating 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 for the protection of the Port and of the owners of PFC Bonds then Outstanding

(d) *Books and Records* The Port will keep and maintain proper books of account and accurate records of all of its revenue, including tax receipts and PFC 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 PFC Revenue 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 PFC 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 PFC Bonds.

(e) *Compliance with Law* The Port will comply with all provisions of the PFC Act, ANCA, the PFC Authority and the PFC Regulations applicable to the Port and all provisions thereof, and will not take any action or omit to take any action with respect to PFC Revenue, the Projects, the Airport or otherwise if such action or omission would, pursuant to the PFC Regulations, cause the termination or reduction of the Port's authority to impose passenger facility charges or prevent the collection and use of the PFC Revenue as contemplated by this resolution. The Port covenants that all money in the PFC Revenue Fund and the PFC Capital Fund will be used in compliance with all provisions of the PFC Act and the PFC Regulations applicable to the Port and all provisions of the PFC Authority. Without limiting the generality of the foregoing, the Port covenants that, to the extent necessary to comply with the foregoing covenant

(1) The Port will diligently seek approval to use PFC Revenue for the Projects within the time periods set forth in the PFC Regulations and will begin implementation of the Projects within the time periods set forth in the PFC Regulations;

(ii) The Port (A) will impose PFCs to the full extent such imposition has been authorized and approved by the FAA in the FAA's Record of Decision, dated June 24, 1998, and (B) will not unilaterally decrease the level of the passenger facility charge to be collected from any passenger,

(iii) The Port will not impose any noise or access restriction at the Airport not in compliance with ANCA,

(iv) The Port will take all action reasonably necessary to cause all Collecting Carriers to collect and remit to the Port all PFCs at the Airport required by the PFC Regulations to be so collected and remitted, and

(v) The Port will contest any attempt by the FAA to terminate, reduce or suspend the Port's authority to impose, receive or use PFC at the Airport prior to the charge expiration date or the date total approved passenger facility charge revenue has been collected

(f) *Operation and Maintenance* The Port covenants that it will not take any action or omit to take any action that would cause the FAA, the Department of Transportation or any other state or federal agency to suspend or to revoke the Port's operating certificates for the Airport, that it will at all times use reasonable efforts to keep the Airport open for take-offs and landings and that it will use reasonable efforts to obtain in a timely manner all permits and approvals required to construct and operate the Projects

Section 10 Derivative Products The following shall be conditions precedent to the use of any Derivative Product on a parity with any Series of PFC Bonds

(a) *General Parity Tests* The Derivative Product must satisfy the requirements for First Lien PFC Bonds, as described in Section 5 of this resolution or the applicable section of a Series Resolution authorizing a series of Subordinate Lien PFC Obligations, as the case may be

(b) *Opinion of Bond Counsel* The Port shall obtain an opinion of Bond Counsel on the due authorization and execution of such Derivative Product opining that the action proposed to be taken by the Port is authorized or permitted State law and by this resolution or the applicable provisions of any applicable Series Resolution and is not prohibited by the resolutions that authorized the issuance of the Outstanding PFC Bonds, as such resolutions may be amended or supplemented from time to time and will not adversely affect the exclusion from

gross income for federal income tax purposes of the interest on any PFC Bonds issued on a tax-exempt basis

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

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

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

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

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

Except as may be otherwise provided in the resolution establishing a Derivative Product Account, additional PFC Bonds may be delivered in connection with any Derivative Product. This resolution may be amended in the future to reflect the lien position and priority of any payments made in connection with a Derivative Product and, *provided, further*, that termination payments under Derivative Products may not attain a parity lien with any First Lien PFC Bonds

Section 11 Adoption of Supplemental Resolutions and Purposes Thereof Without Consent The Port may adopt at any time and from time to time and without the consent or concurrence of the owner of any PFC Bond, a resolution or resolutions amendatory or supplemental to this resolution for any one or more of the following purposes

(a) To provide for the issuance of a Series of PFC Bonds pursuant to Section 4 hereof, and to prescribe the terms and conditions pursuant to which such PFC Bonds may be issued, paid or redeemed including, *inter alia*, provisions relating to defaults with respect to Subordinate Lien PFC Obligations, subject to the limitation of Section 14 hereof,

(b) To add covenants and agreements of the Port for the purpose of further securing the payment of the PFC Bonds, provided that such additional covenants and agreements

are not contrary to or inconsistent with the covenants and agreements of the Port contained in this resolution,

(c) To prescribe further limitations and restrictions upon the issuance of PFC Bonds and/or Derivative Products and the incurring of indebtedness by the Port payable from the PFC Revenue which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect,

(d) To surrender any right, power or privilege reserved to or conferred upon the Port by the terms of this resolution,

(e) To confirm as further assurance any pledge or provision for payment of the PFC Bonds under and the subjection to any lien, claim or pledge created or to be created by the provisions of this resolution of the PFC Revenue or of any other moneys, securities or funds,

(f) To cure any ambiguity or defect or inconsistent provision in this resolution or to insert such provisions clarifying matters or questions arising under this resolution as are necessary or desirable, provided that such modifications shall not materially and adversely affect the security for the payment of any PFC Bonds,

(g) To qualify this resolution under the Trust Indenture Act of 1939, as amended as long as there is no material adverse effect on the security for the payment of PFC Bonds,

(h) To obtain or maintain a rating with respect to any Series of PFC Bonds,

(i) To modify the provisions of this resolution to obtain from any Rating Agency a rating on any Series of PFC Bonds or any portion thereof which is higher than the rating which would be assigned without such modification, or

(j) To modify any of the provisions of this resolution in any other respects, provided that such modifications shall not materially and adversely affect the security for the payment of any PFC Bond. Notwithstanding anything in subsection 10(d) or in this Section 11 to the contrary, without the specific consent of the owner of each PFC Bond, no such resolution amending or supplementing the provisions hereof or of any Series Resolution shall (1) permit the creation of a lien or charge on the PFC Revenue superior or prior to the payment of the First Lien PFC Bonds, (2) reduce the percentage of PFC Bondowners of which are required to consent to any such resolution amending or supplementing the provisions hereof, or (3) give to any PFC Bond or PFC Bonds any preference over any other PFC Bond or PFC Bonds secured hereby or

violate the PFC Act or any PFC Authority or PFC Regulation. No resolution amending or supplementing the provisions hereof or any Series Resolution shall change the date of payment of the principal of any PFC Bond, or reduce the principal amount or Accreted Value of any PFC Bond, or change the rate or extend the time of payment of interest thereof, or reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any PFC Bond may first be called for redemption prior to its fixed maturity date (except as provided in the Series Resolution authorizing the issuance of such PFC Bond) without the specific consent of the owner of that PFC Bond, and no such amendment shall change or modify any of the rights or obligations of any Paying Agent or other agent for a Series of PFC Bonds without its written assent thereto.

Section 12 Adoption of Supplemental Resolutions and Purposes Thereof With Consent

(a) *Amendments With Registered Owners Consent* Subject to the provisions of Section 11, 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 First Lien PFC Bonds or Subordinate Lien PFC Obligations, as the case may be, then Outstanding, provided, that (A) no amendment shall be made which affects the security of some but fewer than all of the Registered Owners of the Outstanding First Lien PFC Bonds or a lien of Subordinate Lien PFC Obligations, as the case may be, without the consent of the Registered Owners of a majority in aggregate principal amount of the PFC Bonds so affected, and (B) except as expressly authorized hereunder, no amendment which alters the interest rates on any Outstanding First Lien PFC Bonds or a lien of Subordinate Lien PFC Obligations, as the case may be, the maturity dates or interest payment dates of any Outstanding First Lien PFC Bonds or a lien of Subordinate Lien PFC Obligations, as the case may be, without the consent of the Registered Owners of all Outstanding PFC Bonds affected thereby.

(b) *Amendments With Consent of Issuers of Credit Facilities* Notwithstanding anything in this Section 12 or Sections 10(d) or 11 to the contrary, any amendment to this resolution shall require the prior written consent of the issuer(s) of Credit Facilities with respect to First Lien PFC Bonds so long as such issuer has not failed to honor a claim for payment thereunder. A Series Resolution shall not be considered as an amendment to this resolution. In addition, to the extent that any Series of PFC Bonds is secured by a Credit Facility, the issuer of



the Credit Facility shall be considered to be the Registered Owner for purposes of granting consents, waivers or approvals required or permitted to be obtained under this resolution

(c) *Approval of FAA* The approval of the FAA of any supplement or amendment to this resolution shall be required only to the extent that such amendment or supplement conflicts or is inconsistent with PFC Authority

Section 13 Resolution and Laws a Contract with Bondowners This resolution is adopted under the authority of and in full compliance with the Constitution and laws of the State of Washington, including RCW ch 39 46, as amended and supplemented, and Title 53 of the Revised Code of Washington, as amended and supplemented The FAA shall be a third party beneficiary under this resolution with respect to its rights under Section 15

Section 14 Defaults The Port hereby finds and determines that the collection, deposit and disbursement of PFC Revenue and Additional Revenue, if any, are essential to the payment and security of the PFC Bonds and the failure or refusal of the Port or any of its officers to perform the covenants and obligations of this resolution will endanger the collection and application of PFC Revenue and Additional Revenue, if any, and such other moneys, funds and securities to the purposes herein set forth Accordingly, the provisions of this Section 14 are specified and adopted for the additional protection of the owners from time to time of the PFC Bonds Any one or more of the following events shall constitute a "Default" under this resolution and each Series Resolution

(a) The Port shall fail to make payment of the principal of any *First Lien* PFC 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 *First Lien* PFC 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, *provided, however*, that a breach of a covenant that results in a violation of the PFC Act, ANCA, PFC Authority or the PFC Regulations shall not be a Default hereunder unless and until such violation results in a termination or reduction in the Port's authority to impose or to impose and use PFCs

A future Series Resolution authorizing Subordinate Lien PFC Obligations may provide for additional events constituting defaults with respect thereto, provided that such defaults thereunder shall not result in a Default hereunder

Section 15 Remedies and Other FAA Provisions Upon the occurrence of a Default under this resolution, the Port will notify Registered Owners of such Default Upon receipt of an FAA Notice (a "Notice Event"), the Port immediately shall notify the Standby Trustee of the occurrence of such Notice Event In addition, (i) upon the receipt of an FAA Notice or (ii) following a Default and receipt of a request from the Registered Owners of a majority in principal amount of the Outstanding PFC Bonds, the Port shall immediately direct the Treasurer to transfer the balance on hand in the PFC Revenue Fund, the First Lien Bond Account, the First Lien Reserve Account and the PFC Capital Fund to the Standby Trustee Upon receipt of indemnity and assurances to its satisfaction that its expenses shall be paid, the Standby Trustee

(i) upon receipt of an FAA Notice, to the extent permitted by law, shall act upon the direction of the FAA with respect to PFC Revenue after PFC Bonds have been paid, and/or

(ii) following the occurrence of a Default, the Standby Trustee in its own name and as the trustee of an express trust, may take any or all of the following actions.

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Registered Owners and require the Port to carry out any agreements with or for the benefit of the Registered Owners of PFC Bonds and to perform its or their duties under this resolution and any Series Resolution,

(b) bring suit upon the PFC Bonds,

(c) by action or suit in equity require the Port to account as if it were the trustee of an express trust for the Registered Owners of PFC Bonds, or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of PFC Bonds

Notwithstanding anything herein to the contrary, the FAA shall have only those rights or remedies set forth in the then currently effective PFC Authority

The Standby Trustee shall give notice of all Defaults known to the Standby Trustee, to the Registered Owners within 90 days after the occurrence thereof The Standby Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive

committee, or a trust committee of directors and/or responsible officers, of the Standby Trustee in good faith determine that the withholding of such notice is in the interest of the Registered Owners

Section 16    Application of PFC Revenue and Other Funds After Default    If a Default shall occur and be continuing, all PFC Revenue and any other funds then held or thereafter received by the Standby Trustee under any of the provisions of this resolution shall be applied by the Standby Trustee as follows and in the following order

(a)    To the payment of any expenses necessary in the opinion of the Standby Trustee to protect the interests of the Registered Owners of the PFC Bonds and payment of reasonable fees and charges and expenses of the Standby Trustee (including reasonable fees and disbursements of its counsel) incurred in and in connection with the performance of its powers and duties under this resolution,

(b)    To the payment of the principal of and interest then due on the PFC Bonds (upon presentation of the PFC Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this resolution, as follows.

(i)    Unless the principal of all of the PFC Bonds shall have become due and payable,

First. To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof first to First Lien PFC Bonds and then to Subordinate Lien PFC Obligations and within such liens, ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference, and

Second To the payment to the persons entitled thereto of the unpaid principal of any PFC Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective PFC Bonds, and, if the amount available shall not be sufficient to pay in full all the PFC Bonds, together with such interest, then to the payment thereof first to First Lien PFC Bonds and then to Subordinate Lien PFC Obligations and within such liens, ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference;

(ii) If the principal of all of the PFC Bonds shall have become due and payable, to the payment of the principal and interest then due and unpaid upon the PFC Bonds, with interest on the overdue principal at the rate borne by the PFC Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof first to First Lien PFC Bonds and then to Subordinate Lien PFC Obligations and within such lien, ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any First Lien PFC Bond over any other First Lien PFC Bond or of any Subordinate Lien PFC Obligation over any other Subordinate Lien PFC Obligation, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference, and

(iii) To the Port

Section 17 Standby Trustee to Represent Registered Owners The Standby Trustee is hereby irrevocably appointed (and the successive respective Registered Owners of the PFC Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Standby Trustee) as Standby Trustee and true and lawful attorney-in-fact of the Registered Owners of the PFC Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Registered Owners under the provisions of the PFC Bonds, this resolution, any Series Resolution and applicable provisions of any law. Upon the occurrence and continuance of a Default or other occasion giving rise to a right in the Standby Trustee to represent the Registered Owners, the Standby Trustee in its discretion may, and upon the written request of the Registered Owners of not less than 25% in aggregate principal amount of the PFC Bonds then Outstanding, and upon being indemnified against anticipated expenses and liabilities to its satisfaction therefor (which indemnity is a condition precedent to its duties hereunder, shall, proceed to protect or enforce its rights or the rights of such Registered Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Standby Trustee or in such Registered Owners under this resolution, each Series Resolution or any law, and upon instituting such proceeding, the Standby Trustee shall be

entitled, as a matter of right, to the appointment of a receiver of the PFC Revenue and other assets pledged under this resolution, pending such proceedings. All rights of action under this resolution or the PFC Bonds or otherwise may be prosecuted and enforced by the Standby Trustee without the possession of any of the PFC Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Standby Trustee shall be brought in the name of the Standby Trustee for the benefit and protection of all the Registered Owners of such PFC Bonds, subject to the provisions of this resolution.

Section 18 Registered Owners' Direction of Proceedings Anything in this resolution to the contrary notwithstanding, the Registered Owners of a majority in aggregate principal amount of the PFC Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Standby Trustee, to direct the method of conducting all remedial proceedings taken by the Standby Trustee hereunder, upon indemnification satisfactory to the Standby Trustee, provided that such direction shall not be otherwise than in accordance with law and the provisions of this resolution, and that the Standby Trustee shall have the right to decline to follow any such direction which in the sole discretion of the Standby Trustee would be unjustly prejudicial to Registered Owners not parties to such direction. The Standby Trustee shall not be responsible for the propriety of or liable for the consequences of following such a direction given by the Registered Owners of a majority in aggregate principal amount of the PFC Bonds Outstanding.

Section 19 Limitation on PFC Bond Registered Owners' Right to Sue No Registered Owner of any PFC Bond shall have the right to institute any suit, action or proceeding at law or in equity for the protection or enforcement of any right or remedy under this resolution, any Series Resolution or any other applicable law unless the Registered Owners of not less than 25% in aggregate principal amount of the PFC Bonds then Outstanding shall have made written request upon the Standby Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name, and such Registered Owner or said Registered Owners shall have tendered to the Standby Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in complying with such request, and the Standby Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Standby Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Registered Owner of PFC Bonds of any remedy hereunder or under law, it being understood and intended that no one or more Registered Owners of PFC Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this resolution or the rights of any other Registered Owners, or to enforce any right under this resolution, or any Series Resolution or other applicable law with respect to the PFC Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Registered Owners of the Outstanding PFC Bonds

Section 20    Termination of Proceedings    In case any proceedings taken by the Standby Trustee or any one or more Registered Owners on account of any Default shall have been discontinued or abandoned for any reason or shall have been determined adversely or if the FAA Notice is withdrawn for any reason or if any Default is cured, the Standby Trustee or the Registered Owners, then in every such case the Port, the FAA, the Standby Trustee and the Registered Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Port, the FAA, the Standby Trustee and the Registered Owners shall continue as though no such proceedings had been taken. All funds and accounts shall be returned to the Treasurer of the Port. Receipt of notice from the Port and the FAA to the effect that the FAA's assertion of a violation of the PFC Act, ANCA, PFC Authority or PFC Regulations has been resolved or waived shall constitute a termination of the Default and caused by such violation proceedings hereunder.

Section 21    Remedies Not Exclusive    No remedy herein conferred upon or reserved to the Standby Trustee or the FAA or to the Registered Owners of the PFC Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 22    No Waiver of Default    No delay or omission of the Standby Trustee or of any Registered Owner of the PFC Bonds to exercise any right or power arising upon the occurrence of any Default shall impair any such right or power or shall be construed to be a

waiver of any such default or an acquiescence therein, and every power and remedy given by this resolution to the Standby Trustee or to the Registered Owners may be exercised from time to time and as often as may be deemed expedient

Section 23     Duties, Immunities and Liabilities of Standby Trustee

(a)     The Standby Trustee shall, prior to the receipt of an FAA Notice or a Default, and after the curing of all Defaults which may have occurred or withdrawal or resolution of an FAA Notice, perform such duties and only such duties as are specifically imposed upon it as set forth in this resolution and no implied duties or responsibilities shall be read into this resolution against the Standby Trustee. The Standby Trustee shall, during the existence of any Default (which has not been cured) or following receipt of an FAA Notice and prior to resolution, exercise such of the rights and powers vested in it by this resolution, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs, provided that, if in the reasonable opinion of the Standby Trustee any such action may tend to invoke expense or liability to the Standby Trustee, it shall not be obligated to take such action unless it is first furnished with funds for payment of such expense or with indemnity therefor satisfactory to it

(b)     Upon 30 days' advance written notice to the Standby Trustee, the Port may unless a Default shall have occurred and then be continuing, and upon written request of the issuers of all Credit Facilities then in effect with respect to PFC Bonds (so long as such issuer(s) is/are not in default of its/their obligations) shall, remove the Standby Trustee at any time and shall remove the Standby Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Registered Owners of not less than a majority in aggregate principal amount of the PFC Bonds then Outstanding (or their attorneys duly authorized in writing) or, without the necessity of advance written notice, if at any time the Standby Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Standby Trustee or its property shall be appointed, or any public officer shall take control or charge of the Standby Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Standby Trustee and thereupon shall appoint a successor Standby Trustee by an instrument in writing

(c) The Standby Trustee may at any time resign by giving written notice of such resignation to the Port and the FAA and by giving the Registered Owners notice of such resignation by first class mail at the addresses shown on the Bond Register. In order to discharge this obligation, the Standby Trustee shall deliver a form of such notice to the Registrar with a request to distribute the same to Registered Owners. Upon receiving such notice of resignation, the Port shall promptly appoint a successor Standby Trustee by an instrument in writing. The Standby Trustee shall not be relieved of its duties until such successor Standby Trustee has accepted appointment.

(d) Any removal or resignation of the Standby Trustee and appointment of a successor Standby Trustee shall become effective only upon acceptance of appointment by the successor Standby Trustee. If no successor Standby Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Standby Trustee or any Registered Owner (on behalf of himself and all other Registered Owners) may petition any court of competent jurisdiction for the appointment of a successor Standby Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Standby Trustee. Any successor Standby Trustee appointed under this resolution shall signify its acceptance of such appointment by executing and delivering to the Port and to its predecessor Standby Trustee a written acceptance thereof, and thereupon such successor Standby Trustee, without any further act, deed or conveyance, shall become vested with all the money, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Standby Trustee, with like effect as if originally named Standby Trustee herein, but, nevertheless, at the request of the Port or the request of the successor Standby Trustee, such predecessor Standby Trustee shall, at the expense of the Port execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Standby Trustee all the rights, title and interest of such predecessor Standby Trustee in and to any property held by it under this resolution and shall pay over, transfer, assign and deliver to the successor Standby Trustee any money or other property subject to the trusts and conditions herein set forth, subject to Section 25 herein. Upon request of the successor Standby Trustee, the Port shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Standby Trustee all such money, estates, properties, rights,



powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Standby Trustee as provided in this subsection, such successor Standby Trustee shall mail a notice of the succession of such Standby Trustee to the trusts hereunder to the FAA and to the Registered Owners at the addresses shown on the Bond Register. The successor Standby Trustee shall effect this notice by giving a form of notice to the Registrar with a request to mail such notice to the Registered Owners.

(e) The Standby Trustee shall have no responsibility with respect to any information, statement or recital in the official statement or other disclosure material prepared or distributed with respect to the PFC Bonds.

(f) The Standby Trustee's rights to immunities, indemnity, and protection from liability hereunder and its rights to payment of fees and expenses shall survive its resignation or removal and the final payment or defeasance of the PFC Bonds or the discharge of this resolution.

(g) Upon an admission of insolvency or a filing of a petition under Chapter 9 of the United States Bankruptcy Code, the Port (i) immediately shall notify the Standby Trustee of the occurrence of such event, and (ii) upon receipt of indemnity and assurances to its satisfaction that its expenses shall be paid, the Standby Trustee shall, to the extent permitted by law, in its own name and as the trustee of an express trust on behalf of the Registered Owners, prosecute and defend the claims, if any, of the Registered Owners against the Port, including without limitation, claims of the Bondholders to PFC Revenue and any Additional Pledged Revenue.

**Section 24    Merger or Consolidation** Any company into which the Standby Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party shall be the successor to such Standby Trustee and Standby Trustee's administration thereof without the executing or filing of any paper or any further act, anything herein to the contrary notwithstanding.

**Section 25    Liability of Standby Trustee**

(a) The recitals of facts herein and in the PFC Bonds shall be taken as statements of the Port, and the Standby Trustee shall have no responsibility for the correctness of the same or for the validity or sufficiency of this resolution, any Series Resolution or any security thereunder or for the PFC Bonds, or any representations therein. The Standby Trustee shall incur

no responsibility in respect of any such documents other than in connection with the duties or obligations herein or in the PFC Bonds assigned to or imposed upon it. The Standby Trustee shall not be liable in connection with the performance of its duties or exercise of discretion hereunder, except for its own negligence or willful misconduct. The Standby Trustee may become the Registered Owner of PFC Bonds as principal with the same rights it would have if it were not Standby Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Registered Owners, whether or not such committee shall represent the Registered Owners of a majority in principal amount of the PFC Bonds then Outstanding.

(b) The Standby Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Standby Trustee was negligent in ascertaining the pertinent facts.

(c) The Standby Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the FAA or the Registered Owners of not less than 25% in aggregate principal amount of the PFC Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Standby Trustee or exercising any trust or power conferred upon the Standby Trustee under this resolution.

(d) The Standby Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this resolution.

(e) The Standby Trustee shall not be deemed to have knowledge of any default or Default unless and until it shall have actual knowledge thereof, or shall have received written notice thereof. Except as otherwise expressly provided herein, the Standby Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the PFC Bonds, or as to the existence of a default or Default thereunder. Except as otherwise provided in this resolution, the Standby Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. The Standby Trustee shall not be responsible for filing or maintaining the priority of any financing statement.

(f) The permissive right of the Standby Trustee to perform acts under this resolution shall not be construed as a duty. The Standby Trustee shall not be required to give any PFC Bond or surety in respect of the execution of the trusts confined hereunder or otherwise in respect of the premises.

Section 26 Right to Rely on Documents The Standby Trustee shall be protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, direction, report, opinion, PFC Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, but the Standby Trustee shall examine the evidence furnished to it in order to determine whether or not such evidence conforms to the requirements of this resolution. At the expense of the Port, the Standby Trustee may consult with counsel, who may but not need be counsel of or to the Port, with regard to legal questions concerning interpretation of this resolution or otherwise, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Standby Trustee shall not be bound to recognize any person other than the issuer(s) of Credit Facility/Facilities as the Registered Owner of a PFC Bond unless and until such PFC Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this resolution the Standby Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Port, and such certificate shall be full warrant to the Standby Trustee for any action taken or suffered in good faith under the provisions of this resolution in reliance upon such Certificate, but in its discretion the Standby Trustee may in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

Section 27 Preservation and Inspection of Documents All documents maintained by the Standby Trustee under the provisions of this resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the FAA, the issuer(s) of Credit Facility/Facilities, the Port and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions with reasonable prior notice.

Section 28 Compensation and Indemnification The Standby Trustee shall be entitled to receive compensation from the Port for the services of the Standby Trustee and rendered under or pursuant to this resolution, which compensation shall be determined in accordance with the written fee schedule of the Standby Trustee furnished to the Port by the Standby Trustee and as may be supplemented or modified from time to time hereafter, or as of the date of appointment of any successor Standby Trustee (or which compensation, in the absence of any such written fee schedule, shall be reasonable compensation), and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this resolution in accordance with the fee agreement between the Port and the Standby Trustee

The Standby Trustee shall be under no obligation to institute any suit, to take any proceeding under this resolution, to enter any appearance or in any way defend in any suite in which it may be named as defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall have reasonable grounds for believing that prompt repayment of all costs and expenses, outlays and counsel fees and other reasonable disbursements in connection therewith, and adequate indemnity against all risk and liability, is reasonably assured to it, provided that the Standby Trustee shall not be entitled to seek indemnity under the circumstances described in Section 23(a) However the Standby Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Standby Trustee, without assurance of reimbursement or indemnity, and in such case the Standby Trustee shall be reimbursed or indemnified by the FAA or the Registered Owners requesting such action, if any, or by the Port in all other cases for all fees, costs, and expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith, unless such liability or disbursement is adjudicated to have resulted from the negligence or willful misconduct of the Standby Trustee If the Registered Owners or the Port, as appropriate, shall fail to make such reimbursement or indemnification, the Standby Trustee may reimburse itself from any money in its possession under the provisions of this resolution (other than Credit Facility money), subject only to the prior lien of the PFC Bonds for the payment of the principal thereof and the premium (if any) and interest thereon

None of the provisions contained in this resolution shall require the Standby Trustee to act or to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that prompt payment of fees or repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it

**Section 29 Notices** Any notice to or demand upon the following parties shall be given by first class mail, return receipt requested, as set forth below, or to such other addresses as may from time to time be furnished, effective upon the receipt of notice thereof given as provided for in this Section 29

**If to the Port** Port of Seattle  
2711 Alaskan Way  
Pier 69  
P O Box 1209  
Seattle, WA 98111  
Attention Director of Finance and Budget

**If to the FAA** PFC Branch, APP530  
Office of Airport Planning & Programming  
Airport's Financial Assistance Div  
800 Independence Avenue SW  
Washington, DC 20591

**If to the Standby Trustee** Norwest Bank Minnesota, N A  
Sixth and Marquette Avenue  
Minneapolis, MN 55479-0069  
Attention Corporate Trust Division

**If to the Registrar** The Bank of New York  
101 Barclay Street, 21W  
New York, NY 10286  
Attention Corporate Trust Administration

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer

The registered ownership of PFC Bonds shall be proved by the Bond Register held by the Registrar

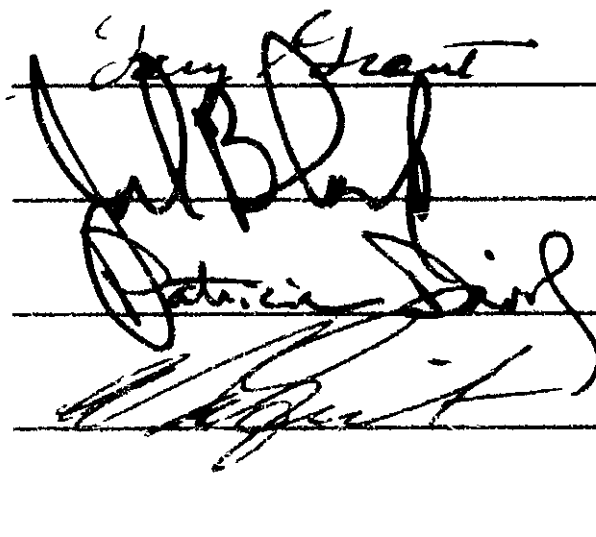
Any request, consent, or other instrument or writing of the Registered Owner of any PFC Bond shall bind every future Registered Owner of the same PFC Bond and the Registered Owner

of every PFC Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Standby Trustee or the Port in accordance therewith or reliance thereon

Section 30 Severability If any one or more of the provisions of this resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provision or provisions shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of this resolution or of the PFC Bonds issued pursuant to the terms hereof

ADOPTED by the Port Commission of the Port of Seattle at a <sup>special</sup>~~regular~~ meeting thereof, held this 16th day of JULY, 1998, and duly authenticated in open session by the signatures of the Commissioners present and voting in favor thereof

PORT OF SEATTLE, WASHINGTON



The image shows four handwritten signatures in black ink, each written on a horizontal line. From top to bottom, the signatures are: 1. 'Gary Grant' in a cursive script. 2. 'W. B. [unclear]' in a bold, blocky cursive. 3. 'Patricia [unclear]' in a cursive script. 4. 'W. [unclear]' in a cursive script.

Commissioners

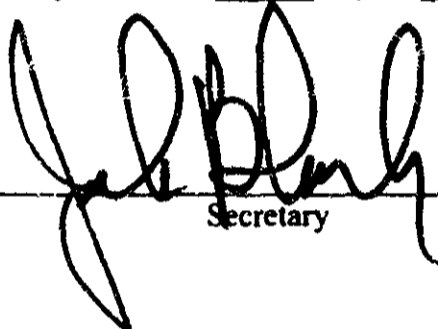
CERTIFICATE

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

1 That the attached resolution numbered <sup>3284 AS</sup> Amended, (herein called 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 16th day of July, 1998, and duly recorded in my office

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

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of July, 1998

  
\_\_\_\_\_  
Secretary