

**SERIES RESOLUTION**  
**PORT OF SEATTLE, WASHINGTON**

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**RESOLUTION NO. 3196, AS AMENDED**

**A RESOLUTION of the Port Commission of the Port of Seattle, Washington, authorizing the sale and issuance of Revenue Refunding Bonds, Series 1995A of the Port in the principal amount of \$26,345,000, for the purpose of refunding certain outstanding senior lien revenue bonds of the Port; fixing the date, forms, terms, and maturities for such bonds; authorizing the sale of such bonds; and authorizing the disposition of money in the Senior Lien Bond Reserve Account.**

**ADOPTED: *May 23* 1995**

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- Exhibit A - Form of Escrow Agreement**
- Exhibit B - Form of Letter of Representations**
- Exhibit C - Form of Guaranty Agreement**

\* This Table of Contents and the Cover Page are for convenience of reference and are not intended to be a part of this Series Resolution.

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**A RESOLUTION of the Port Commission of the Port of Seattle, Washington, authorizing the sale and issuance of Revenue Refunding Bonds, Series 1995A of the Port in the principal amount of \$26,345,000, for the purpose of refunding certain outstanding senior lien revenue bonds of the Port; fixing the date, forms, terms, and maturities for such bonds; authorizing the sale of such bonds; and authorizing the disposition of money in the Senior Lien Bond Reserve Account.**

**WHEREAS, the Port of Seattle (the "Port") has issued and has outstanding a series of senior lien revenue bonds designated as "Revenue Bonds, 1985" under date of December 1, 1985 pursuant to Resolution No. 2983, maturing on December 1 of the following years in the following principal amounts:**

<u>Maturity Years</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
1995	\$ 2,770,000	7.80%
1996	3,020,000	8.00
1997	3,290,000	8.20
1998	3,585,000	8.25
1999	3,910,000	8.25
2000	4,260,000	8.25
2001	4,645,000	8.25

**(the "Senior Lien Bonds"); and**

**WHEREAS, Resolution No. 2983 authorizes the defeasance and redemption of the outstanding Senior Lien Bonds maturing after December 1, 1995 at a price of 102% of par on December 1, 1995; and**

**WHEREAS, the Port has authorized the issuance of revenue bonds in one or more series pursuant to Resolution No. 3059, as amended, adopted on February 2, 1990 (the "Master Resolution"); and**

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

<u>Resolution Number</u>	<u>Date of Issue</u>	<u>Original Principal Amt.</u>	<u>Currently Outstanding (4/1/95)</u>	<u>Final Maturity Dates</u>
3060	2/1/90	(A) \$ 66,240,492.05	\$ 41,625,492.05	12/1/14
3060	2/1/90	(B) 59,969,771.35	58,439,771.35	12/1/14
3060	2/1/90	(C) 24,805,000.00	19,315,000.00	12/1/05
3111	4/1/92	(A) 25,450,000.00	23,580,000.00	11/1/17
3111	4/1/92	(B) 115,440,000.00	107,095,000.00	11/1/17
3120	2/1/93	(A) 21,655,000.00	14,015,000.00	4/1/00
3120	2/1/93	(B) 60,750,000.00	48,955,000.00	11/1/01
3160	11/1/93	(C) 21,170,000.00	17,270,000.00	1/1/99
3155	2/1/94	(A) 27,135,000.00	26,600,000.00	12/1/11
3155	2/1/94	(B) 50,000,000.00	50,000,000.00	5/1/19
3155	2/1/94	(C) 51,755,000.00	51,130,000.00	7/1/09

**(the "Outstanding Bonds"); and**

WHEREAS, the Port Commission has received and reviewed a plan to refund the Senior Lien Bonds; and

WHEREAS, the net interest rate borne by the Senior Lien Bonds is higher than the net interest rate which would be borne by refunding bonds if sold on this date; and

WHEREAS, it is now deemed necessary that a series of bonds be issued under authority of the Master Resolution to refund the Senior Lien Bonds; and

WHEREAS, it is necessary that the date, form, terms and maturities of such series of bonds be fixed; and

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

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

**Section 1. Definitions.** Unless otherwise defined herein, the terms used in this Series Resolution, including the preamble hereto, which are defined in the Master Resolution shall have the meanings set forth in the Master Resolution. In addition, the following terms shall have the following meanings in this Series Resolution:

**"Acquired Obligations"** means the investments now or hereafter acquired by the Port to effect the refunding of the Senior Lien Bonds.

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

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

**"Default"** has the meaning given such term in Section 15 of this Series Resolution.

**"DIC"** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Series 1995A Bonds pursuant to Section 6 hereof.

**"Escrow Agent"** means Seattle-First National Bank, Seattle, Washington.

**"Escrow Agreement"** means the Escrow Deposit Agreement dated as of the date of the closing and delivery of the Series 1995A Bonds between the Port and the Escrow Agent, substantially in the form attached hereto as Exhibit A and incorporated by this reference.

**"Future Parity Bonds"** means those revenue bonds or other revenue obligations which will be issued by the Port in the future as Parity Bonds.

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

**"Insurance Policy"** means the policy of municipal bond insurance issued by the Insurer, insuring the payment when due of the principal of and interest on the Bonds as provided therein

**"Insurer"** means AMBAC Indemnity Corporation, a Wisconsin-domiciled stock insurance company, the company issuing the Insurance Policy.

**"Letter of Representations"** means a letter of representations from the Registrar and the Port to DTC, in substantially the form of Exhibit B attached hereto and made a part hereof by this reference.

**"Master Resolution"** means Resolution No. 3059, as amended, of the Commission adopted on February 2, 1990.

**"Outstanding Bonds"** means the Port's Revenue Bonds, Series 1990A, Revenue Bonds, Series 1990B and Revenue Bonds, Series 1990C, issued pursuant to Resolution No. 3060, as amended; the Revenue Bonds, Series 1992A and Series 1992B, issued pursuant to Resolution No. 3111, as amended; the Revenue Refunding Bonds, Series 1993A and Series 1993B, issued pursuant to the Resolution No. 3120; the Revenue Refunding Bonds, Series 1993C, issued pursuant to Resolution No. 3160; the Revenue Refunding Bonds, Series 1994A, the Revenue Bonds, Series 1994B, and the Revenue Refunding Bonds, Series 1994C issued pursuant to Resolution No. 3155, as amended, and as further described in the recitals to this Series Resolution.

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

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

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

**"Refunding Account, 1985"** means the account by that name established within the Senior Lien Bond Fund pursuant to Section 9 of this Series Resolution.

**"Refunding Plan"** means the plan for the refunding of the Senior Lien Bonds set forth in Section 2 of this Series Resolution.

**"Registered Owner"** means the person named as the registered owner of a Series 1995A Bond in the Bond Register.

**"Registrar"** means, collectively, the fiscal agency of the State of Washington in Seattle, Washington, and New York, New York, appointed by this Series Resolution for the purposes of registering and authenticating the Series 1995A Bonds, maintaining the Bond Register, and effecting transfer of ownership of the Series 1995A Bonds.

**"Senior Lien Bond Fund"** means the Port of Seattle Revenue Bond Redemption Fund established by Resolution No. 2143 of the Commission.

**"Senior Lien Bond Resolution"** means Resolution No. 2983 of the Commission adopted on December 10, 1985.

**"Senior Lien Bonds"** means the Port of Seattle, Washington Revenue Bonds, 1985 issued pursuant to the Senior Lien Bond Resolution and further identified in the recitals to this Series Resolution.

**"Series 1995A Bond Fund"** means the Port of Seattle Revenue Bond Fund, Series 1995A created in the office of the Treasurer of the Port by Section 7 of this Series Resolution.

**"Series 1995A Bonds"** means the Port of Seattle, Washington, Revenue Refunding Bonds, Series 1995A, authorized to be issued by Section 3 of this Series Resolution.

**"Series 1995A Debt Service Account"** means the account of that name created in the Series 1995A Bond Fund by Section 7(a) of this Series Resolution.

**"Series 1995A Reserve Account"** means the account of that name created in the Series 1995A Bond Fund by Section 7(b) of this Series Resolution.

**"Series 1995A Reserve Account Requirement"** means the lesser of (i) \$2,500,000 or (ii) Maximum Annual Debt Service with respect to the Series 1995A Bonds.

**"Surety Bond Agreement"** means the Agreement between the Port and the Insurer with respect to the Surety Bond.

**"Surety Bond"** means the surety bond issued by the Surety Insurer on the date of issuance and delivery of the Series 1995A Bonds for the purpose of satisfying the Series 1995A Reserve Account Requirement.

**"Surety Insurer"** means AMBAC Indemnity Corporation, a Wisconsin-domiciled stock insurance company.

**"Underwriters"** means, collectively, Lehman Brothers Inc.; Goldman, Sachs & Co.; PaineWebber Incorporated; M.R. Beal & Company; and Artemis Capital Group, Inc.

**Section 2. Refunding Plan.** The Port hereby determines that substantial savings will be realized by the refunding of the Senior Lien Bonds. To accomplish the refunding as set forth in Sections 9 and 10 hereof, the Port shall enter into an escrow agreement (the "Escrow

Agreement") with the Escrow Agent and shall issue Parity Bonds, as provided in the Master Resolution.

As provided in Section 10 of this Series Resolution: (i) a portion of the proceeds of the Series 1995A Bonds shall be deposited in the Refunding Account, 1985 (hereinafter authorized to be created) and shall be used to purchase certain Acquired Obligations specified in the Escrow Agreement. The Acquired Obligations held in the Refunding Account, 1985 shall be sufficient to make the payments described in Section 9 of this Series Resolution.

**Section 3. Authorization of Series 1995A Bonds and Bond Details.** The Port shall issue the Series 1995A Bonds in the principal amount of \$26,345,000 for the purpose of refunding the Senior Lien Bonds and paying costs incidental to the foregoing and to the issuance of the Series 1995A Bonds. The Series 1995A Bonds shall be designated as "Port of Seattle, Washington, Revenue Refunding Bonds, Series 1995A," shall be registered as to both principal and interest and shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated September 1, 1995, shall be in the denomination of \$5,000 each or any integral multiple of \$5,000, provided that no Series 1995A Bond shall represent more than one maturity, shall bear interest from September 1, 1995 until the Series 1995A Bond bearing such interest has been paid or its payment duly provided for, payable at maturity with respect to the Series 1995A Bonds maturing on December 1, 1995 and with respect to the remaining Series 1995A Bonds, semiannually on the first days of each February and August, beginning on February 1, 1996, and shall mature on the following dates in the following years in the following amounts and bear interest at the following rates per annum:

<u>Maturity Years</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
December 1, 1995	\$ 3,775,000	5.50%
February 1, 1996	3,795,000	5.50
February 1, 1997	2,915,000	5.50
February 1, 1998	3,105,000	5.25
February 1, 1999	3,315,000	6.00
February 1, 2000	4,560,000	6.00
February 1, 2001	4,880,000	6.00

The Series 1995A Bonds are not general obligations of the Port, and no tax revenues of the Port may be used to pay the principal of and interest on the Series 1995A Bonds.

The Series 1995A Bonds shall be obligations only of the Series 1995A Bond Fund created hereunder and shall be payable and secured as provided herein. The Series 1995A Bonds do not constitute an indebtedness of the Port within the meaning of the constitutional provisions and limitations of the State of Washington.

**Section 4. Redemption and Purchase.**

(a) **Optional Redemption.** The Series 1995A Bonds shall not be subject to optional redemption in advance of their scheduled maturity.

(b) **Purchase of Series 1995A Bonds for Retirement.** The Port reserves the right to use at any time any surplus Gross Revenue available after providing for the payment required by paragraph First through Sixth of Section 4(a) of the Master Resolution to purchase for retirement any of the Series 1995A Bonds offered to the Port at any price deemed reasonable to the Port's Chief Financial Officer.

**Section 5. Place and Medium of Payment.** Both principal of and interest on the Series 1995A Bonds shall be payable in lawful money of the United States of America. For so long as all Series 1995A Bonds are in fully immobilized form, payments of principal and interest thereon shall be made as provided in the Letter of Representations.

In the event that the Series 1995A Bonds are no longer in fully immobilized form, interest on the Series 1995A Bonds shall be paid by check or draft mailed (or by wire transfer to a Registered Owner of such Series 1995 Bonds in aggregate principal amount of \$1,000,000 or more who so requests) to the Registered Owners of such series at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal of the Series 1995A Bonds shall be payable upon presentation and surrender of such Series 1995A Bonds by the Registered Owners at the principal office of the Registrar.

**Section 6. Registration.**

(a) **Registrar/Bond Register.** The Port hereby requests that the Treasurer appoint the fiscal agency of the State of Washington as the Registrar for the Series 1995A Bonds. The Port shall cause a bond register to be maintained by the Registrar. So long as any Series 1995A Bonds remain Outstanding, the Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Series 1995A Bonds at its principal office. The Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Series 1995A Bonds which shall at all times be open to inspection by the Port. The Registrar is authorized, on behalf of the Port, to authenticate and deliver Series 1995A Bonds transferred or exchanged in accordance with the provisions of such Series 1995A Bonds and this Series Resolution and to carry out all of the Registrar's powers and duties under this Series Resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Series 1995A Bonds.

(b) **Registered Ownership.** The Port and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Series 1995A Bond as the absolute owner thereof for all purposes, and neither the Port nor the Registrar shall be affected by any notice to the



contrary. Payment of any such Series 1995A Bond shall be made only as described in Section 5 hereof, but such registration may be transferred as herein provided. All such payments made as described in Section 5 shall be valid and shall satisfy and discharge the liability of the Port upon such Series 1995A Bond to the extent of the amount or amounts so paid. The Port and the Registrar shall be entitled to treat the person in whose name any Series 1995A Bond is registered as the absolute owner thereof for all purposes of this Series Resolution and any applicable laws, notwithstanding any notice to the contrary received by the Registrar or the Port.

(c) DTC Acceptance/Letters of Representations. To induce DTC to accept the Series 1995A Bonds as eligible for deposit at DTC, the Port shall execute and deliver a Letter of Representations upon each initial issuance and delivery of the Series 1995A Bonds. The Designated Port Representative is hereby authorized to execute each Letter of Representations in such form as may hereafter be approved by the Designated Port Representative, and such approval shall be conclusively presumed by the Designated Port Representative's execution thereof. The Series 1995A Bonds initially issued shall be held in fully immobilized form by DTC acting as depository pursuant to the terms and conditions set forth in Exhibit B attached hereto.

Neither the Port nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Series 1995A Bonds in respect of the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on Series 1995A Bonds, any notice which is permitted or required to be given to Registered Owners under this Series Resolution (except such notices as shall be required to be given by the Port to the Registrar or to DTC), or any consent given or other action taken by DTC as the Registered Owner. For so long as any Series 1995A Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial interest in such Series 1995A Bonds.

If any Series 1995A Bond shall be duly presented for payment and funds have not been duly provided by the Port on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Series 1995A Bond until it is paid.

(d) Use of Depository.

(i) The Series 1995A Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Series 1995A Bond maturing on each of the maturity dates for the Series 1995A Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Series 1995A Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any

applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Commission pursuant to subsection (ii) below or such substitute depository's successor; or (C) to any person as provided in subsection (iv) below.

(ii) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Commission to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Commission may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(iii) In the case of any transfer pursuant to clause (A) or (B) of subsection (i) above, the Registrar shall, upon receipt of all Outstanding Series 1995A Bonds, together with a written request on behalf of the Commission, issue a single new Series 1995A Bond for each maturity then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Commission.

(iv) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Commission determines that it is in the best interest of the beneficial owners of the Series 1995A Bonds that such owners be able to obtain such bonds in the form of Series 1995A Bond certificates, the ownership of such Series 1995A Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. The Commission shall deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue Series 1995A Bonds as herein provided in any authorized denomination. Upon receipt by the Registrar of all then Outstanding Series 1995A Bonds together with a written request on behalf of the Commission to the Registrar, new Series 1995A Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) Transfer or Exchange of Registered Ownership; Change in Denominations. The registered ownership of any Series 1995A Bond may be transferred or exchanged, but no transfer of any such Series 1995A Bond shall be valid unless it is surrendered to the Registrar with the assignment form appearing on such Series 1995A Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Series 1995A Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Series 1995A Bond (or Series 1995A Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the

assignee on the assignment form appearing on the surrendered Series 1995A Bond, in exchange for such surrendered and cancelled Series 1995A Bond. Any Series 1995A Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Series 1995A Bonds of the same date, maturity and interest rate, in any authorized denomination. The Registrar shall not be obligated to transfer or exchange any Series 1995A Bond during the 15 days preceding any interest payment or principal payment date.

(f) Registrar's Ownership of Series 1995A Bonds. The Registrar may become the Registered Owner of any Series 1995A Bond with the same rights it would have if it were not the Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Series 1995A Bonds.

(g) Registration Covenant. The Port covenants that, until all Series 1995A Bonds have been surrendered and cancelled, it will maintain a system for recording the ownership of each Series 1995A Bond that complies with the provisions of Section 149 of the Code.

Section 7. Series 1995A Bond Fund. A special fund of the Port designated the "Port of Seattle Revenue Bond Fund, Series 1995A" (the "Series 1995A Bond Fund") is hereby authorized to be created in the office of the Treasurer of the Port for the purpose of paying and securing the payment of the Series 1995A Bonds. The Series 1995A Bond Fund shall be held separate and apart from all other funds and accounts of the Port and shall be a trust fund for the owners, from time to time, of the Series 1995A Bonds.

(a) Series 1995A Debt Service Account. A Series 1995A Debt Service Account is hereby authorized to be created in the Series 1995A Bond Fund for the purpose of paying the principal of and interest on the Series 1995A Bonds.

The Port hereby irrevocably obligates and binds itself for as long as any Series 1995A Bonds remain Outstanding to set aside and pay into the Series 1995A Debt Service Account from Net Revenues or money in the Revenue Fund, on or prior to the respective dates on which the same become due:

(i) such amounts as are required to pay the interest scheduled to become due on Outstanding Series 1995A Bonds; and

(ii) such amounts as are required to pay maturing principal of Outstanding Series 1995A Bonds.

(b) Series 1995A Reserve Account. A Series 1995A Bond Reserve Account (the "Series 1995A Reserve Account") is hereby authorized to be created in the Series 1995A Bond Fund for the purpose of securing the payment of the principal of and interest on the Series 1995A Bonds.

The Port hereby covenants and agrees that on the date of issuance of the Series 1995A Bonds, it will purchase a Surety Bond, as Qualified Insurance, in the aggregate total policy amount of \$2,500,000, in satisfaction of the Series 1995A Reserve Account Requirement for deposit in the Series 1995A Reserve Account. At the time of issuance of the Surety Bond, the Port shall enter into, and the Designated Port Representative is hereby authorized to execute, a Surety Bond Agreement, substantially in the form set forth in Exhibit C attached hereto. The Designated Port Representative may negotiate such modifications of said Surety Bond Agreement in his/her discretion, and the terms of the Surety Bond Agreements shall be deemed approved conclusively by the Port upon the execution of such Surety Bond Agreement by the Designated Port Representative.

In consideration of the issuance and maintenance of the Surety Bond, the covenants of the Port in this Series Resolution and in the Master Resolution are hereby declared to be for the further benefit of the Surety Insurer as issuer of the Surety Bond for the Series 1995A Bonds, and said corporation shall be a beneficiary of all said covenants.

In addition, the Port hereby covenants and agrees that any provision of this Series Resolution which expressly recognizes or grants rights in or to the Surety Insurer may not be amended in any manner which affects the rights of the Insurer hereunder without the prior written consent of the Insurer. The consent of the Surety Insurer shall be required in addition to the consent of the Registered Owners, when required, for the following purposes: (1) adoption of supplemental resolutions and (2) the initiation or approval of any other action which requires the consent of the Registered Owners. The Designated Port Representative may provide such additional information and/or notices to the Surety Insurer as he/she shall determine in his/her discretion.

The Port further covenants and agrees that it will maintain a Surety Bond or equivalent thereof (as provided in the following sentence) in the Series 1995A Reserve Account in an amount at least equal to the Series 1995A Reserve Account Requirement to be satisfied initially upon the original issuance and delivery of the Series 1995A Bonds. The Series 1995A Reserve Account Requirement may be maintained by deposits of cash, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. In computing the amount on hand in the Series 1995A Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the face amount thereof, and all other obligations purchased as an investment of moneys therein shall be valued at cost. As used herein, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check; and the deposit to the Series 1995A Reserve Account may be satisfied initially by the transfer of qualified investments to such account.

If the balances on hand in the Series 1995A Reserve Account are sufficient to satisfy the Series 1995A Reserve Account Requirement, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the Series 1995A Bond Fund, including the Series 1995A Reserve Account and the Series 1995A Debt Service Account to pay the principal of and interest on all outstanding Series 1995A Bonds, the money in the Series 1995A Reserve Account may be used to pay such principal and interest. As long as the money left remaining on deposit in the Series 1995A Reserve Account is equal to the Series 1995A Reserve Account Requirement, money in the Series 1995A Reserve Account may be transferred to the Series 1995A Debt Service Account and used to pay the principal of and interest on the Series 1995A Bonds as the same becomes due and payable. The Port also may transfer out of the Series 1995A Reserve Account any money required in order to prevent any Series 1995A Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in the Series 1995A Debt Service Account shall occur, such deficiency shall be made up from the Series 1995A Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Series 1995A Reserve Account, in such amounts as will provide cash in the Series 1995A Reserve Account sufficient to make up any such deficiency with respect to the Series 1995A Bonds, and if a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the Port shall then draw from the Surety Bond or any other Qualified Letter of Credit or Qualified Insurance for the Series 1995A Bonds in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the Surety Bond Agreement or the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement shall be made to the Surety Insurer in accordance with the terms of the respective Surety Bond Agreement, and after making necessary provision for the payments required to be made in paragraph First through Third of Section 4(a) of the Master Resolution. Any deficiency created in the Series 1995A Reserve Account by reason of any such withdrawal shall be made up within one year from Qualified Insurance or a Qualified Letter of Credit or out of Net Revenues (or out of any other moneys on hand legally available for such purpose) (in 12 equal installments) after making necessary provision for the payments required to be made into the Series 1995A Debt Service Account within such year.

In making the payments and credits to the Series 1995A Reserve Account required by this Section 7(b), to the extent that the Port has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Series 1995A 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 Series 1995A Reserve Account by this Section 7(b) to the extent that such payments and credits to be made are insured

by an insurance company, or guaranteed by a letter of credit from a financial institution. In the event of cancellation of Qualified Insurance or if the issuer of the Qualified Insurance or the Qualified Letter of Credit shall be insolvent, the Series 1995A Reserve Account Requirement shall be satisfied (A) within one year of the insolvency, but no later than the date of cancellation, with Qualified Insurance or another Qualified Letter of Credit, or (B) within three years (in three equal installments) of 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 money on hand legally available for such purpose) after making necessary provisions for the payments required to be made into the Series 1995A Debt Service Account.

(c) Pledge and Lien. Said amounts so pledged to be paid into the Series 1995A Debt Service Account and the Series 1995A Reserve Account are hereby declared to be an equal and prior lien and charge upon the Gross Revenue superior to all other charges of any kind or nature whatsoever, except for Operating Expenses and except that the amounts so pledged are of equal lien to the lien and charge thereon of the Outstanding Bonds and to any lien and charge thereon which may hereafter be made to pay and secure the payment of the principal of and interest on any Future Parity Bonds.

(d) Use of Excess Money. Money in the Series 1995A Bond Fund not needed to pay the interest or principal and interest next coming due on any Outstanding Series 1995A Bonds or to maintain required reserves therefor may be used to purchase or redeem and retire Series 1995A Bonds. Money in the Series 1995A Debt Service Account and the Series 1995A Reserve Account may be invested in any investments legal for port districts.

Section 8. Defeasance. In the event that money and/or noncallable Government Obligations maturing or having guaranteed redemption prices at the option of the owner at such time or times and bearing interest to be earned thereon in amounts (together with such money, if any) sufficient to redeem and retire part or all of any Series 1995A Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need be made into the Series 1995A Bond Fund or any account therein for the payment of the principal of and interest on the certain Series 1995A Bonds so provided for and such Series 1995A Bonds shall then cease to be entitled to any lien, benefit or security of this Series Resolution, except the right to receive the funds so set aside and pledged and notices of early redemption, if any, and such Series 1995A Bonds shall no longer be deemed to be Outstanding hereunder, or under any resolution authorizing the issuance of bonds or other indebtedness of the Port. Notwithstanding anything to the contrary, in the event that the principal and/or interest due on the Series 1995A Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the Series 1995A Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Port, and the

assignment and pledge hereunder and other obligations of the Port to the Registered Owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Registered Owners.

**Section 9. Refunding Procedures.**

(a) **Creation of Refunding Account, 1985.** A special account designated as the "Refunding Account, 1985" is hereby authorized to be created in the Senior Lien Bond Fund which Account is to be drawn upon for the sole purpose of paying the principal of and interest on the Senior Lien Bonds.

(b) **Application of Series 1995A Bond Proceeds.** A portion of the net proceeds of sale of the Series 1995A Bonds (exclusive of accrued interest thereon, which shall be paid into the Series 1995A Debt Service Account and used to pay a portion of the interest on the Series 1995A Bonds on December 1, 1995 (the Series 1995A Bonds maturing on December 1, 1995) and February 1, 1996 (with respect to the remaining Series 1995A Bonds) and proceeds allocated to costs of issuance which shall be remitted to the Port directly) shall be credited to the Refunding Account, 1985.

(c) **Defeasance of 1985 Refunded Senior Lien Bonds.** Money in the Refunding Account, 1985, together with funds that may be deposited by the Port, shall be used immediately upon receipt thereof to defease the Senior Lien Bonds and discharge the other obligations of the Port relating thereto under the Senior Lien Bond Resolution by providing for the payment of the principal of and interest thereon as hereinafter set forth in this section.

(d) **Acquired Obligations.** The Controller of the Port is hereby authorized to transfer to the Refunding Account, 1985 a portion of the proceeds of the Series 1995A Bonds deposited in such Account, that are required to purchase the Acquired Obligations maturing at such times and bearing interest in such amounts as may be required to pay the principal of and interest on the Senior Lien Bonds maturing on December 1, 1995 and to redeem and retire the Senior Lien Bonds maturing after December 1, 1995 on December 1, 1995 and to provide a beginning cash balance as necessary. The Port shall defease the Senior Lien Bonds and discharge such obligations by the use of money in the Refunding Account, 1985 to purchase certain Government Obligations (which obligations so purchased, are herein called "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of:

- (i) interest coming due on December 1, 1995 with respect to the Senior Lien Bonds;
  - (ii) principal of the Senior Lien Bonds maturing on December 1, 1995;
- and

(iii) the redemption price on December 1, 1995 (102% of the principal amount) of the Senior Lien Bonds maturing after December 1, 1995.

(e) Appointment of Escrow Agent. The Port hereby appoints the corporate trust department of Seattle-First National Bank, Seattle, Washington as the Escrow Agent for the Senior Lien Bonds (the "Escrow Agent"). Beginning cash balances, if any, and the Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease and redeem the Senior Lien Bonds in accordance with this Section 9 and Section 10 of this Series Resolution.

Section 10. Redemption of Senior Lien Bonds. The Port hereby irrevocably calls the Senior Lien Bonds maturing after December 1, 1995 for redemption on December 1, 1995 in accordance with the provisions of Section 3 of the Senior Lien Bond Resolution, authorizing the redemption and retirement of the Senior Lien Bonds prior to their fixed maturities.

Said defeasance and call for redemption of the Senior Lien Bonds shall be irrevocable after the final establishment of the Refunding Account, 1985 and delivery of the Acquired Obligations described in Section 9(b) to the Escrow Agent.

Further, upon the defeasance of the Senior Lien Bonds, the Senior Lien Bonds and all bonds issued on a parity therewith will be deemed no longer Outstanding. Upon such defeasance, any money remaining in the Port's Reserve Account in the Bond Redemption Fund and all sub-accounts therein maintained for the Senior Lien Bonds may be transferred to any fund designated by the Port.

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

The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or agencies of the State of Washington, sums sufficient to pay, when due, the payments specified in Section 9(d) of this Series Resolution. All such sums shall be paid from the moneys and Acquired Obligations deposited with said Escrow Agent pursuant to the previous section of this Series Resolution, and the income therefrom and proceeds thereof.

The Port will take such actions as are found necessary to ascertain that all necessary and proper fees, compensation and expenses of the Escrow Agent for the Senior Lien Bonds shall be paid when due. The Designated Port Representative is authorized and directed to execute and deliver the Escrow Agreement to the Escrow Agent when the provisions thereof have been fixed and determined for each closing and delivery of the Series 1995A Bonds. Such Escrow



Agreement shall be substantially in the form of Exhibit A attached to this Series Resolution and by this reference hereby made a part of this Series Resolution.

**Section 11. Covenants.**

(a) **Arbitrage Covenant.** The Port hereby covenants that it will not make any use of the proceeds of sale of the Series 1995A Bonds or any other funds of the Port which may be deemed to be proceeds of the Series 1995A Bonds pursuant to Section 148 of the Code (or Section 103(c) of the Internal Revenue Code of 1954, if applicable) and the applicable regulations thereunder which, if such use had been reasonably expected on the dates of delivery of the Series 1995A Bonds to the initial purchasers thereof, would have caused such Series 1995A Bonds to be "arbitrage bonds" within the meaning of said section and said regulations. The Port will comply with the requirements of Section 148 of the Code and the applicable regulations thereunder throughout the term of the Series 1995A Bonds.

(b) **Use of Proceeds of the Senior Lien Bonds.** The projects financed with the Senior Lien Bonds (collectively, the "projects") include only facilities that are directly related and essential to:

- (i) servicing aircraft or enabling aircraft to take off and land or
- (ii) transferring passengers or cargo to or from aircraft or functionally related and subordinate to such airport facilities (the projects referred to in this subsection (b) are hereinafter referred to as the "airport projects").

The Port will, at all times while the Series 1995A Bonds are Outstanding be the owner of all elements of the projects being refinanced with such Series 1995A Bonds. If any portion of the airport projects is the subject of a lease or management contract with an entity other than a governmental unit, then the lease or management contract must meet the requirements of Section 142(b)(1)(B) of the Code.

The airport projects shall not include any:

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

Any element of any airport project that is an office must be located at the airport and no more than a *de minimis* amount of the functions performed at such office may not be

directly related to day-to-day operations of the airport. Any storage or training facilities included in any project must be located at the airport and must be of a character and size commensurate with the character and size of the airport.

All elements of the airport projects need to be located at or in close proximity to the take-off and landing area in order to perform their functions.

Any land acquired by the Port as a part of the airport projects will be (A) acquired solely to mitigate damages attributable to airport noise or (B) land that is adjacent to the airport, impaired by a significant level of airport noise and (1) in the case of improved land, use of the land and improvements before acquisition is incompatible with the airport noise level, use after acquisition is compatible with the airport noise level and the post-acquisition use is essentially different from the pre-acquisition use or (2) in the case of unimproved land (including agricultural land), use of the land after its acquisition will not be incompatible with the level of airport noise.

(c) Modification of Tax Covenants. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Series 1995A Bonds. To that end, the provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the Port's bond counsel that such modification or elimination will not adversely affect the tax exemption of interest on any Series 1995A Bonds.

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

Section 12. Lost, Stolen or Destroyed Bonds. In case any Series 1995A Bond or Series 1995A Bonds shall be lost, stolen or destroyed, the Registrar may execute and deliver a new Series 1995A Bond or Series 1995A Bonds of like date, number and tenor to the Registered Owner thereof upon the owner's paying the expenses and charges of the Port in connection therewith and upon his/her filing with the Port evidence satisfactory to the Port that such Series 1995A Bond was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the Port with indemnity satisfactory to the Port.

**Section 13. Form of Series 1995A Bonds and Registration Certificate.**

The Series 1995A Bonds shall be in substantially the following form:

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

**UNITED STATES OF AMERICA**

NO. \_\_\_\_\_

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

**STATE OF WASHINGTON**

**PORT OF SEATTLE**

**REVENUE REFUNDING BOND, SERIES 1995A**

Maturity Date:

CUSIP No. \_\_\_\_\_

Interest Rate:

Registered Owner:

Principal Amount:

THE PORT OF SEATTLE, a municipal corporation organized and existing under and by virtue of the laws of the State of Washington (the "Port"), promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, solely from the special fund of the Port known as the "Port of Seattle Revenue Bond Fund, Series 1995A" (the "Series 1995A Bond Fund") created by Resolution No. 3196 of the Port Commission, as amended (together with Resolution No. 3059, as amended, hereinafter collectively referred to as the "Bond Resolution") the Principal Amount indicated above and to pay interest thereon from the Bond Fund from September 1, 1995, or the most recent date to which interest has been paid or duly provided for or until payment of this bond at the Interest Rate set forth above, payable at maturity with respect to the Series 1995A Bonds maturing on December 1, 1995 and, with respect to the remaining Series 1995A Bonds, semiannually on the first days of each February and August, beginning on February 1, 1996. Both principal of and interest on this bond are payable in lawful money of the United States of America. Interest shall be paid as provided in the Letter of Representations (the "Letter of Representations") among the Port, the Registrar (hereinafter defined) and The Depository Trust Company ("DTC"). Principal shall be paid as provided in the Letter of Representations to the Registered Owner or assigns upon presentation and surrender of this bond at the principal office of the fiscal agency of the State of Washington in either Seattle, Washington, or New York, New York (collectively the "Registrar"). Capitalized terms used in this bond which are not specifically defined have the meanings given such terms in the Bond Resolution.

This bond is one of a series of bonds of the Port in the aggregate principal amount of \$26,345,000, of like date, tenor and effect, except as to number, amount, rate of interest and date of maturity and is issued pursuant to the Bond Resolution to refund certain outstanding revenue bonds of the Port issued under date of December 1, 1985.

The bonds of this issue are not subject to optional redemption in advance of their scheduled maturity.

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

This bond is transferable only on the records maintained by the Registrar for that purpose upon the surrender of this bond by the registered owner hereof or his/her duly authorized agent and only if endorsed in the manner provided hereon, and thereupon a new fully registered bond of like principal amount, series, maturity and interest rate shall be issued to the transferee in exchange therefor. Such exchange or transfer shall be without cost to the registered owner or transferee. The Port and Registrar may deem the person in whose name this bond is registered to be the absolute owner hereof for the purpose of receiving payment of the principal of and interest on the bond and for any and all other purposes whatsoever.

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

The Port does hereby pledge and bind itself to set aside from such Gross Revenue, and to pay into the Series 1995A Bond Fund and the Series 1995A Reserve Account created therein the various amounts required by the Bond Resolution to be paid into and maintained in said Fund and Account, all within the times provided by said Bond Resolution.

Said amounts so pledged to be paid out of Gross Revenue into the Series 1995A Bond Fund and Series 1995A Reserve Account are hereby declared to be a first and prior lien and charge upon the Gross Revenue, subject to the lien thereon of the Senior Lien Bonds and subject further to the Operating Expenses of the Port and equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the payment of the Outstanding Bonds and any revenue bonds of the Port hereafter issued on a parity with the bonds of this issue.

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

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

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

IN WITNESS WHEREOF, the Port of Seattle, Washington, has caused this bond to be executed by the manual or facsimile signatures of the President and Secretary of the Port Commission, and the corporate seal of the Port to be impressed or a facsimile thereof imprinted hereon as of the 1st day of September, 1995.

**PORT OF SEATTLE, WASHINGTON**

By    /s/  
**President, Port Commission**

**ATTEST:**

   /s/  
**Secretary, Port Commission**

King County Comptroller's Reference No.         

**CERTIFICATE OF AUTHENTICATION**

Date of Authentication:   

This bond is one of the bonds described in the within mentioned Bond Resolution and is one of the Revenue Refunding Bonds, Series 1995A of the Port of Seattle, Washington, dated September 1, 1995.

**WASHINGTON STATE FISCAL  
AGENCY, Registrar**

By     
**Authorized Signer**

(Form of Assignment)

**ASSIGNMENT**

**FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto**

\_\_\_\_\_

**PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION  
NUMBER OF TRANSFEREE**

\_\_\_\_\_  
**(Please print or typewrite name and address, including zip code of Transferee)**

the within bond and all rights thereunder and does hereby irrevocably constitute and appoint  
of \_\_\_\_\_, or its successor,

as Agent to transfer said bond on the books kept by the Registrar for registration thereof, with full power of substitution in the premises.

DATED: \_\_\_\_\_, 19 \_\_\_\_.

SIGNATURE GUARANTEED:

\_\_\_\_\_

**NOTE:** The signature of this Assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

In the event any Series 1995A Bonds are no longer in fully immobilized form, the form of such Bonds may be modified to conform to printing requirements and the terms of this Series Resolution.

**Section 14. Execution.** The Series 1995A Bonds shall be executed on behalf of the Port with the manual or facsimile signature of the President of its Commission, shall be attested by the manual or facsimile signature of the Secretary thereof and shall have the seal of the Port impressed or a facsimile thereof imprinted thereon.

Only such Series 1995A Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Series Resolution. Such Certificate of Authentication shall be conclusive evidence that the Series 1995A Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Series Resolution.

In case either of the officers of the Port who shall have executed the Series 1995A Bonds shall cease to be such officer or officers of the Port before the Series 1995A Bonds so signed shall have been authenticated or delivered by the Registrar, or issued by the Port, such Series 1995A Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the Port as though those who signed the same had continued to be such officers of the Port. Any Series 1995A Bond may also be signed and attested on behalf of the Port by such persons as at the actual date of execution of such Series 1995A Bond shall be the proper officers of the Port although at the original date of such Series 1995A Bond any such person shall not have been such officer.

**Section 15. Defaults and Remedies.** The Port hereby finds and determines that the failure or refusal of the Port or any of its officers to perform the covenants and obligations of this Series Resolution will endanger the operation of the Facilities and the application of Gross

Revenue and such other moneys, funds and securities to the purposes herein set forth. Any one or more of the following shall constitute a Default under this Series Resolution:

(a) The Port shall fail to make payment of the principal of any Series 1995A Bond 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 Series 1995A Bond when the same shall become due and payable;

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

Upon the occurrence and continuation of any Default, the Registered Owners of the Series 1995A Bonds shall be entitled to exercise the remedies specified in Section 22 of the Master Resolution; but only with respect to the particular series in Default. Anything in this Series Resolution to the contrary notwithstanding, upon the occurrence and continuance of a Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to Registered Owners for the benefit of Registered Owners under this Series Resolution and under the Master Resolution.

Section 16. Compliance with Parity Conditions. The Commission hereby finds and determines as required by Section 7 of the Master Resolution, as follows:

First: The Port has not been in default of its covenant under Section 9(a) of the Master Resolution for the immediately preceding fiscal year (1994); and

Second: The Series 1995A Bonds are being issued to refund outstanding Senior Lien Bonds, as permitted under Section 7(a) and Section 8(a) of the Master Resolution, without a certificate since the Maximum Annual Debt Service on all Bonds Outstanding after the issuance of the Series 1995A Bonds will not be greater than the Maximum Annual Debt Service had the Series 1995A Bonds not been issued.

The limitations contained in the conditions provided in Sections 7 and 8 of the Master Resolution having been complied with, the payments required herein to be made out of the Net Revenues to pay and secure the payment of the principal of and interest on the Series 1995A Bonds shall constitute a lien and charge upon such Net Revenues equal in rank to the lien and charge thereon of the Outstanding Bonds.

Section 17. Sale of Bonds. The Series 1995A Bonds shall be sold by negotiated sale to Lehman Brothers Inc.; Goldman, Sachs & Co.; PaineWebber Incorporated; M.R. Beal & Company; and Artemis Capital Group, Inc. (the "Underwriters") under the terms of Bond Purchase Contract, dated this date (the "Bond Purchase Contract"). Under the terms of the Bond Purchase Contract, the Series 1995A Bonds shall be delivered on a date mutually agreed upon,

but not earlier than September 5, 1995. The Bond Purchase Contract is hereby approved, and the Designated Port Representative is hereby authorized and directed to execute the Bond Purchase Contract. Upon the adoption of this Series Resolution, the proper officials of the Port including the Designated Port Representative, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Series 1995A Bonds to the Underwriters thereof and further to execute all closing certificates and documents required to effect the closing and delivery of the Series 1995A Bonds in accordance with the terms of the Bond Purchase Contract.

The Designated Port Representative is authorized to review and to approve for purposes of Rule 15c2-12 of the Securities and Exchange Commission, on behalf of the Port, the Official Statement (and any Preliminary Official Statement) relating to the issuance and sale of the Series 1995A Bonds and the distribution of the Series 1995A Bonds pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate.

Section 18. Notices and Payment Procedure Pursuant to Insurance Policy. As long as the Insurance Policy shall be in full force and effect, the Port and the Registrar agree to comply with the following provisions:

(1) If, one day prior to an interest payment date, the Port or the Registrar determines that there will be insufficient funds in the Series 1995A Bond Fund to pay the principal of or interest on the Series 1995A Bonds on such interest payment date, the Port or the Registrar shall so notify the Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series 1995A Bonds to which such deficiency is applicable and whether such Series 1995A Bonds will be deficient as to principal or interest, or both. If the Port or the Registrar has not so notified the Insurer at least one day prior to an interest payment date, the Insurer will make payments of principal or interest due on the Series 1995A Bonds on or before the first business day next following the date on which the Insurer shall have received notice of nonpayment from the Port or the Registrar.

(2) The Port or the Registrar shall, after giving notice to the Insurer as provided in (1) above, make available to the Insurer and, at the Insurer's direction, to the United States Trust Company of New York, as insurance trustee for the Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Port maintained by the Registrar, and all records relating to the Series 1995A Bond Fund.

(3) The Port or the Registrar shall provide the Insurer and the Insurance Trustee with a list of Registered Owners entitled to receive principal or interest payments from the Insurer under the terms of the Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Registered Owners entitled to receive full or partial interest payments from the Insurer, and (ii) to pay principal on Series 1995A Bonds



surrendered to the Insurance Trustee by the Registered Owners entitled to receive full or partial principal payments from the Insurer.

(4) The Port or the Registrar shall, at the time it provides notice to the Insurer pursuant to (1) above, notify Registered Owners of Series 1995A Bonds entitled to receive the payment of principal or interest thereon from the Insurer (i) as to the fact of such entitlement, (ii) that the Insurer will remit to them all or a part of the interest payments next coming due upon proof of bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Insurer, they must surrender their Series 1995A Bonds (along with an appropriate instrument of assignment satisfactory to the Insurance Trustee to permit ownership of such Series 1995A Bonds to be registered in the name of the Insurer) for payment to the Insurance Trustee, and not the Registrar, and (iv) that should they be entitled to receive partial payment of principal from the Insurer, they must surrender their Series 1995A Bonds for payment thereon first to the Registrar, who shall note on such Series 1995A Bonds the portion of the principal paid by the Registrar, and then, along with an appropriate instrument of assignment satisfactory to the Insurer, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(5) In the event that the Registrar has notice that any payment of principal of or interest on a Series 1995A Bond which has become due for payment and which is made to a bondholder by or on behalf of the Port has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Registrar shall, at the time the Insurer is notified pursuant to (1) above, notify all Registered Owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Registrar shall furnish to the Insurer its records evidencing the payments of principal of and interest on the Series 1995A Bonds which have been made by the Registrar and subsequently recovered from Registered Owners and the dates on which such payments were made.

(6) In addition to those rights granted the Insurer under this Series Resolution, the Insurer shall, to the extent it makes payment of principal of or interest on Series 1995A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Registrar shall note the Insurer's rights as subrogee on the registration books of the Port maintained by the Registrar upon receipt from the Insurer of proof of the payment of interest thereon to the Registered Owners, and (ii) in the case of subrogation as

to claims for past due principal, the Registrar shall note the Insurer's rights as subrogee on the registration books of the Port maintained by the Registrar upon surrender of the Series 1995A Bonds by the Registered Owners thereof together with proof of the payment of principal thereof.

(7) Any provision of this Series Resolution expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer hereunder without the prior written consent of the Insurer.

(8) Any reorganization or liquidation plan with respect to the Port must be acceptable to the Insurer. In the event of any reorganization or liquidation, the Insurer shall have the right to vote on behalf of all Registered Owners absent a default by the Insurer under the applicable Insurance Policy insuring such Series 1995A Bonds.

(9) While the Insurance Policy is in effect, the Port shall furnish to the Insurer:

(a) as soon as practicable after the filing thereof, a copy of any audit and annual report of the Port.

(b) a copy of any notice to be given to the Registered Owners of the Series 1995A Bonds, including, without limitation, notice of any redemption of or defeasance of Series 1995A Bonds, and any certificate rendered pursuant to this Series Resolution relating to the security for the Series 1995A Bonds; and

(c) such additional information it may reasonably request.

(10) The Port shall notify the Insurer of any failure of the Port to provide relevant notices, certificates, etc.

(11) The Port will permit the Insurer to discuss the affairs, finances and accounts of the Port or any information the Insurer may reasonably request regarding the security for the Series 1995A Bonds with appropriate officers of the Port. The Port will permit the Insurer to have access to and to make copies of all books and records relating to the Series 1995A Bonds at any reasonable time.

(12) Notwithstanding any other provision of this Series Resolution, the Port shall immediately notify the Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

(13) Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Series 1995A Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the Series 1995A Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Port and all covenants, agreements and other obligations of the Port to the Registered Owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Registered Owners.

(14) Wherever the consent of Registered Owners is required for any action by the Port, the consent of the Insurer shall also be required.

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

(16) Nothing in this Series Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Port, the Registrar, the Insurer, the Registered Owners and parties, if any, legally obligated to make payments with respect to the debt service on the Series 1995A Bonds, any right, remedy or claim under or by reason of this Series Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Series Resolution contained by and on behalf of the Port shall be for the sole and exclusive benefit of the Port, the Registrar, and the Insurer, the Registered Owners and parties legally obligated to make payments with respect to debt service on the Series 1995A Bonds.

Section 19. Secondary Market Disclosure. The Port appreciates the support of the investment community for its financing efforts relating to the Outstanding Bonds, the Series 1995A Bonds and any bonds that the Port may issue in the future. The Port, therefore, agrees that it will provide annual audited financial statements and other pertinent credit information relevant to the securities of the Port (which may be contained in official statements), including the Port's Comprehensive Annual Financial Report, upon request. Periodic credit information also will be provided to rating agencies as necessary for maintaining outstanding ratings on the revenue and general obligations of the Port. The official statements of the Port will reflect this commitment.

Section 20. Severability. If any one or more of the covenants or agreements provided in this Series Resolution to be performed on the part of the Port shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this Series Resolution and shall in no way affect the validity of the other provisions of this Series Resolution or of any Parity Bonds.

**Section 20. Effective Date.** This Series Resolution shall be effective immediately upon its adoption.

ADOPTED by the Port Commission of the Port of Seattle at a meeting thereof, held this 23<sup>rd</sup> day of May, 1995, and duly authenticated in open session by the signatures of the commissioners voting in favor thereof and the seal of the commission duly affixed.

PORT OF SEATTLE, WASHINGTON

Paul Selvig  
John B. ...  
Raymond Miller

Patricia ...  
Commissioners

**EXHIBIT A**

**TO RESOLUTION NO. 3196, AS AMENDED  
FORM OF ESCROW AGREEMENT**

**ESCROW DEPOSIT AGREEMENT**

**PORT OF SEATTLE**

**Revenue Refunding Bonds  
Series 1995A**

**THIS ESCROW DEPOSIT AGREEMENT, dated as of the \_\_\_\_ day of September, 1995, (herein, together with any amendments or supplements hereio, called the "Agreement") is entered into by and between the PORT OF SEATTLE (herein called the "Port") and SEATTLE-FIRST NATIONAL BANK, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The notice addresses of the Port and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.**

**WITNESSETH:**

**WHEREAS, the Port heretofore has issued and there presently remain outstanding the obligations described in Exhibit B attached hereto (the "Senior Lien Bonds"); and**

**WHEREAS, pursuant to Resolution No. 3196, as amended, adopted on May 23, 1995 (the "Series Resolution"), the Port has determined to issue its Revenue Refunding Bonds, Series 1995A (the "Refunding Bonds") for the purpose of providing funds to pay the costs of refunding the Senior Lien Bonds; and**

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Article 1.**

##### **Section 1.1. Definitions.**

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

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

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

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

"Paying Agent" means the fiscal agency of the State of Washington, as the paying agent for the Senior Lien Bonds.

##### **Section 1.2. Other Definitions.**

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

### **Section 1.3. Interpretations.**

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

### **Article 2. Deposit of Funds and Escrowed Securities**

#### **Section 2.1. Deposits in the Escrow Fund.**

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

### **Article 3. Creation and Operation of Escrow Fund**

#### **Section 3.1. Escrow Fund.**

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

#### **Section 3.2. Payment of Principal and Interest.**

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

#### **Section 3.3. Sufficiency of Escrow Fund.**

The Port represents that, based upon the information provided in the Verification Report from Lehman Brothers Inc., the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Senior Lien Bonds as such interest comes due and the principal of the Senior Lien Bonds as the Senior Lien Bonds mature and/or are paid on an optional redemption date prior to maturity and any redemption premium payable upon the optional redemption of the Senior Lien Bonds, all as more fully set forth in Exhibit E attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2. hereof, the Port shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Port's failure to make additional deposits thereto.

### **Section 3.4. Trust Fund.**

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

## **Article 4. Limitation on Investments**

### **Section 4.1. Investments.**

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

### **Section 4.2. Substitution of Securities.**

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

## **Article 5. Application of Cash Balances**

### **Section 5.1. In General.**

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

## **Article 6. Redemption of Senior Lien Bonds.**

### **Section 6.1. Call for Redemption.**

The Port hereby irrevocably calls the Senior Lien Bonds maturing after December 1, 1995 for redemption on their earliest redemption on December 1, 1995.



## **Section 6.2. Notice of Redemption.**

The Escrow Agent agrees to cause notices of the redemption of the Senior Lien Bonds to be given pursuant to the terms of the Senior Lien Bonds and in substantially the form attached hereto as Appendix A attached hereto. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Senior Lien Bonds.

## **Article 7. Records and Reports.**

### **Section 7.1. Records.**

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

### **Section 7.2. Reports.**

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

## **Article 8. Concerning the Escrow Agent**

### **Section 8.1. Representations.**

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

### **Section 8.2. Limitation on Liability.**

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

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

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

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

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

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

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

### **Section 8.3. Compensation.**

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

### **Section 8.4. Successor Escrow Agents.**

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

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

Any successor Escrow Agent shall execute, acknowledge and deliver to the Port and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent,

subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Port shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

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

## **Article 9. Miscellaneous**

### **Section 9.1. Notice.**

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

### **Section 9.2. Termination of Responsibilities.**

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

### **Section 9.3. Binding Agreement.**

This Agreement shall be binding upon the Port and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Senior Lien Bonds, the Port, the Escrow Agent and their respective successors and legal representatives.

### **Section 9.4. Severability.**

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

### **Section 9.5. Washington Law Governs.**

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

### **Section 9.6. Time of the Essence.**

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

### **Section 9.7. Amendments.**

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Senior Lien Bonds. No such amendment shall be made without first receiving

written confirmation from the rating agencies, (if any) which have rated the Senior Lien Bonds that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the Senior Lien Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the Senior Lien Bonds.

**EXECUTED** as of the date first written above.

**PORT OF SEATTLE**

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**Chief Financial Officer**

**SEATTLE-FIRST NATIONAL BANK**  
by its authorized agent, BankAmerica State  
Trust Company

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**Authorized Officer**

- Exhibit A** - **Addresses of the Port and the Escrow Agent**
- Exhibit B** - **Description of the Senior Lien Bonds**
- Exhibit C** - **Schedule of Debt Service on Senior Lien Bonds**
- Exhibit D** - **Description of Beginning Cash Deposit (if any) and Escrowed Securities**
- Exhibit E** - **Escrow Fund Cash Flow**
- Appendix A** - **Notice of Redemption**
- Appendix B** - **Fee Schedule**

**EXHIBIT A**  
**Addresses of the Port, Treasurer and Escrow Agent**

**Port:**

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

**Attention: Chief Financial Officer**

**Treasurer:**

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

**Escrow Agent:**

**Seattle-First National Bank  
1100 2nd Avenue, 5th Floor  
Seattle, WA 98124-0425  
Attention: Corporate Trust**

**EXHIBIT B**  
**Description of the Senior Lien Bonds**

**Port of Seattle**

**Revenue Bonds, 1985**

<b>Maturity Year (December 1)</b>	<b>Principal Amount</b>	<b>Interest Rates</b>
1995	\$ 2,770,000	7.80%
1996	3,020,000	8.00
1997	3,290,000	8.20
1998	3,585,000	8.25
1999	3,910,000	8.25
2000	4,260,000	8.25
2001	4,645,000	8.25

**EXHIBIT C**  
**Schedule of Debt Service on Senior Lien Bonds**

**Senior Lien Bonds**

<u>Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal Redeemed</u>	<u>Redemption Premium</u>	<u>Total</u>
December 1, 1995	\$2,770,000.00	\$1,040,222.00	\$22,710,000.00	\$454,200.00	\$26,974,420.00
	\$2,770,000.00	\$1,040,222.00	\$22,710,000.00	\$454,200.00	\$26,974,420.00

**EXHIBIT D  
Escrow Deposit**

**Series 1995A Bonds**

**Date of Deposit:** \_\_\_\_\_

**I. Cash - \$** \_\_\_\_\_

**II. Other Obligations**

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



**EXHIBIT E**  
**Escrow Fund Cash Flow**

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

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

**PORT OF SEATTLE, REVENUE BONDS, 1985**

NOTICE IS HEREBY GIVEN that the Port of Seattle has called for redemption on December 1, 1995, all of its then outstanding Revenue Bonds, 1985 (the "Bonds"). The Bonds will be redeemed at a price of 102 percent (102%) of their principal amount, plus interest accrued to December 1, 1995. Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on December 1, 1995. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

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

-or-

First Interstate Bank of Washington, N.A.  
Corporate Trust Department  
14th Floor - M/S 257  
999 Third Avenue  
Seattle, WA 98104

The following Bonds are being redeemed:

<u>Maturity Year (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rates</u>	<u>CUSIP Nos.</u>
1996	\$3,020,000	8.00%	735388SP6
1997	3,290,000	8.20	735388SQ4
1998	3,585,000	8.25	735388SR2
1999	3,910,000	8.25	735388SS4
2000	4,260,000	8.25	735388ST8
2001	4,645,000	8.25	735388SU5 and TC4

**By Order of the Port of Seattle**

**The Bank of New York, as Paying Agent**

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

\* This notice shall be given by mail to each registered owner at the address appearing in the bond register not more than 60 nor less than 30 days prior to said redemption date, and mailing a like notice at the same time to PaineWebber Incorporated, New York, New York at its main office. In addition, notice of redemption shall be mailed to Standard & Poor's Corporation and to Moody's Investors Service.

**APPENDIX B**

**Fee Schedule**

**\$800**

EXHIBIT B

Blanket Issuer Letter of Representations

[To be Completed by Issuer]

PORT OF SEATTLE

[Name of Issuer]

[Date]

Attention: Underwriting Department — Eligibility  
The Depository Trust Company  
55 Water Street, 30th Floor  
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

[Issuer]

By:

[Authorized Officer's Signature]

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

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

## EXHIBIT C

### Form of Guaranty Agreement

GUARANTY AGREEMENT dated as of \_\_\_\_\_, 1995 by and Between the Port of Seattle, a public body corporate organized and existing under the laws of the State of Washington (the issuer, as "Obligor"); and AMBAC INDEMNITY CORPORATION ("AMBAC"), a Wisconsin-domiciled stock insurance company.

#### WITNESSETH

WHEREAS, the Obligor has or will issue its Refunding Revenue Bonds, Series 1995A in the principal amount of \$21,655,000 (the "Obligations"); and

WHEREAS, AMBAC will issue its Surety Bond (the "Surety Bond") substantially in the form set forth in Annex A to this Agreement, guaranteeing certain payments by the Obligor subject to the terms and limitations of the Surety Bond; and

WHEREAS, to induce AMBAC to issue the Surety Bond, the obligor has agreed to pay the premium for such Surety Bond and to reimburse AMBAC for all payments made by AMBAC under the Surety Bond from Legally Available Funds, all as more fully set forth in this Agreement; and

WHEREAS, the Obligor understands that AMBAC expressly requires the delivery of this Agreement as part of the consideration for the execution by AMBAC of the Surety Bond; and

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Surety Bond, the obligor and AMBAC agree as follows:

#### ARTICLE I DEFINITIONS; SURETY BOND

Section 1.01. Definitions. Except as otherwise expressly provided herein or unless the context otherwise requires, the terms which are capitalized herein shall have the meanings specified in Annex B hereto.

#### Section 1.02. Surety Bond.

(a) AMBAC will issue the Surety Bond in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of AMBAC under the Surety Bond and the coverage and term thereof shall be subject to and limited by the Surety Bond Coverage and the terms and conditions of the Surety Bond.

(c) Payments made under the Surety Bond will reduce the Surety Bond Coverage to the extent of that payment, provided that the Surety Bond Coverage shall be automatically reinstated to the extent of the reimbursement by the Obligor of any payment made by AMBAC. AMBAC shall notify the Treasurer of the Obligor in writing no later than the fifth

(5th) day following the reimbursement by the obligor that the Surety Bond has been reinstated to the extent of such reimbursement.

**Section 1.03. Premium.** In consideration of AMBAC agreeing to issue the Surety Bond hereunder, the Obligor hereby agrees to pay or cause to be paid from Legally Available Funds the premium set forth in the Commitment.

**Section 1.04. Certain Other Expenses.** The Obligor will pay all reasonable fees and disbursements of AMBAC's counsel related to any modification of this Agreement or the Surety Bond, requested by the Obligor.

## ARTICLE II REIMBURSEMENT OBLIGATIONS OF OBLIGOR AND SECURITY THEREFOR

### **Section 2.01. Reimbursement for Payments Under the Surety Bond and Expenses.**

(a) The Obligor will reimburse AMBAC, from Legally Available Funds within the Reimbursement Period, without demand or notice by AMBAC to the obligor or any other person, to the extent of each Surety Bond Payment with interest on each Surety Bond Payment from and including the date made to the date of the reimbursement by the Obligor at the lesser of the Reimbursement Rate or the maximum rate of interest permitted by then applicable law, but in no event less than the highest interest rate on the obligations.

(b) The Obligor also agrees to reimburse AMBAC, from Legally Available Funds, immediately and unconditionally upon demand for all reasonable expenses incurred by AMBAC in connection with the Surety Bond and the enforcement by AMBAC of the Obligor's obligations under this Agreement together with interest on all such expenses from and including the date incurred to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

**Section 2.02. Allocation of Payments.** AMBAC and the Obligor hereby agree that each payment received by AMBAC from or on behalf of the Obligor as a reimbursement to AMBAC as required by Section 2.01 hereof shall be applied to reinstate all or a portion of the Surety Bond Coverage to the extent of such repayment.

**Section 2.03. Security for Payments: Instruments of Further Assurance.** The payments required under this Article II shall be made solely from the Gross Revenue of the Obligor (as defined in the Resolution) and as provided in the order of priority designated in Section 7(b) of the Resolution. To the extent, but only to the extent, that the Resolution, pledges to the owners or any paying agent therefor, or grants a security interest or lien in or on such Net Revenues (as defined the Resolution) ("Collateral and Revenues"), in order to secure the Obligations or provide a source of payment for the Obligations, the Obligor hereby grants to AMBAC a security interest in or lien on, as the case may be, and pledges to AMBAC all such Collateral and Revenues as security for payment of all amounts due hereunder, which security interest, lien and/or pledge created or granted under this Section 2.03 shall be subordinate only to the interests of the owners

and any paying agent therefor in such Collateral and Revenues. The Obligor agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all financing statements, if applicable, and all other further instruments as may be required by law or as shall reasonably be requested by AMBAC for the perfection of the security interest, if any, granted under this Section 2.03 and for the preservation and protection of all rights of AMBAC under this Section 2.03.

**Section 2.04. Unconditional Obligation.** The obligations of the Obligor hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, irrespective of:

- (a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to the Resolution or the Obligations;
- (b) any exchange, release or nonperfection of any security interest in property securing the obligations or this Agreement or any obligations hereunder;
- (c) any circumstances which might otherwise constitute a defense available to, or discharge of, the Obligor with respect to the obligations;
- (d) whether or not such obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

### ARTICLE III EVENTS OF DEFAULT; REMEDIES

**Section 3.01. Events of Default.** The following events shall constitute Events of Default hereunder:

- (a) The Obligor shall fail to pay to AMBAC any amount payable under Sections 1.04 and 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period;
- (b) Any material representation or warranty made by the Obligor hereunder or under the Resolution or any statement in the application for the Surety Bond or any report, certificate, financial statement or other instrument provided in connection with the Commitment, the Surety Bond or herewith shall have been materially false at the time when made;
- (c) Except as otherwise provided in this Section 3.01, the Obligor shall fail to perform any of its other obligations under Agreement or hereunder, provided that such failure continues for more than thirty (30) days after receipt by the Obligor of notice of such failure to perform;
- (d) The Obligor shall (i) voluntarily commence any proceeding or file any Petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate any such proceeding or the filing of any such petition, (iii)

apply for or consent to the appointment of a receiver, paying agent, custodian, sequestrator or similar official for the Obligor or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(e) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Obligor, or of a substantial part of its property, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, paying agent, custodian, sequestrator or similar official for the Obligor or for a substantial part of its property; and such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for thirty (30) days. Any event of default hereunder shall constitute an event of default under the Resolution.

Section 3.02. Remedies. If an Event of Default shall occur and be continuing, then AMBAC may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or any related instrument in any obligation, agreement or covenant of the Obligor under this Agreement; provided, however, that AMBAC may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the owners. All rights and remedies of AMBAC under this Section 3.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

#### ARTICLE IV SETTLEMENT

AMBAC shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment, relating solely to payment on the obligation made or brought against AMBAC, the Obligor or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and AMBAC's decision thereon, if made in good faith, shall be final and binding upon the Obligor. An itemized statement of payments made by AMBAC, certified by an officer of AMBAC, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Obligor, and if the Obligor fails to reimburse AMBAC, pursuant to subsection (b) of Section 2.01 hereof, upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by AMBAC at the rate set forth in subsection (a) of Section 2.01 hereof.



**ARTICLE V  
MISCELLANEOUS**

**Section 5.01. Computations.** All computations of premium, interest and fees hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

**Section 5.02. Exercise of Rights.** No failure or delay on the part of AMBAC to exercise any right, power or privilege under this Agreement and no course of dealing between AMBAC and the Obligor or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which AMBAC would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

**Section 5.03. Amendment and Waiver.** Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Obligor and AMBAC. The Obligor hereby agrees that upon the written request of the Treasurer of the Obligor, AMBAC may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted Surety Bond. AMBAC agrees to deliver to the Obligor and to the company or companies, if any, rating the Obligations, a copy of such substituted Surety Bond.

**Section 5.04. Successors and Assigns; Descriptive Headings.**

(a) This Agreement shall bind, and the benefits thereof inure to, the Obligor and AMBAC and their respective successors and assigns; provided, that the Obligor may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of AMBAC.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

**Section 5.05. Other Sureties.** If AMBAC shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Obligor to enforce this Agreement, and "AMBAC," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

**Section 5.06. Signature on Bond.** The Obligor's liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

**Section 5.07. Waiver.** The Obligor waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Obligor's request and in reliance on the obligor's promise to execute this Agreement.

**Section 5.08. Notices, Requests, Demands.** Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as either of the parties hereto or the Treasurer of the Obligor may hereafter specify in writing to the others:

If to the Port:

Port of Seattle  
P.O. Box 1209  
Seattle, WA 98111  
Attn: Chief Financial Officer and  
Port Auditor

If to AMBAC:

AMBAC Indemnity Corporation  
One State Street Plaza, 17th Floor  
New York, New York 10004  
Attention: General Counsel

**Section 5.09. Survival of Representations and Warranties.** All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

**Section 5.10. Governing Law.** This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

**Section 5.11. Counterparts.** This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Obligor and AMBAC.

**Section 5.12. Severability.** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**IN WITNESS WHEREOF,** each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

**PORT OF SEATTLE**

By \_\_\_\_\_  
Chief Financial Officer  
and Port Auditor

**AMBAC INDEMNITY CORPORATION**

By \_\_\_\_\_  
Title \_\_\_\_\_

Annex A

**SURETY BOND**

**AMBAC Indemnity Corporation**

**One State Street Plaza**

**New York, New York 10004**

Policy No. \_\_\_\_\_

AMBAC Indemnity Corporation ("AMBAC"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments which are to be applied to payment of principal of and interest on the obligations (as hereinafter defined) and which are required to be made by or on behalf of the port of Seattle, Washington (the issuer, as "Obligor") as such payments are due by the Obligor but shall not be so paid pursuant to a resolution of the Port Commission of the Obligor authorizing the sale and issuance of Refunding Revenue Bonds, Series 1995A in the principal amount of \$\_\_\_\_\_, (the "Obligations") and providing the terms and conditions for the issuance of said obligations (the "Resolution"); provided that the amount available at any particular time to be paid to the Treasurer of the Obligor under the terms hereof shall not exceed \$\_\_\_\_\_ (the "Surety Bond Coverage") and the Surety Bond Coverage shall be reduced and may be reinstated from time to time as set forth herein.

1. As used herein, the term "Owner" shall mean the registered owner of any obligation as indicated in the books maintained by the applicable paying agent, the Obligor or any designee of the Obligor for such purpose. The term "Owner" shall not include the Obligor or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment of the obligations.

2. Upon the later of: (i) one (1) day after receipt by the General Counsel of AMBAC a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Treasurer of the Obligor certifying that payment due as required by the Resolution has not been made; or (ii) the payment date of the Obligations as specified in the Demand for payment presented by the Chief Financial Officer and Port Auditor of the Obligor (for payment to the Treasurer of the Obligor) to the General Counsel of AMBAC, AMBAC will make a deposit of funds in an account with the Treasurer of the Obligor, sufficient for the payment to the Treasurer of the Obligor, of amounts which are then due (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, or telegram of the executed Demand for Payment c/o the General Counsel of AMBAC. If a Demand for Payment made hereunder does not, in any instance conform to the terms and conditions of this Surety Bond, AMBAC shall give notice to the Chief Financial Officer and Port Auditor of the Obligor, as promptly as reasonably practicable that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Chief Financial Officer and Port Auditor of the Obligor may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Chief Financial Officer and Port Auditor of the Obligor is entitled and able to do so.

4. The amount payable by AMBAC under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by AMBAC hereunder and will be reinstated to the extent of each reimbursement of AMBAC by the Obligor pursuant to Article II of the Guaranty Agreement, dated \_\_\_\_\_, 1995, by and between AMBAC and the Obligor (the "Guaranty Agreement"); provided, that in no event shall such reinstatement exceed the Surety Bond Coverage. AMBAC will notify the Chief Financial Officer and Port Auditor of the Obligor, in writing within five (5) days of such reimbursement, that the surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Guaranty Agreement and such reinstatement shall be effective as of the date AMBAC gives such notice. The notice to the Chief Financial Officer and Port Auditor of the Obligor will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on AMBAC may be made to AMBAC or the office of the General Counsel of AMBAC and such service of process shall be valid and binding as to AMBAC. During the term of its appointment, General Counsel will act as agent for the acceptance of service of process and its offices are located at One State Street Plaza, New York, New York 10004.

6. This Surety Bond is noncancelable for any reason. The term of this Surety Bond shall expire on the earlier of (i) \_\_\_\_\_ or (ii) the date on which the Obligor, to the satisfaction of AMBAC, has made all payments required to be made on the Obligations pursuant to the applicable indenture, trust agreement, ordinance, resolution or similar instrument. The premium on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

7. This Surety Bond shall be governed by and interpreted under the laws of the State of Wisconsin, and any suit hereunder in connection with any payment may be brought only by the Chief Financial Officer and Port Auditor of the Obligor within one year after (i) a Demand for

Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and AMBAC has failed to make such payment or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Chief Financial Officer and Port Auditor of the Obligor to deliver to AMBAC a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

IN WITNESS WHEREOF, AMBAC has caused this Surety Bond to be executed and attested on its behalf this \_\_\_\_ day of \_\_\_\_\_, 1995.

**AMBAC INDEMNITY CORPORATION**

Attest: \_\_\_\_\_  
**Assistant Secretary**

By: \_\_\_\_\_  
**Vice President and  
Assistant General Counsel**

Attachment 1

Surety Bond No.

DEMAND FOR PAYMENT

AMBAC Indemnity Corporation  
One State Street Plaza  
New York, New York 10004  
Attention: General Counsel

Reference is made to the Surety Bond No. \_\_\_ (the "Surety Bond") issued by AMBAC Indemnity Corporation ("AMBAC") which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Chief Financial Officer and Port Auditor of the Obligor hereby certifies that:

(a) Payment by the Obligor to the Treasurer of the Obligor was due on \_\_\_\_\_ [a date not less than one (1) day prior to the applicable payment date for the Obligations) under the attached hereto as Exhibit A, in an amount equal to \$\_\_\_\_\_ (the "Amount Due"). The Amount Due is payable to the Owners of the Obligations on \_\_\_\_\_

(b) \$\_\_\_\_\_ has been deposited in the \_\_\_\_\_ [fund/account] from moneys paid by the Obligor or from other funds legally available to the Treasurer of the Obligor for payment to the Owners of the Obligations, which amount is \$\_\_\_\_\_ less than the Amount Due (the "Deficiency").

(c) The Chief Financial Officer and Port Auditor of the Obligor has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Chief Financial Officer and Port Auditor of the Obligor hereby requests that payment of the Deficiency (up to but not in excess of the Surety Bond Coverage) be made by AMBAC under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond:

\_\_\_\_\_ (Treasurer of the Port of Seattle's Account)

[CHIEF FINANCIAL OFFICER AND PORT AUDITOR OF THE PORT OF SEATTLE]

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

Its: \_\_\_\_\_

Surety Bond No. \_\_\_\_\_  
NOTICE OF REINSTATEMENT

\_\_\_\_\_ 19\_\_

Port of Seattle  
P.O. Box 1209  
Seattle, WA 98111  
Attn: Chief Financial Officer and Port Auditor

Reference is made to the Surety Bond No. \_\_\_\_\_ (the "Surety Bond") issued by AMBAC Indemnity Corporation ("AMBAC"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

AMBAC hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Guaranty Agreement and as of the date hereof the Surety Bond coverage is \$ \_\_\_\_\_.

AMBAC INDEMNITY CORPORATION

Attest: \_\_\_\_\_  
Title:

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



**ANNEX B**  
**DEFINITIONS**

For all purposes of this Agreement, except as otherwise provided herein or unless the context otherwise requires, all capitalized terms shall have the meaning as set out below.

"Agreement" means this Guaranty Agreement.

"AMBAC" has the same meaning as set forth in the first paragraph of this Agreement.

"Collateral and Revenues" has the same meaning as set forth in Section 2.03 hereof.

"Commitment" means the AMBAC Commitment for Surety Bond in the form attached hereto as Annex C.

"Debt Service Payments" means those payments required to be made by the Obligor which will be applied to payment of principal of and interest on the Obligations.

"Event of Default" shall mean those events of default set forth in Section 3.01 of this Agreement.

"Legally Available Funds" means any Net Revenues legally available to the Obligor for the payment of its obligations.

"Obligations" has the same meaning as set forth in the second paragraph of this Agreement.

"Obligor" has the same meaning as set forth in the first paragraph of this Agreement.

"Owners" means the registered owner of any obligation as indicated in the books maintained by the applicable paying agent, the Obligor or any designee of the Obligor for such purpose. The term "Owner" shall not include the Obligor or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the obligations.

"Reimbursement Period" means, with respect to a particular Surety Bond Payment, the period commencing on the date of such Surety Bond Payment and ending 12 months following such Surety Bond payment with monthly level principal repayments and monthly interest repayments at the rate set forth in Section 2.01 hereof.

"Reimbursement Rate" means Citibank's prime rate plus two (2) percent per annum, as of the date of such Surety Bond Payment, said "prime rate" being the rate of interest announced from time to time by Citibank, New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of a 360-day-year.

"Resolution" means Resolution No. 3059, as amended, and Resolution No. \_\_\_\_\_, as amended, of the Port Commission of the Port of Seattle, Washington adopted \_\_\_\_\_, 1995.

"State" means the State of Washington.

"Surety Bond" means the surety bond issued by AMBAC substantially in the form attached to this Agreement as Annex A.

**"Surety Bond Coverage" means the amount available at any particular time to be paid to the Treasurer of the Obligor under the terms of the Surety Bond, which amount shall never exceed \$\_\_\_\_\_.**

**"Surety Bond Payment" means an amount equal to the Debt service Payments required to be made by the Obligor less (i) that portion of the Debt Service Payment paid by the Obligor, and (ii) other funds legally available to the Treasurer of the Obligor for payment to the Owners, all as certified by the Treasurer of the Obligor in a demand for payment rendered pursuant to the terms of the Surety Bond.**

**CERTIFICATE**

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

1. That the attached resolution numbered 3196, as amended (the "Resolution") is a true and correct copy of a resolution of the Port, as finally adopted at a meeting of the Commission held on the 23rd day of May, 1995, and duly recorded in my office.

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Port this \_\_\_ day of \_\_\_\_\_, 1995.

---

Secretary