

PORT OF SEATTLE

UNIT PRICED DEMAND ADJUSTABLE JUNIOR LIEN REVENUE BONDS,
SERIES 1985

\$27,000,000

Bond Resolution

Resolution No. 2964

Adopted June 25, 1985

TABLE OF CONTENTS

Section	Heading	Page
Parties and Recitals.....		1
ARTICLE I DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION		
Section 1.1	Definitions.....	2
Section 1.2	Use of Words and Phrases.....	8
Section 1.3	Date of Bonds.....	9
Section 1.4	Applicable Provisions of Law.....	9
Section 1.5	Captions.....	9
Section 1.6	Successors and Assigns of Port.....	9
Section 1.7	Limitation of Rights.....	9
Section 1.8	Times.....	9
ARTICLE II DESCRIPTION, AUTHORIZATION, MANNER OF EXECUTION, REGISTRATION AND TRANSFER OF BONDS		
Section 2.1	Authorization of Bonds, Limitation on Amount of Bonds and Purposes for Which Bonds May Be Issued.....	10
Section 2.2	Source of Payment of Bonds; Security.....	10
Section 2.3	Description of Bonds.....	11
Section 2.4	Bonds Mutilated, Destroyed, Stolen or Lost..	23
Section 2.5	Temporary Bonds.....	24
Section 2.6	Execution of Bonds.....	24
Section 2.7	Registration and Transfer.....	25
Section 2.8	Authentication.....	26
Section 2.9	Cancellation.....	26
Section 2.10	Miscellaneous.....	26
ARTICLE III AUTHENTICATION AND DELIVERY OF BONDS		
Section 3.1	Limitation of Principal Amount of Bonds; Bonds Secured.....	27
Section 3.2	Parity Bonds.....	27
ARTICLE IV DISBURSEMENT OF FUNDS		
Section 4.1	Application of Bond Proceeds.....	30
ARTICLE V FUNDS; LINE OF CREDIT; AND INVESTMENTS		
Section 5.1	Source of Payment of Bonds.....	30
Section 5.2	Establishment of Funds.....	30
Section 5.3	Flow of Funds.....	31
Section 5.4	Bond Fund Payments.....	31
Section 5.5	Line of Credit.....	33
Section 5.6	Alternate Credit Facility.....	33
Section 5.7	Cancellation of Bonds.....	34
Section 5.8	Fiscal Agent as Paying and Bond Registrar...	34
Section 5.9	Payments Due on Sundays and Holidays.....	35
Section 5.10	Investment of Funds.....	35
Section 5.11	Arbitrage Provision.....	35
Section 5.12	Payment to the Bank or the Port of Moneys Held by the Purchase and Fiscal Agent.....	35

Section	Heading	Page
ARTICLE IV COVENANTS BY THE PORT		
Section 6.1	To Pay Principal, Premium, if any, and Interest of Bonds.....	36
Section 6.2	Covenants and Representations.....	36
Section 6.3	Inspection of Books.....	36
Section 6.4	No Vacancy in Office of Purchase Agent	37
Section 6.5	No Extension of Time of Payment of Bonds Without Consent of Bondholders.....	37
Section 6.6	No Personal Liability.....	37
Section 6.7	Rate Covenant.....	38
Section 6.8	General Covenants.....	38
ARTICLE VII REMARKETING PROVISION		
Section 7.1	Remarketing Agent.....	39
ARTICLE VIII REDEMPTION OF BONDS		
Section 8.1	Exclusive Procedure.....	40
Section 8.2	Notice.....	40
Section 8.3	Redemption.....	41
ARTICLE IX AMENDMENTS AND SUPPLEMENTS TO RESOLUTION		
Section 9.1	Limitation.....	41
Section 9.2	Supplemental Resolutions Without Consent of Registered Owners.....	42
Section 9.3	Supplemental Resolutions With Consent of Owners	43
Section 9.4	Effect of Supplement and Amendment.....	44
ARTICLE X WHEN BONDS DEEMED PAID; BONDS NOT PRESENTED FOR PAYMENT		
Section 10.1	Bonds Deemed No Longer Outstanding.....	45
Section 10.2	Bonds Not Presented for Payment When Due; Moneys Held for the Bonds After Due Date.....	47
Section 10.3	Variable Rate.....	48
ARTICLE XI MISCELLANEOUS		
Section 11.1	Notices.....	49
Section 11.2	Counterparts.....	49
Section 11.3	Severability Clause.....	49
Section 11.4	Special Notification to Moody's Investors Service, Inc. and Standard & Poors.....	50
Section 11.5	Authorization to Carry Out Provisions of Resolution.....	50
Section 11.6	Resolution No. 2871 Amended.....	50

PORT OF SEATTLE

RESOLUTION NO. 2964

A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF SEATTLE, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF JUNIOR LIEN REVENUE BONDS OF THE PORT DISTRICT IN THE PRINCIPAL AMOUNT OF \$27,000,000 FOR THE PURPOSE OF PROVIDING FUNDS TO REDEEM AND RETIRE THE OUTSTANDING REVENUE BOND ANTICIPATION NOTES, SERIES C; FIXING THE DATE, FORM, TERM, MATURITIES AND COVENANTS OF SAID BONDS TO BE ISSUED, AUTHORIZING THE EXECUTION AND DELIVERY OF A REVOLVING CREDIT AGREEMENT, A STANDBY BOND PURCHASE AGREEMENT AND A REMARKETING AGREEMENT; CREATING A SPECIAL FUND FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID BONDS; AMENDING RESOLUTION NO. 2871; AND AUTHORIZING THE EXECUTION OF A BOND PURCHASE CONTRACT.

WHEREAS, in order to provide funds to acquire, construct, equip and make certain improvements to its facilities, the Port of Seattle (the "Port") authorized by Resolution No. 2871 the issuance of its first lien revenue bonds in the aggregate principal amount of \$25,000,000; and

WHEREAS, because of then existing market conditions, the issuance of such revenue bonds was deferred and interim financing for the improvements authorized by Resolution No. 2871 was provided by the issuance and sale of the Port's Revenue Bond Anticipation Notes, 1982B; and

WHEREAS, pursuant to Resolution No. 2936, the issuance of such revenue bonds was further deferred and the Port issued its Revenue Bond Anticipation Notes, Series C, to provide funds to redeem and retire the 1982B Notes; and

WHEREAS, because of present market conditions and because of certain proposed arbitrage regulations under section 103(c) of the Internal Revenue Code of 1954, as amended, it is deemed to be in the best interests of the Port that the Port issue its Unit Priced Demand Adjustable Junior Lien Revenue Bonds, Series 1985, in the aggregate principal amount of \$27,000,000 and that Resolution No. 2871 be amended and superseded to so provide; and

WHEREAS, the Port administration has investigated various financing alternatives and has recommended the financial program hereinafter set forth.

NOW, THEREFORE, BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF SEATTLE AS FOLLOWS:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

Section 1.1. Definitions. In addition to the words and terms elsewhere defined in this Resolution, the following words and terms as used in this Resolution shall have the following meanings unless the context or use indicates another or different meaning or intent:

"Alternate Credit Facility" means a line of credit or other credit facility delivered by the Port pursuant to Section 5.6 hereof.

"Amortization Installment" means, with respect to any Bond Year, the principal amount of the Bonds scheduled to be mandatorily redeemed in such Bond Year as provided in Section 2.3(A)-(d)(ii). The aggregate amount of such Amortization Installments shall be equal to the aggregate principal amount of the Bonds (less the amount of such Bonds to be paid at maturity as provided in Section 2.3(A)(d)(ii)). If at the close of any Bond Year the total principal amount of the Bonds retired by purchase or redemption in such Bond Year shall be in excess of the Amortization Installment for such Bond Year, then the remaining Amortization Installments for the Bonds shall be reduced by the amount of such excess in such years and in such amounts as directed by the Authorized Port Representative.

"Authorized Port Representative" means any person at the time designated to act on behalf of the Port by certificate signed on behalf of the Port by the Secretary of its Commission and furnished to the Remarketing Agent, the Bank, the Purchase Agent and the Fiscal Agent, containing the specimen signature of each such person.

"Bank" means, as to the initial Line of Credit, The Sumitomo Bank, Limited, Seattle Branch, and its successors, and means, as

to any Alternate Credit Facility at the time in effect, the issuer thereof and its successors.

"Bank Note" means the promissory note executed by the Port pursuant to the Revolving Credit Agreement.

"Bond Resolution" or "Resolution" means this resolution of the Port Commission of the Port of Seattle, adopted June 25, 1985, as the same may hereafter be amended, pursuant to which the Bonds shall be issued.

"Bond" or "Bonds" means any or all of the Unit Priced Demand Adjustable Junior Lien Revenue Bonds, Series 1985 authorized by this Resolution.

"Bond Fund" means the fund established in Section 5.2 hereof as a trust fund for the payment of the principal of, premium, if any, and interest on the Bonds.

"Bond Register" means the books and records maintained by the Fiscal Agent for the purpose of registering the ownership and transfers thereof of the Bonds.

"Bond Registrar" means the Fiscal Agent.

"Bond Year" means the period beginning with each June 1 and extending through the next succeeding May 31. The principal and interest due on the Bonds on any June 1 shall be deemed to be a requirement of the preceding Bond Year.

"Business Day" means any day on which banking business is transacted, but not including any day on which banks are authorized or required to be closed, in the city or cities in which the Purchase Agent and the Fiscal Agent have their Principal Offices and, so long as the Revolving Credit Agreement is in effect, the city in which the Principal Office of the Bank is located.

"Code" means the Internal Revenue Code of 1954, as amended.

"Conversion Date" or "Final Conversion Date" means that date from and after which the interest rate on all or a portion of the Bonds is fixed for the duration of their terms and the Bonds are converted from the Unit Pricing Mode to the Fixed Interest Mode pursuant to an exercise by the Port of the Conversion Option.

"Conversion Option" means that option granted to the Port in Section 2.3(B)(a) of this Resolution pursuant to which the Bonds are converted from the Unit Pricing Mode to the Fixed Interest Mode as of the Conversion Date.

"Credit Facility" means the Line of Credit and the Purchase Agreement.

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

"Federal Securities" means direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, not redeemable at the option of the obligor prior to the time the proceeds thereof are required for any purpose hereunder.

"Fiscal Agent" means Seattle-First National Bank, Seattle, Washington and J. Henry Schroder Bank & Trust Company, New York, New York, and any successor thereto pursuant to Ch. 43.80 RCW.

"Fiscal Year" means the 12-month period beginning January 1 of the calendar year and ending on the next succeeding December 31.

"Fixed Interest Mode" means the method of determining the interest rate on any Bond set forth in Section 2.3(B)(c) hereof.

"Fixed Interest Rate" shall mean the annual interest rate on any Bond from and after the Conversion Date determined as set forth in Section 2.3(B)(c) of this Resolution.

"Gross Revenue" means all operating and nonoperating income and revenue derived by the Port from time to time from any source whatsoever, except that income and revenue which may not be pledged legally for revenue bond debt service.

"Interest Payment Date" means (1) for any Bond in the Unit Pricing Mode, the Conversion Date for such Bond, and, prior to such Conversion Date (i) for Interest Periods less than one year,

the Repurchase Date, and (ii) for other Interest Periods, the Repurchase Date, and each June 1 and December 1; (2) for any Bond in the Fixed Interest Mode, June 1 and December 1 of each Bond Year; and (3) with respect to Bonds held by the Bank pursuant to the Purchase Agreement, and the dates specified in the Purchase Agreement.

"Interest Period" means (1) for any Bond in the Unit Pricing Mode that period of time, commencing with the date of purchase of such Bond and terminating the day prior to the Repurchase Date established for such Bond and (2) for any Bond in the Fixed Interest Mode that period of time, commencing on the Conversion Date for such Bond and terminating the day prior to the next succeeding June 1 or December 1, and each succeeding six month period of time commencing on such June 1 or December 1 and terminating the day prior to the next succeeding June 1 or December 1, as applicable. As to Bonds held by the Bank pursuant to the Purchase Agreement, Interest Periods shall be as specified in the Purchase Agreement.

"Investment Securities" means any investment the Port is now or may hereafter be authorized to make pursuant to the laws of the State.

"Line of Credit" means that certain line of credit issued by the Bank, including any extension thereof in accordance with the Revolving Credit Agreement securing the payment of principal of and interest on any of the Bonds. If an Alternate Credit Facility or a Renewal Line of Credit is issued, the term "Line of Credit" shall refer to such Alternate Credit Facility or the Renewal Line of Credit at the time in effect and shall not then refer to any prior Line of Credit or Alternate Credit Facility or Renewal Line of Credit not then in effect.

"Net Revenue" means Gross Revenue less any part thereof that must be used to pay the normal costs of maintenance and operation of the Facilities of the Port and normal costs of administration of the business of the Port, but before depreciation.

"Non-Arbitrage Certificate" means the certificate of that name delivered by the Port at the time of initial delivery of the Bonds.

"Outstanding" or "Bonds Outstanding" or any other similar term or terms means any Bonds authenticated and delivered under this Resolution, except (a) Bonds cancelled by the Fiscal Agent, or delivered to the Fiscal Agent for cancellation, (b) Bonds for the payment of which provision shall have been made as provided in Section 10.1 hereof or (c) Bonds in lieu of which other Bonds shall have been authenticated and delivered pursuant to Article II hereof.

"Owner" or "Bondowner" means the registered owner of any Bond.

"Parity Bonds" means pari passu bonds issued pursuant to Section 3.2 hereof.

"Paying Agent" means the Fiscal Agent.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization, a public body or a government or political subdivision thereof.

"Port" means the Port of Seattle, a municipal corporation of the State of Washington.

"Principal Office" means, in the case of the Remarketing Agent, the office of Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Liberty Plaza, 165 Broadway, New York, New York 10080, Attention: Tax Exempt Money Markets, in the case of the Bank, the office of The Sumitomo Bank, Limited, Seattle Branch, 4600 Seattle-First National Bank Building, Seattle, Washington 98154, Attention: Loan Department (Port of Seattle), in the case of the Purchase Agent, J. Henry Schroder Bank & Trust Company, One State Street Plaza, New York, New York, 10015, Attention: Corporate Trust Department, and in case of the Fiscal Agent, Seattle-First National Bank, Seattle-First National Bank Building, Seattle, Washington, Attention: Corporate Trust Department, and J. Henry Schroder Bank & Trust Company, as above set forth, and

the principal offices of any successors thereto, appointed as provided in this Resolution.

"Purchase Agent" shall mean the purchase agent at the time serving as such pursuant to this Resolution.

"Purchase Agreement" means the Standby Bond Purchase Agreement dated June 1, 1985 by and among the Port, the Purchase Agent and the Bank, and shall include any renewals or extensions of such Agreement and any Alternate Credit Facility provided pursuant to Section 5.6.

"Rate Adjustment Date" means the first day of any Interest Period.

"Record Date" means for any Bond in the Unit Pricing Mode, 10:00 a.m. of each Interest Payment Date, and for any Bond in the Fixed Interest Mode, the date which is fifteen (15) days prior to any date on which principal of or interest on any Bond is due and payable, whether by reason of maturity, redemption, acceleration or otherwise.

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

"Redemption Price" means the price at which the Bonds may be called for redemption, and includes the principal amount of the Bonds to be redeemed, plus the premium, if any, required to be paid to effect such redemption by the terms of this Resolution.

"Remarketing Agent" means the Remarketing Agent appointed in accordance with Section 7.1 hereof.

"Remarketing Agreement" means the agreement pursuant to which the Remarketing Agent is appointed and assumes its duties hereunder and thereunder.

"Renewal Line of Credit" means any line of credit issued by the Bank to replace a line of credit previously issued by the Bank under the Revolving Credit Agreement to secure the payment of principal of and interest on any Bond.

"Repurchase Date" means the day on which any Bond in the Unit Pricing Mode will be repurchased by agreement made on the date of sale.

"Revolving Credit Agreement" means the Revolving Credit Agreement dated as of June 1, 1985, between the Port and the Bank providing, among other things, for repayment to the Bank of sums drawn under the Line of Credit.

"Senior Lien Bonds" means the outstanding revenue bonds of the Port issued pursuant to the following resolutions under the following dates:

<u>Resolution No.</u>	<u>Date of Bonds</u>
2143	November 1, 1963
2242	November 1, 1966
2264	November 1, 1967
2272	July 1, 1968
2286	February 1, 1969
2397	November 1, 1971
2504	November 1, 1973
2653	October 1, 1976
2764	July 1, 1979
2919	January 1, 1984

and any other revenue bonds of the Port hereafter issued on a parity with such bonds as authorized by such resolutions.

"State" means the State of Washington.

"Supplemental Resolution" or "Resolution supplemental hereof" means any resolution supplementary to or amendatory of this Resolution as originally executed which is duly entered into in accordance with the provisions of Article IX of this Resolution.

"Treasurer" means the King County Office of Finance or its successor, if any, or any successor as treasurer of the Port.

"Unit Pricing Mode" means the method of determining the interest rate on any Bond set forth in Section 2.3(A)(b)(i) hereof.

"Unit Pricing Rate" means the annual interest rate on any Bond from and after any Rate Adjustment Date to the last day of the Interest Period, determined as set forth in Section 2.3(A)-(b)(i) hereof.

Section 1.2. Use of Words and Phrases. "Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter," and other equivalent words refer to this Resolution as a whole and not solely to the particular portion thereof in which any such word is used.

The definitions set forth in Section 1.1 hereof include both singular and plural. Wherever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders.

Any percentage of Bonds, specified herein for any purpose, is to be figured with respect to Bonds then Outstanding.

Section 1.3. Date of Bonds. The date of the Bonds is intended as and for a date for the convenient identification of the Bonds and is not intended to indicate that the Bonds were executed, delivered or issued on said date.

Section 1.4. Applicable Provisions of Law. This Resolution shall be governed by and construed in accordance with the laws of the State.

Section 1.5. Captions. The captions or headings in this Resolution are for convenience only and in no way define, limit or describe the scope and intent of any provisions of this instrument.

Section 1.6. Successors and Assigns of Port. All the covenants, stipulations, promises and agreements in this Resolution contained by or on behalf of the Port shall inure to the benefit of and bind any successors and assigns.

Section 1.7. Limitation of Rights. Nothing expressed or mentioned in or to be implied from this Resolution or the Bonds is intended or shall be construed to give any Person other than the Port and the Bondowners any benefit or any legal or equitable right, remedy or claim under or in respect to this Resolution or any covenants, conditions and provisions herein contained; this Resolution and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the Port and the Bondowners as herein provided.

Section 1.8. Times. Unless otherwise specified, all times for the making of any payment or the performance of any act as provided in this Resolution shall mean the local time prevailing in New York, New York.

ARTICLE II

DESCRIPTION, AUTHORIZATION, MANNER OF EXECUTION, REGISTRATION AND TRANSFER OF BONDS

Section 2.1. Authorization of Bonds, Limitation on Amount of Bonds and Purposes for Which Bonds May Be Issued. This Resolution authorizes an issue of Bonds of the Port, the aggregate principal amount of which (exclusive of Bonds issued pursuant to Sections 2.4, 2.5 and 2.7 hereof) Outstanding at any one time will not exceed \$27,000,000, to be designated generally as "Port of Seattle, Washington Unit Priced Demand Adjustable Junior Lien Revenue Bonds, Series 1985" and to be issued as hereinafter provided.

The Bonds shall be issued for the purpose of providing funds to redeem and retire the 1984 Series C Revenue Bond Anticipation Notes, fund capitalized interest, and to pay costs of issuance, and the proceeds thereof shall be disbursed in the manner provided in Section 4.1 of this Resolution.

Section 2.2. Source of Payment of Bonds; Security. The Bonds herein authorized and all payments by the Port hereunder or under the Revolving Credit Agreement are limited obligations of the Port payable and secured in the manner provided herein. The Bonds shall not be or constitute a general obligation or a pledge of the faith, credit or taxing power of the Port, the State or any political subdivision thereof or a lien upon any property owned by or situated within the jurisdictional limits of the Port, except as herein provided. No Bondowner shall ever have the right to require or compel the Port, the State or any of its political subdivisions, to levy any ad valorem taxes on any property to pay the principal of or premium, if any, or interest on the Bonds. No covenant or agreement contained in this Resolution shall be deemed to be a covenant or agreement of any member of the governing body, official, agent or employee of the Port in his individual capacity, and neither the members of the governing body of the Port nor any official executing the Bonds shall be liable personally on

the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

Section 2.3. Description of Bonds. The Bonds shall be initially issued in fully registered form and shall be numbered as determined by the Fiscal Agent. Bonds in the Unit Pricing Mode having an Interest Period of less than one year shall be in denominations of \$100,000 or any integral multiple of \$1,000 in excess of \$100,000. Bonds in the Unit Pricing Mode having an Interest Period of one year or longer shall be any integral multiple of \$5,000. The Bonds, or any part thereof as determined by the Port, may be converted to fully registered Bonds bearing a Fixed Interest Rate in the manner described in Subsection B of this Section. On any such Conversion Date the Bonds, or portion thereof so converted, shall cease to bear interest at the Unit Pricing Rate and shall bear interest at the Fixed Interest Rate as set forth herein and shall be issuable in denominations of \$5,000 or any integral multiple thereof.

The Bonds shall mature (subject to the prior redemption thereof upon the terms and conditions hereafter set forth) on June 1, 2005.

The principal of and redemption premium, if any, on any Bond shall be payable upon maturity or redemption to the Owner thereof or his registered assigns or legal representative upon presentation and surrender thereof at the office of the Fiscal Agent for such purpose. The interest, principal and premium, if any, on any Bond, when due and payable shall be paid to the Owner by check or draft, or to the Owner of at least \$500,000 principal amount of Bonds and with respect to which an interest payment of at least \$3,000 is to be made on such date (unless such requirement is waived by the Port) by wire transfer of immediately available funds. All payments of principal, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(A) Bonds Prior To Conversion Date - Unit Pricing Mode Payment.

(a) Each Bond when issued shall be dated as of its date of issuance, and shall bear interest from the date thereof at the Unit Pricing Rate until the earlier of the Repurchase Date or payment at maturity, whether by redemption or otherwise. As provided in Section 2.3(A)(f) hereof any Owner of a Bond in the Unit Pricing Mode may repurchase such Bond for another Interest Period upon compliance with the provisions contained therein.

The form of the Bonds and the Fiscal Agent's certificate of authentication shall be substantially as set forth in Exhibit A to this Resolution.

(b) Calculation of Interest. The rates and times for payment of interest on Bonds held by the Bank pursuant to the Purchase Agreement shall be determined solely by the provisions of the Purchase Agreement. The rates and times for payment of interest on all other Bonds shall be determined as hereinafter set forth. For any Bonds in the Unit Pricing Mode, the Unit Pricing Rate shall be determined as provided in this Section 2.3(A)(b). For any Bond having an Interest Period less than 12 consecutive calendar months in duration, interest on such Bond for that Interest Period shall be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed. For any Bond having an Interest Period equal to or greater than 12 consecutive calendar months in duration, interest on such Bond for that Interest Period shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall first accrue from the date of authentication of such Bond (which shall be the date of its initial delivery) to the first Interest Payment Date, and, thereafter, interest on each Bond shall accrue from each Interest Payment Date with respect to such Bond to the following Interest Payment Date with respect to such Bond.

INTEREST RATES DURING UNIT PRICING MODE

Determination of the Unit Pricing Rate.

(i) The Unit Pricing Rate for any Bond in the Unit Pricing Mode shall be the annual interest rate, determined (by the Remarketing Agent), as hereinafter provided, by 9:30 a.m. on each day on which Bonds are to be marketed, which is necessary to market such Bond as of the applicable Rate Adjustment Date at a price equal to, and not to exceed, 100% of the principal amount thereof. In the event the Unit Pricing Rate which would be necessary to market any Bond or Bonds at a price equal to, and not to exceed, 100% of the principal amount thereof is determined to exceed 15% per annum the Bonds for which such determination has been made shall not be remarketed but shall be purchased by and held in the name of the Bank pursuant to the Purchase Agreement between the Bank and the Port until such time as such Bonds may be marketed for an Interest Period and at a Unit Pricing Rate not exceeding 15% per annum.

(ii) If for any reason the manner of determining the Unit Pricing Rate is held to be invalid or unenforceable by a court of law, the Unit Pricing Rate shall be determined by the Remarketing Agent. In the event the Remarketing Agent no longer determines or fails to determine the Unit Pricing Rate, the Unit Pricing Rate shall be determined by the Purchase Agent. In either event the Unit Pricing Rate shall be 75% of the interest rate applicable to 91-day United States Treasury bills determined on the basis of the average per annum discount rate at which such 91-day Treasury bills shall have been sold at the most recent Treasury auction conducted during the preceding thirty (30) days or if the Purchase Agent shall fail or refuse to determine the Unit Pricing Rate or if there shall have been no such auction within the preceding thirty (30) days, the Unit Pricing Rate for each Interest Period shall be the same as determined for an Interest Period of corresponding duration on the most

recent Rate Adjustment Date for which such Unit Pricing Rate was determined.

(iii) The computation of the Unit Pricing Rate for any Bond, if in accordance with the provisions herein, shall be conclusive and binding upon the Owner of such Bond, the Port, the Fiscal Agent, the Purchase Agent, the Bank and the Remarketing Agent in the absence of manifest error.

(c) Remarketing Guidelines. Each remarketing of Bonds in the Unit Pricing Mode shall be subject to a requirement that the Bonds be presented for repurchase on the Repurchase Date applicable to such Bonds as determined on the date of remarketing. The Remarketing Agent shall endeavor to remarket all Bonds in the Unit Pricing Mode for an Interest Period which will produce the lowest Unit Pricing Rate on such Bonds as of the date of remarketing. However, if market conditions dictate remarketing Bonds for longer Interest Periods to achieve price stability at a Unit Pricing Rate other than the lowest Unit Pricing Rate which, in the opinion of the Remarketing Agent, after consultation with the Port, will ultimately produce a lower overall net interest cost to the Port, then it may remarket Bonds for an Interest Period other than that bearing the lowest Unit Pricing Rate. In connection with each remarketing, the Remarketing Agent shall consult with an Authorized Port Representative with regard to the then current market conditions.

No deviation from the guidelines set forth herein shall be permitted without consent of the Port and only upon receipt of an opinion of nationally recognized bond counsel to the effect that the validity of, and exemption from federal income taxation of the interest on, the Bonds shall not be impaired by reason of the proposed deviation.

The duties and responsibilities of the Remarketing Agent shall be as set forth in the Remarketing Agreement.

(d) Redemption.

(i) Any Bond in the Unit Pricing Mode may be redeemed in whole, or in part, at a Redemption Price equal to

100% of the principal amount thereof plus accrued interest to the Redemption Date, without any premium, at any time at the option of the Port and upon written notice given to the Owner, such redemption to occur on the Repurchase Date for such Bond. Such redemption shall be in a minimum aggregate principal amounts of \$100,000. On or before the day fixed for redemption by notice required by Section 8.2 of this Resolution, the Port shall deliver to the Fiscal Agent an amount sufficient to pay the principal of the Bonds to be redeemed on the date fixed for redemption thereof. Upon receipt of such money the Fiscal Agent shall deposit such money in the Principal Account maintained by the Fiscal Agent and apply such money to the payment of the principal of such Bonds so redeemed in accordance with the notice described above.

(ii) The Bonds shall be subject to mandatory redemption in part by lot in any reasonable manner determined by the Fiscal Agent subject to the provisions set forth below at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date, without any premium on June 1 in the following years and aggregate principal amounts:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1987	\$ 800,000	1996	1,300,000
1988	900,000	1997	1,400,000
1989	900,000	1998	1,600,000
1990	900,000	1999	1,600,000
1991	1,000,000	2000	1,700,000
1992	1,200,000	2001	1,800,000
1993	1,100,000	2002	1,900,000
1994	1,200,000	2003	2,100,000
1995	1,300,000	2004	2,100,000
		2005	2,200,000

In the event any Bonds are in the Unit Pricing Mode, the Fiscal Agent shall select the Bonds to be redeemed as herein provided in direct order of the Repurchase Dates commencing on the June 1 fixed for redemption. In the event less than all Bonds subject to repurchase on any Repurchase Date as

required to be redeemed in satisfaction of an Amortization Installment, such Bonds to be redeemed shall be selected by lot in multiples of \$100,000 to the extent possible.

Bonds, if any, held by the Bank pursuant to the Purchase Agreement shall be redeemed prior to the redemption of any other Bonds. Other Bonds to be redeemed shall be selected by lot in any reasonable manner determined by the Fiscal Agent.

Upon an optional redemption pursuant to Section 2.3(A)(d)(i), the above schedule of Amortization Installments shall be reduced pursuant to the direction of the Authorized Port Representative in an amount equal to the aggregate principal amount of Bonds so redeemed.

The Port may deliver to the Fiscal Agent for cancellation Bonds and receive a credit in respect of Amortization Installment(s) for any such Bonds which have been purchased or redeemed (otherwise than through mandatory redemption as described in this Section 2.3(A)(d)(ii)) and not theretofore applied as a credit against any Amortization Installment for the Bonds. Each such Bond so delivered (not less than 15 days prior to the Redemption Date), purchased or redeemed shall be credited at 100% of the principal amount thereof to the Amortization Installment on the June 1 succeeding such purchase or redemption or shall be credited to future Amortization Installments as directed by the Authorized Port Representative.

(e) Redemption Upon Expiration of Credit Facility;

Substitution of Alternate Credit Facility. All Bonds are subject to mandatory redemption in whole by the Port on the 30th day preceding the date of expiration of the Line of Credit. Bonds in the Unit Pricing Mode are subject to mandatory redemption in whole by the Port on the 30th day preceding the date of expiration of the Purchase Agreement. Bonds shall be redeemed in either event at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The Fiscal Agent shall draw upon the Line of Credit to provide funds to pay the Redemption Price of, plus accrued interest to the Redemption

Date on, the Bonds on either such date. An Alternate Credit Facility may be substituted by the Port for the Line of Credit in accordance with Section 5.6. hereof, but only upon 30 days notice being given to the Fiscal Agent, Purchase Agent and Remarketing Agent. Notice shall also be given by the Fiscal Agent by certified mail (return receipt requested) to 100% of the Owners not less than 25 days prior to such substitution.

(f) Purchase of Bonds on Repurchase Date. On each Repurchase Date all Bonds in the Unit Pricing Mode which are subject to repurchase on such Repurchase Date shall be purchased through the Purchase Agent at a purchase price equal to the principal amount thereof from remarketing proceeds and monies provided by the Bank under the Purchase Agreement.

The Remarketing Agent shall consult with the Port by 9:30 a.m. on each Repurchase Date the appropriate Unit Pricing Rates for various Interest Periods in the manner described in this Resolution, which Unit Pricing Rates may be revised at any time on such Repurchase Date until 12:30 p.m.

By 10:30 a.m. of such Repurchase Date each Owner of a Bond to be repurchased on such day wishing to repurchase such Bond for another Interest Period shall give telephonic notice to the Remarketing Agent (later confirmed in writing to the Remarketing Agent) and shall present such Bond to the Purchase Agent by 12:30 p.m. on such Repurchase Date for the payment of interest on such Bond.

By 1:00 p.m. the Purchase Agent and Fiscal Agent shall record the payment of interest on such Bond to be repurchased, the next Repurchase Date applicable to such Bond and the Unit Pricing Rate applicable to such Bond. In the event that the Owner of any Bond who has given notice of intent to repurchase does not present such Bond for the payment of interest in accordance with the provisions hereinabove such Bond shall be deemed to be no longer Outstanding under the provisions of Section 10.1 of this Resolution and the Owner of such Bond shall only be entitled to the rights provided in Section 10.2 hereof. The Fiscal Agent is hereby authorized to

issue a new Bond for such unrepresented Bond and for any undelivered Bond described in the next succeeding paragraph in substitution therefor and such new Bond and the Owner thereof shall be entitled to the benefit and security of this Resolution.

By 1:00 p.m. of each Repurchase Date each Owner of a Bond to be repurchased on such day who has not given notice of his election to repurchase such Bond for another Interest Period as hereinabove provided (a "Non-repurchasing Owner") shall deliver such Bond (with an assignment in substantially the form of assignment attached to the Bonds, executed in blank) to the Purchase Agent. In the event that any Non-repurchasing Owner fails to deliver such Bond in accordance with the preceding sentence, such Bond shall be deemed to be no longer outstanding under the provisions of Section 10.1 of this Resolution and such Non-repurchasing Owner shall only be entitled to the rights provided in Section 10.2 hereof.

The Remarketing Agent shall use its best efforts to notify the Purchase Agent and Fiscal Agent telephonically by 12:00 noon, and shall so notify such parties no later than 12:30 p.m. (to be confirmed later that day in writing) (i) of all Bonds remarketed and the Repurchase Dates and Unit Pricing Rates for such respective Bonds and (ii) of all Bonds not remarketed on such Repurchase Date.

Not later than 12:30 p.m. the Purchase Agent shall notify the Bank in accordance with the Purchase Agreement of the aggregate Purchase Price of all Bonds which have been specified in a notice received by the Purchase Agent from the Remarketing Agent as not having been remarketed on such Repurchase Date and shall do so no later than 1:00 p.m.

The Fiscal Agent shall prepare the remarketed Bonds and make the same available for delivery by the Remarketing Agent by 1:00 p.m. on such Rate Adjustment Date. However, to the extent the Fiscal Agent receives information regarding the Bonds to be remarketed from the Remarketing Agent later than 12:00 p.m. on the Rate Adjustment Date, the Fiscal Agent will use its best efforts

to make such Bonds available for delivery to the Remarketing Agent no later than 1:30 p.m. on the Rate Adjustment Date.

Any Bond which has not been remarketed on any Repurchase Date and which is purchased by the Bank under the Purchase Agreement shall be assigned a Repurchase Date which shall be the next Business Day.

Anything contained in this Resolution or the Bonds or any other agreement to the contrary notwithstanding, the Purchase Agent shall in no case be required to expend or risk its own funds or otherwise incur any financial liability for its own account in connection with any repurchase of Bonds hereunder.

(g) Registration of Bonds. The Fiscal Agent as Bond Registrar shall reregister all Bonds purchased by the Bank pursuant to the Purchase Agreement as provided in Sections 2.3(A)(e) and 2.3(A)(f) above and held pending remarketing, in the name of the Bank and such Bonds shall be held by the Fiscal Agent as custodian for the Bank and all proceeds from the subsequent remarketing of such Bonds shall be paid to the Bank.

(B) Bonds After the Conversion Date--Fixed Interest Mode.

(a) Manner of Conversion. All or a portion of the Bonds in the Unit Pricing Mode shall be converted to the Fixed Interest Mode upon the receipt by the Bank, the Remarketing Agent, the Purchase Agent and the Fiscal Agent of notice from the Port (the "First Conversion Notice") that it intends to effect a conversion to a Fixed Interest Rate; provided no Bond shall be converted to this Fixed Interest Mode at a rate in excess of 15% per annum. Such notice shall include a description of the plan for conversion in such detail as shall be available to the Port at such time and shall provide for the conversion of not less than \$5,000,000 aggregate principal amount of Bonds in the Unit Pricing Mode unless the principal amount of Bonds in the Unit Pricing Mode then Outstanding is less than \$5,000,000 in which event not less than the principal amount of all Bonds in the Unit Pricing Mode then Outstanding shall be converted. Such notice shall also be accompanied by an opinion from a nationally recognized bond

counsel addressed to the Purchase Agent and Fiscal Agent, stating that such conversion to a Fixed Interest Rate is authorized or permitted by this Resolution and that conversion to a Fixed Interest Rate will not adversely affect the exemption of the interest on the Bonds from federal income taxation. The First Conversion Notice shall set a date not more than forty-five (45) days from the date of the First Conversion Notice (the "Final Conversion Date") after which if no conversion to a Fixed Interest Rate shall have taken place, such notice will no longer be effective. Upon receipt of the First Conversion Notice, the Remarketing Agent shall proceed to remarket such portion of the Bonds in the Unit Pricing Mode as shall be necessary in order to provide for the conversion of the terms of the Bonds to and in accordance with the First Conversion Notice with Repurchase Dates no later than the Final Conversion Date.

During the period between the First Conversion Notice and the Final Conversion Date, the Remarketing Agent shall establish terms of conversion acceptable to the Port. At such time as the Fixed Interest Rate is determined as provided in Section 2.3(B)(c) hereof the Port and the Remarketing Agent shall give notice to the Purchase Agent, the Fiscal Agent and the Bank, which notice shall include such terms of conversion (the "Final Conversion Notice"); provided, however, that the Final Conversion Notice shall not be given less than ten (10) days prior to the Final Conversion Date. Upon distribution of the First Conversion Notice, the Port shall cause the Remarketing Agent (1) to proceed to remarket such portion of the Bonds in the Unit Pricing Mode as shall be necessary in order to provide for the conversion of the terms of the Bonds to and in accordance with the Final Conversion Notice with Repurchase Dates no later than the Final Conversion Date, and (2) to commence the remarketing of Bonds in the Fixed Rate Mode in the form, at the Fixed Rate and with the redemption provisions authorized by this Section 2.3(B) and specified in the Final Conversion Notice.

Conversion of the terms of the Bonds to and in accordance with the terms described in the Final Conversion Notice shall become effective on the applicable Final Conversion Date. From and after the Final Conversion Date the annual rate or rates of interest payable on the Bonds so converted shall be permanently fixed as set forth in the Final Conversion Notice and all provisions of the Bonds so converted and the provisions of this Resolution stated to be applicable to Bonds in the Unit Pricing Mode shall be of no further force and effect. Interest shall thereafter be payable semiannually on such Bonds on June 1 and December 1 in each year beginning on the June 1 or December 1 next succeeding the Fixed Rate Conversion Date.

In the event of a partial exercise of the Conversion Option, the Purchase Agent and Fiscal Agent shall treat those Bonds in the Unit Pricing Mode not converted in the same manner as provided in the Resolution for Bonds in the Unit Pricing Mode prior to the exercise of the Conversion Option.

(b) Form. The Bonds subsequent to the Conversion Date shall be delivered as fully registered Bonds in denominations of \$5,000 or integral multiples thereof and shall be issued in the form as set forth in Exhibit A to this Resolution with such changes, if any, as necessary to reflect the terms and conditions set forth in this Section 2.3(B).

(c) Fixed Interest Rate. The Bonds in the Fixed Interest Mode shall bear interest at the applicable Fixed Interest Rate, computed on the basis of a 360-day year, paid semiannually on each June 1 and December 1. The Fixed Interest Rate shall be that fixed annual interest rate for a Bond in the Fixed Interest Mode determined by the Remarketing Agent in the manner set forth below. The Fixed Interest Rate on any Bond in the Fixed Interest Mode shall remain in effect on and after the Conversion Date so long as such Bond remains Outstanding.

The Fixed Interest Rate for any Bond in the Fixed Interest Mode shall be that annual interest rate which in the judgment of the Remarketing Agent (having due regard to the prevailing market

conditions and the terms and conditions of this Resolution and other factors deemed relevant) is necessary to market such Bond as of the applicable Final Conversion Date at a price equal to, but not to exceed, 100% of the principal amount thereof.

The determination of the Fixed Interest Rate shall, in the absence of manifest error, be conclusive and binding upon the Owners of the Bonds converted, the Port, the Fiscal Agent, and the Purchase Agent. Such Fixed Interest Rate shall be endorsed on the Bonds delivered by the Fiscal Agent subsequent to the Fixed Rate Date.

All determinations of the Fixed Interest Rate shall be rounded to the nearest eighth of one percent.

(d) Amortization Installments Upon Conversion to Fixed Interest Rate. The Bonds converted shall be remarketed as term bonds having a schedule of Amortization Installments as established in Section 2.3A(d)(ii) hereof.

(e) Redemption.

(i) The Bonds in the Fixed Rate Mode shall be subject to redemption commencing on the June 1 which is nearest the midpoint of the period from the Fixed Rate conversion date to June 1, 2005, at a redemption price of 102% of the principal amount redeemed which redemption price shall decline by 1% the subsequent June 1 to par on June 1 of the third year. Such Bonds are subject to redemption in whole on any date or in part on Interest Payment Dates only.

(ii) On or before the Business Day prior to any Redemption Date fixed by notice required by Section 8.3 of this Resolution, the Port shall deliver to the Fiscal Agent an amount sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed on the date fixed for redemption thereof. Upon receipt of such money the Fiscal Agent shall deposit such money in the Principal Account maintained by the Fiscal Agent and apply such money for the purpose of redeeming Bonds in accordance with the notice described above.

Section 2.4. Bonds Mutilated, Destroyed, Stolen or Lost. In the event any Outstanding Bond is mutilated, lost, stolen or destroyed, the Fiscal Agent shall authenticate and deliver, a new Bond of the same principal amount and maturity and of like tenor, including Unit Pricing Rate and Repurchase Date or Fixed Interest Rate, as applicable, as the mutilated, lost, stolen or destroyed Bond in exchange and substitution for such mutilated Bond or in lieu of and substitution for such lost, stolen or destroyed Bond.

Applications for exchange and substitution of mutilated, lost, stolen or destroyed Bonds shall be made to the Fiscal Agent. In every case the application for a substitute Bond shall furnish to the Fiscal Agent such security or indemnity as may be required by the Fiscal Agent to save Fiscal Agent and the Port harmless. In every case of loss, theft or destruction of a Bond, the application shall also furnish to the Fiscal Agent evidence to their satisfaction of the loss, theft or destruction and of the ownership of such Bond. In every case of mutilation of a Bond only, the applicant shall surrender to the Fiscal Agent the Bond so mutilated.

Notwithstanding the foregoing provisions of this Section 2.4, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, premium, if any, or interest on the Bonds, the Fiscal Agent may pay the same (without surrender thereof except in the case of a mutilated Bond) instead of issuing a substitute Bond provided security or indemnity is furnished as above provided in this Section 2.4.

Upon the issuance of any substitute Bond, the Port and the Fiscal Agent may charge the Owner of such Bond their fees and expenses in connection therewith and the Owner shall pay the same prior to receiving such Bond.

The provisions of this Section 2.4 are exclusive and shall preclude (to the extent lawful) all of the rights and remedies with respect to the payment of mutilated, lost, stolen or des-

troyed Bonds, including those granted by any law or statute now existing or hereafter enacted.

Section 2.5. Temporary Bonds. Until Bonds in definitive form of any series are ready for delivery, the Port may execute, and upon its request in writing, the Fiscal Agent shall authenticate and deliver in lieu of any thereof, and subject to the same provisions, limitations and conditions, one or more printed, lithographed or typewritten Bonds in temporary form, substantially of the tenor of the bonds hereinbefore in this Article II described with appropriate omissions, variations and insertions. Bonds in temporary form will be in such principal amounts as the Port shall determine.

Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit of this Resolution. The Port shall, without unreasonable delay, prepare, execute and deliver to the Fiscal Agent, and thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Fiscal Agent at its Principal Office, the Fiscal Agent shall authenticate and deliver, in exchange therefor, a Bond or Bonds of the same maturity and of like tenor, including Unit Pricing Rate and Repurchase Date or Fixed Interest Rate, as applicable, in definitive form in the authorized denominations, and for the same aggregate principal amount, as the Bond or Bonds in temporary form surrendered. The expense of the preparation of such Bonds in definitive form and of such exchange shall be paid by the Port and there shall be made no charge therefor to any Owner.

Section 2.6. Execution of Bonds. All the Bonds shall, from time to time, be executed on behalf of the Port by, or bear the facsimile signatures of, the President and Secretary of the Port Commission and the Port's official seal shall be thereunto affixed or imprinted or engraved in facsimile.

If any of the officers who shall have signed any of the Bonds or whose facsimile signature shall be upon the Bonds shall cease to hold such office of the Port before the Bonds so signed and

sealed shall have been actually authenticated by the Fiscal Agent or delivered by the Port, such Bonds nevertheless may be authenticated, issued and delivered with the same force and effect as though the person or persons who signed such Bonds or whose facsimile signature shall be upon the Bonds had not ceased to be such officer or officers of the issuer; and also any such Bond may be signed on behalf of the Port by those persons who, at the actual date of the execution of such Bond, shall be the proper officers of the Port, although at the date of such Bond any such person shall not have been such officer of the Port.

Section 2.7. Registration and Transfer.

(A) The transfer of Bonds shall be registered by the Fiscal Agent on the Bond Register, which shall be kept for this purpose at the Principal Office of the Fiscal Agent, upon surrender thereof by the Owner in person or by his attorney duly authorized in writing together with a written instrument of transfer in form satisfactory to the Fiscal Agent duly executed by the Owner or his attorney duly authorized in writing and upon payment by such Owner of a sum sufficient to cover any governmental tax or charge required to be paid as provided in Section 2.10 of this Resolution. Upon any such registration of transfer, the Fiscal Agent shall issue in the name of the transferee a new registered Bond or Bonds. The Fiscal Agent is hereby designated as Bond Registrar.

(B) The Port and the Fiscal Agent may deem and treat the registered Owner of any Bond as the absolute owner of such Bond for the purpose of receiving any payment on such Bond and for all other purposes of this Resolution, whether payment of the principal of or interest on such Bond shall be overdue or not, and neither the Port nor the Fiscal Agent, shall be affected by any notice to the contrary. Payment of, or on account of, the principal of and premium, if any, and interest on any Bond shall be made to such registered Owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(C) The Fiscal Agent shall not be required to transfer ownership of Bonds under this Section or exchange any Bonds or substitute any Bonds under Section 2.4 of this Resolution after a Record Date and before the commencement of the next succeeding Interest Period. The Fiscal Agent shall not be required to register the transfer of or exchange or substitute any Bond selected for redemption after the selection of such Bond for redemption.

Section 2.8. Authentication. No Bond shall be secured by this Resolution or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be endorsed on such Bond the Fiscal Agent's certificate of authentication, substantially in the form prescribed in Exhibit A this Resolution, executed by the manual signature of a duly authorized signatory of the Fiscal Agent; and such certificate on any Bond issued by the Port, so executed by the Fiscal Agent shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution.

Section 2.9. Cancellation. Upon the surrender to the Fiscal Agent of any temporary or mutilated Bond, or any Bond transferred or exchanged for another Bond or Bonds, or any Bond purchased, redeemed or paid at maturity by the Fiscal Agent, the same, shall forthwith be cancelled.

Section 2.10. Miscellaneous. In all cases in which the privilege of exchanging Bonds or registering the transfer of Bonds is exercised, the Port shall execute and the Fiscal Agent shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges or upon any such registration of transfer shall forthwith be delivered by the Fiscal Agent to be cancelled. There shall be no charge to the owner or his transferee for any such exchange or registration of transfer of Bonds. The Fiscal Agent may, however, require the payment of a sum sufficient to pay any tax or other governmental charge required to be paid with respect to any such exchange or registration of transfer.

ARTICLE III

AUTHENTICATION AND DELIVERY OF BONDS

Section 3.1. Limitation of Principal Amount of Bonds; Bonds Secured. The aggregate principal amount of Bonds which may be executed by the Port and authenticated by the Fiscal Agent and delivered and secured by this Resolution is limited to \$27,000,000 Outstanding. All Bonds issued and to be issued hereunder are, and are to be, to the extent provided in this Resolution, equally and ratably secured by this Resolution without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity of the Bonds, or any of them, so that, except as is or may hereafter be provided in the Purchase Agreement or in this Resolution or as may be limited by law, all Bonds at any time Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Resolution and shall all be equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be issued on such date, or whether they, or any of them, shall have been authorized to be authenticated and delivered under Section 3.2 or may be authorized to be authenticated and delivered hereafter pursuant to Sections 2.4, 2.5, 2.7, or 3.3 of this Resolution.

Section 3.2. Parity Bonds. The Port hereby covenants and agrees with the Owner and holders of each of the Bonds for as long as any of the same remain outstanding as follows:

That it will not issue any bonds having a greater or equal lien upon the Gross Revenue to pay or secure the payment of the principal of and interest on such bonds than the lien created on such Gross Revenue to pay or secure the payment of the principal of and interest on the Bonds, except

(A) That it reserves the right

First, for the purpose of providing funds to acquire, construct, reconstruct, maintain, install, repair or replace any equipment, additions, betterments, or improvements to the

Facilities of the Port for which it is authorized by law to issue revenue bonds, or

Second, for the purpose of refunding by exchange, call or purchase, at or prior to their stated maturity, any outstanding revenue bonds or revenue warrants of the Port that have a lien on the Gross Revenue for the payment of the principal thereof and interest thereon junior and inferior to the lien on such Gross Revenue for the payment of the principal of and interest on the Bonds,

to issue Parity Bonds and to pledge that payments will be made out of Gross Revenue (but not out of funds provided under the Credit Facility) into funds and accounts created to pay and secure the payment of the principal of and interest on such Parity Bonds on a parity with the payments required herein to be made out of such Gross Revenue into the Bond Fund to pay the principal of and interest on the Bonds, upon compliance with the following conditions:

(a) That at the time of the issuance of such Parity Bonds there is no deficiency in the Bond Fund.

(b) That each resolution authorizing the issuance of Future Parity Bonds will contain a covenant that the Port will at all times establish, maintain and collect rentals, tariffs, rates and charges in the operation of all of its business for as long as any Parity Bonds being issued are outstanding that will produce Net Revenue in an amount at least equal to the greater of (i) 1.35 times the maximum amount required in any calendar year thereafter to pay the principal of and interest on all Senior Lien Bonds outstanding (exclusive of capitalized interest from the proceeds of bonds), or (ii) the amount required to pay and secure the payment of the principal of and interest on all outstanding Senior Lien Bonds, the Bonds, any previously issued Parity Bonds, the Bank Note and the Parity Bonds being issued (exclusive of capitalized interest from the proceeds of bonds).

(c) That the "Net Revenue available for revenue bond debt service," computed as hereinafter provided for each calendar

year after the year of issuance of such Parity Bonds, will equal the greater of (i) at least 1.35 times the maximum amount required in any such calendar year to pay the principal of and interest on all outstanding Senior Lien Bonds, or (ii) the maximum amount required in any such calendar year to pay the principal of and interest on all outstanding Senior Lien Bonds, the Bonds, any previously issued Parity Bonds and the Parity Bonds being issued (exclusive of capitalized interest from the proceeds of bonds).

Such "Net Revenue" available for revenue bond debt service shall be the Net Revenue of the Port for a period of any twelve consecutive months out of the twenty-four months immediately preceding the date of delivery of such Parity Bonds as determined by a certificate from a certified public accountant. If desirable, such consecutive twelve-month Net Revenue may be adjusted to include the following:

(a) Such twelve-month Net Revenue may be adjusted for a full twelve-month period to reflect any changes made in the rentals, tariffs, rates and charges of the Port during such twelve-month period; and may also be adjusted to reflect any change in such Net Revenue caused by any new Facilities of the Port having been put into use and operation subsequent to the date of such certificate.

(b) The estimated Net Revenue to be derived by the Port from the lease, use and/or operation of the additions, improvements, betterments, etc., to be acquired, constructed, or installed out of the proceeds of the sale of such Future Parity Bonds, and from the lease, use and/or operation of any other additions, improvements, betterments, etc., to the Facilities of the Port actually under construction but which will not be put into use and operation until after the date of the herein required certificate, as determined by a certified statement from an independent consulting professional engineer experienced in the design and operation of facilities of port districts.

(B) That it may issue Parity Bonds for the purpose of refunding by exchange or purchasing or calling and retiring at or

prior to their maturity pay part or all of the then outstanding Bonds or Parity Bonds, if the issuance of such refunding Parity Bonds does not require a greater amount to be paid out of the Gross Revenue for principal of and interest on such refunding Parity Bonds over their life than is required to be paid out of such Gross Revenue for the principal of and interest on the bonds being refunded over their life, and if the conditions required in subsections (A)(1) and (A)(2) of this Section are complied with.

(C) Nothing herein contained shall prevent the Port from issuing additional Senior Lien Bonds or from issuing revenue bonds or revenue warrants which are a charge upon the Gross Revenue junior or inferior to the payments required by this resolution to be made out of such Gross Revenue in to the Bond Fund or from issuing revenue bonds to refund maturing bonds or warrants for the payment of which moneys are not otherwise available.

ARTICLE IV

DISBURSEMENT OF FUNDS

Section 4.1. Application of Bond Proceeds. The proceeds received from the sale of the Bonds shall be delivered to the Port on the date of authentication and delivery of the Bonds and shall be used to redeem and retire the outstanding Revenue Bond Anticipation Notes, Series C, and pay expenses subject to the authorization, issuance, sale and delivery of the Bonds.

ARTICLE V

FUNDS; LINE OF CREDIT; AND INVESTMENTS

Section 5.1. Source of Payment of Bonds. The Bonds herein authorized and all payments by the Port hereunder are not general obligations of the Port but are limited obligations payable and secured as provided herein.

Section 5.2. Establishment of Funds. There are hereby established the following funds with the Treasurer and the Purchase Agent, respectively:

(A) Treasurer: The Port of Seattle Unit Priced Demand Adjustable Junior Lien Revenue Bond Fund, 1985 (the "Bond Fund")

in which there are established two special accounts to be known as the Principal Account and the Interest Account. The Treasurer shall cause the Bond Fund to be maintained with the Fiscal Agency. The Bond Fund shall be drawn on solely for the payment of the principal, premium, if any, and interest on the Bonds and the Bank Note; and

(B) Purchase Agent: The Port of Seattle Unit Priced Demand Adjustable Junior Lien Revenue Bond Remarketing Fund (the "Remarketing Fund").

The money in all of said Funds and Accounts shall be held in trust and applied as hereinafter provided and, pending such application, shall be subject to a lien and charge in favor of the Owners and held for the further security of such Owners.

Section 5.3. Flow of Funds. Gross Revenues shall be applied by the Port for the following purposes in the following order of priority:

First, to make all payments, including sinking fund payments, required to be made into the Senior Lien Bond Fund for the payment of the principal of and interest on the Senior Lien Bonds;

Second, to make all payments required to be made into the Senior Lien Reserve Account;

Third, to make all payments, including sinking fund payments, required to be made into the Bond Fund for the payment of the principal of and interest on the Bonds and all payments to be made pursuant to the Bank Note and into any bond redemption fund created to pay and secure the payment of Parity Bonds;

Fourth, to make any payments required to be made to secure the payment of the principal of and interest on the Bonds and any Parity Bonds; and

Fifth, for any lawful Port purpose.

Section 5.4. Bond Fund Payments. The Port hereby covenants and agrees to deposit in the Bond Fund on or before 11:30 a.m., New York time:

(A) Interest. On each Interest Payment Date the Port shall transfer or cause to be transferred to the Fiscal Agent in New York the amount of interest due and payable on any Outstanding Bonds so long as any Bonds in the Unit Pricing Mode are Outstanding. Upon receipt of such money the Fiscal Agent shall deposit such money in the Interest Account of the Bond Fund.

Moneys on deposit in the Interest Account of the Bond Fund shall be used by the Fiscal Agent in the following order of priority: (i) to pay interest on the Bonds as the same becomes due and payable at maturity, upon redemption, upon repurchase or otherwise and (ii) to reimburse the Bank in accordance with the Revolving Credit Agreement for interest draws on the Line of Credit, if any, described in the succeeding sentence. In the event moneys in the Interest Account of the Bond Fund at 12:00 Noon on any day are insufficient for the purpose described in (i) of this paragraph, the Fiscal Agent forthwith shall draw on the Line of Credit in an amount equal to the difference between the amount of interest then due and the amount of moneys in the Interest Account of the Bond Fund available for such purpose. Upon receipt of such draw, the Fiscal Agent shall deposit the amount so drawn in the Interest Account of the Bond Fund.

(B) Principal: Amortization Installment And Maturity. On the day principal of the Bonds becomes due and payable, whether at maturity or with respect to an Amortization Installment, the Port shall transfer or cause to be transferred to the Fiscal Agent in New York an amount equal to the principal amount then due. Upon receipt of funds, the Fiscal Agent shall deposit such amount in the Principal Account of the Bond Fund. Moneys on deposit in the Principal Account of the Bond Fund shall be used to pay principal of the Bonds then due and payable, whether at maturity or with respect to an Amortization Installment.

Moneys on deposit in the Principal Account of the Bond Fund shall be used by the Fiscal Agent to reimburse the Bank in accordance with the Revolving Credit Agreement for principal draws on

the Line of Credit to pay principal of the Bonds as the same become due and payable at maturity or upon redemption.

(C) Principal: Repurchase Date. So long as any Bonds in the Unit Pricing Mode are Outstanding, the Port shall cause the Remarketing Agent to deliver to the Purchase Agent pursuant to the Remarketing Agreement, all moneys, if any, constituting proceeds of the remarketing of the Bonds. Upon receipt of such money, the Purchase Agent shall deposit such money in the Remarketing Fund maintained by the Purchase Agent. The Purchase Agent shall also deposit in the Remarketing Fund all moneys it receives as proceeds of the remarketing of Bonds.

Moneys on deposit in the Remarketing Fund shall be used by the Purchase Agent in the following order of priority: (i) to repurchase Bonds on the Repurchase Date therefor, and (ii) to cause Bonds held for the Bank by the Purchase Agent, as custodian, to be released in accordance with the Purchase Agreement.

Section 5.5. Line of Credit. The Port shall cause copies of the Purchase Agreement and the Revolving Credit Agreement to be delivered to the Purchase Agent and the Fiscal Agent simultaneously with the issuance of the Bonds. The Fiscal Agent shall have the obligation to draw on the Line of Credit as provided in the Revolving Credit Agreement for the benefit of the Owners of the Bonds, to the extent moneys are not otherwise on deposit in the Bond Fund to pay the principal of and interest on the Bonds as the same become due and payable, until the Line of Credit terminates in accordance with its terms. In the event that at any time during the term of the Line of Credit, any successor Fiscal Agent shall be appointed, the Fiscal Agent shall deliver the Revolving Credit Agreement and the Purchase Agreement to the successor Fiscal Agent.

Section 5.6. Alternate Credit Facility. Subject to the conditions herein contained, the Port shall have the right at anytime to substitute for the initial (i) Line of Credit, and (ii) the Purchase Agreement, an Alternate Credit Facility (including another credit facility issued by a commercial bank or

financial institution other than the Bank). In the event of any intended substitution, the Port shall provide Moody's Investors Service, Inc., if the Bonds are rated by Moody's Investors Service, Inc., and Standard & Poor's Corporation, if the Bonds are rated by Standard & Poor's Corporation, a draft of the Alternate Credit Facility, together with the agreements relating thereto along with any other information concerning the bank or institution which is to issue such Alternate Credit Facility. As conditions to the right to so substitute (i) such Alternate Credit Facility shall have a term of at least one year, (ii) the Port must obtain written evidence from Moody's Investors Service, Inc., if the Bonds are rated by Moody's Investors Service, Inc., and Standard & Poor's Corporation, if the Bonds are rated by Standard & Poor's Corporation, in each case to the effect that such rating agency has reviewed the proposed Alternate Credit Facility and that the substitution of the proposed Alternate Credit Facility for the Line of Credit or Purchase Agreement will not, by itself, result in a reduction of its ratings of the Bonds and (iii) the Port shall give thirty (30) days' written notice to the Fiscal Agent, the Purchase Agent, the Remarketing Agent and to each Owner of any Bonds of such substitution. Such notice to the Fiscal Agent, the Purchase Agent and the Remarketing Agent shall be accompanied by a copy of the written evidence referenced to in (ii) and by a copy of such Alternate Credit Facility, together with all agreements relating thereto. The Fiscal Agent upon receipt thereof shall promptly furnish each Owner of the Bonds with a copy of each of such documents.

Section 5.7. Cancellation of Bonds. All Bonds paid, redeemed or purchased, either at or before maturity, shall be delivered to the Fiscal Agent when such payment, redemption or purchase is made and such Bonds shall thereupon be cancelled in accordance with the provisions of Section 2.9 of this Resolution.

Section 5.8. Fiscal Agent as Paying Agent and Bond Registrar. The Fiscal Agent is hereby designated as a Paying Agent and as Bond Registrar for and in respect to the Bonds.

Section 5.9. Payments Due on Sundays and Holidays. In any case where the date of maturity of principal of, or the date of payment of interest, or the date fixed for redemption of, any Bonds in the Fixed Rate Mode shall be other than a Business Day, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption or repurchase; provided, however, with respect to Bonds in the Fixed Rate Mode, no interest shall accrue for the period on or after the date fixed for payment.

Section 5.10. Investment of Funds. To the extent permitted by law, moneys in any Fund created hereunder (including all accounts therein) at the direction of the Port, shall be invested in Investment Securities. Such investments shall be made so as to mature on or prior to the date or dates that the Port, shall anticipate that money therefrom will be required hereunder. Notwithstanding the foregoing, any funds drawn by the Fiscal Agent under the Line of Credit pending payment of such funds to the Bondowners shall be held uninvested or shall be invested in Federal Securities.

Section 5.11. Arbitrage Provision. The Port covenants and agrees for the benefit of the Owners of the Bonds that it will not use any Bond proceeds or moneys deemed to be Bond proceeds in such manner as to constitute any Bond an "arbitrage bond" as that term is defined in Section 103(c) of the Code.

Section 5.12. Payment to the Bank or the Port of Moneys Held by the Purchase Agent and Fiscal Agent. After payment in full of the principal of and interest on the Bonds (or after provision has been made for the payment thereof as provided in this Resolution), and the fees, charges and expenses of the Purchase Agent and the Fiscal Agent, and any other amounts required to be paid under this Resolution, all remaining amounts held under this Resolution upon its expiration or sooner termination shall be paid (i) to the Bank to the extent that such amount

is owed to such Bank under the Purchase Agreement or the Revolving Credit Agreement, and (ii) to the extent not required to be paid to the Bank pursuant to this Section, to the Port.

ARTICLE VI

COVENANTS BY THE ISSUER

The Port, for itself, its successors and assigns, covenants and agrees with the Owners from time to time of the Bonds as follows:

Section 6.1. To Pay Principal, Premium, if any, and Interest of Bonds. Solely from the sources provided for herein, the Port will duly and punctually pay, or cause to be duly and punctually paid, the principal of and the interest and premium, if any, on each and every Bond at the place, on the dates and in the manner provided in this Resolution and in the Bonds, according to the true intent and meaning of this Resolution and of the Bonds.

Section 6.2. Covenants and Representations. The Port covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Resolution, and in any Bond executed, authenticated and delivered hereunder. The Port covenants that it is duly authorized under the law of the State to issue the Bonds authorized hereby and to adopt this Resolution and to pledge the moneys in the Funds and Accounts hereby created and maintained in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the Owners thereof are and will be valid and binding limited obligations of the Port.

Section 6.3. Inspection of Books. All books and documents in the Port's possession relating to the Port's Facilities and the revenues and receipts derived therefrom, including any financial statement or other report by the Port shall at all reasonable times during regular business hours be open to inspection by the Owners of any Bonds or such accountants, representatives or agents as they may from time to time designate.

Section 6.4. No Vacancy in Office of Purchase Agent. The Port, whenever necessary to avoid or fill a vacancy in the office of Purchase Agent, will, at the cost and expense of the Port, make every legally authorized and reasonable effort to appoint a Purchase Agent, as the case may be, so that there shall at all times be a Purchase Agent hereunder. In the event the State appoints a new Fiscal Agent in New York, such new Fiscal Agent shall be appointed Purchase Agent. In the event the Port is unable to appoint a successor Purchase Agent, the Remarketing Agent shall act as Purchase Agent.

Section 6.5. No Extension of Time of Payment of Bonds Without Consent of Bondholders. The Port will not directly or indirectly extend or consent to the extension of the time of payment of any of the Bonds unless consented to by the Owner of the Bond so affected.

Section 6.6. No Personal Liability. Notwithstanding anything to the contrary contained herein or in any of the Bonds or in any other instrument or document executed by or on behalf of the Port in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement or obligation of any present or future commissioner, officer, employee or agent of the Port, or of any member of the governing body, officer, employee or agent of any successor to the Port, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or on any such stipulation, covenant, agreement or obligation, against any such person, in his individual capacity, either directly or through the Port or any such successor to the Port, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and

all such liability of any such person, in his individual capacity, is hereby expressly waived and released. The provisions of this Section shall survive the termination of this Resolution.

Section 6.7. Rate Covenant. The Port covenants to fix, establish, or revise from time to time whenever necessary, maintain and collect always, such fees, charges and rates for the use and service of the Facilities and to provide for the collection thereof and the application of Gross Revenues of the Port in the manner provided by this Resolution sufficient at all times to produce Net Revenues during each Fiscal Year at least equal to the greater of (i) 1.35 times the maximum amount required in any Fiscal Year thereafter to pay the principal of and interest on (exclusive of capitalized interest from the proceeds of bonds) Senior Lien Bonds, whether at maturity or pursuant to mandatory redemption; or (ii) the amount required to pay and secure the payment of the principal of and interest on all outstanding Senior Lien Bonds, Bonds and Parity Bonds and the Bank Note (exclusive of capitalized interest from the proceeds of bonds).

Section 6.8. General Covenants. The Port covenants and agrees with the Owners of the Bonds, as follows:

(A) That it will at all times keep and maintain all of the Facilities in good repair, working order and condition, and will at all times operate the same and the business or businesses in connection therewith in an efficient manner and at a reasonable cost.

(B) That in the event any Facility or part thereof which contributes in some measure to the Gross Revenue is sold by the Port or is condemned pursuant to the power of eminent domain, the Port will apply the net proceeds of such sale or condemnation to capital expenditures upon or for Facilities which will contribute in some measure to the Gross Revenue or to the retirement of Senior Lien Bonds, Bonds, or Parity Bonds.

(C) That it will keep all Facilities insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such

deductibles as the Commission of the Port shall deem necessary for the protection of the Port and of the Owners of the Bonds.

That it will at all times keep or arrange to keep in full force and effect policies of public liability and property damage insurance which will protect the Port against anyone claiming damages of any kind or nature if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the Commission of the Port shall deem necessary for the protection of the Port and of the Owners of the Bonds.

(D) That it will keep and maintain proper books of account and accurate records of all of its revenue, including tax receipts, received from any source whatsoever, and of all costs of administration and maintenance and operation of all of its business that are in accordance with proper and legal accounting procedure. That on or before one hundred and twenty (120) days after each calendar year it will prepare or cause to be prepared an operating statement of all of the business of the Port for such preceding calendar year. Each such statement shall contain a statement in detail of the Gross Revenue, tax receipts, expenses of administration, expenses of normal operation, expense or normal and extraordinary maintenance and repairs, and expenditures for capital purposes of the Port for such calendar year and shall contain a statement as of the end of such year showing the status of all the funds and accounts of the Port pertaining to the operation of its business and the status of all the funds and accounts created by various resolutions of the Commission of the Port authorizing the issuance of outstanding bonds payable from the Gross Revenue. Copies of such statement shall be placed on file in the main office of the Port.

ARTICLE VII

REMARKETING PROVISIONS

Section 7.1. Remarketing Agent. The Port shall appoint the Remarketing Agent for the Bonds by entering into a Remarketing Agreement, pursuant to which the Remarketing Agent will assume the

duties specified for it therein. The Principal Office of the Remarketing Agent shall be as hereinbefore set forth unless changed by notice in writing to the Port, the Fiscal Agent, the Bank and the Purchase Agent. If for any reason and for any period of time there shall not be a duly appointed Purchase Agent, the Remarketing Agent shall act as Purchase Agent.

ARTICLE VIII

REDEMPTION OF BONDS

Section 8.1. Exclusive Procedure. Any redemption of Bonds which are subject to optional or mandatory redemption pursuant to the terms of this Resolution, including any redemption through the operation of any fund hereunder, shall be made in the manner provided in this Article VIII.

Section 8.2. Notice. Notice of any intended redemption of Bonds in the Fixed Rate Mode, identifying the Bonds or portions thereof to be redeemed, shall be given by the Fiscal Agent by mailing a copy of the redemption notice by certified mail at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books. As to Bonds in the Unit Pricing Mode, notice of any intended redemption shall, if possible, be given at the time in the manner above provided. In the event time does not permit at least thirty (30) days' notice, such notice shall be given at the earliest time practicable but in no event less than five (5) days prior to the redemption date.

Failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond with respect to which no such failure or defect has occurred. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. Any Owner of a Bond called for redemption may give to the Fiscal Agent a written waiver of notice required by this Section.

Section 8.3. Redemption. If notice of redemption has been given as provided in Section 8.2 of this Resolution, the Bonds or portions thereof called for redemption shall be due and payable on the date of redemption at the applicable Redemption Price plus accrued interest to the date of redemption. Payment of the Redemption Price and interest shall be made by the Fiscal Agent upon surrender of such Bonds to the Fiscal Agent. The expense of giving notice and any other expenses of redemption shall be paid by the Fiscal Agent and shall constitute an expense to be paid or reimbursed by the Port. If there shall be called for redemption less than the principal amount of a Bond, the Port shall execute and deliver and the Fiscal Agent shall authenticate, upon surrender of such Bond, and without charge to the Owner thereof, Bonds of like series, maturity date and tenor including interest payment date, Unit Pricing Rate and Interest Period or Fixed Interest Rate, as appropriate, for the unredeemed portion of the principal amount of the Bond so surrendered.

From and after the Redemption Date designated in such notice (deposit of moneys or Federal Securities having been made with the Fiscal Agent and notice having been given or waived as aforesaid), notwithstanding that any Bonds so called for redemption in whole or in part shall not have been surrendered for cancellation, no further interest shall accrue upon the principal of any of the Bonds or portions thereof so called for redemption; and such Bonds or portions thereof so to be redeemed shall cease to be entitled to any lien, benefit or security under this Resolution, and the Owners thereof shall have no rights in respect of such Bonds or portions thereof except to receive payment of the Redemption Price, plus accrued interest to the date fixed for redemption.

ARTICLE IX

AMENDMENTS AND SUPPLEMENTS TO RESOLUTION

Section 9.1. Limitation. This Resolution shall not be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of this Article XIII.

Section 9.2. Supplemental Resolutions without Consent of Registered Owners. The Port may from time to time and at any time, without the consent of or notice to the Registered Owners of the Bonds, adopt Supplemental Resolutions as follows:

(A) to cure any formal defect, omission, inconsistency or ambiguity in this Resolution as long as such Supplemental Resolution is not detrimental to the Bondowners;

(B) to impose upon the Fiscal Agent (with its consent) for the benefit of the Registered Owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(C) to add to the covenants and agreements of, and limitations and restrictions upon, the Port in this Resolution other covenants, agreements, limitations and restrictions to be observed by the Port which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(D) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by this Resolution of any other moneys, securities or funds;

(E) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to this Resolution regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(F) to authorize and approve an Alternate Credit Facility;

(G) to modify, alter, amend or supplement this Resolution in any other respect which is not materially adverse to the Owners of the Bonds and which does not involve a change described in Section 9.3(A) hereof.

Before the Port shall adopt into any Supplemental Resolution pursuant to this Section 9.2, there shall have been delivered to the Port and the Fiscal Agent an opinion of Bond Counsel stating that such Supplemental Resolution is authorized or permitted by this Resolution and will, upon the execution and delivery thereof, be valid and binding upon the Port in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Bonds.

Section 9.3. Supplemental Resolutions with Consent of Owners.

(A) Except for any Supplemental Resolution entered into pursuant to Section 9.2 hereof, subject to the terms and provisions contained in this Section 9.3 and not otherwise, Registered Owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds shall have the right from time to time to consent to and approve the adoption by the Port Commission of any Supplemental Resolution deemed necessary or desirable by the Port for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that, unless approved in writing by the Registered Owners of all the Bonds, nothing herein contained shall permit, or be construed as permitting,

(a) A change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Bond, a change in the terms of the purchase of Bonds delivered pursuant to Section 2.01 hereof (other than as permitted by Section 9.2(E) hereof), or a reduction in the principal amount or redemption price of any Outstanding Bond or a change in the method or redemption price of any Outstanding Bond or a change in the method of determining the rate of interest thereon, or

(b) A preference or priority of any Bond or Bonds over any other Bond or Bonds, or

(c) A reduction in the aggregate principal amount of Bonds the consent of the Owners of which is required for any such Supplemental Resolution.

(B) If at any time the Port shall adopt any Supplemental Resolution for any of the purposes of this Section 9.3, the Fiscal Agent shall cause notice of the proposed Supplemental Resolution to be given by Mail to all Owners of the Bonds and to Moody's Investors Service, Inc. and/or Standard & Poor's Corporation, as the case may be. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that a copy thereof is on file at the office of the Fiscal Agent for inspection by all Owners of the Bonds.

(C) Within two years after the date of the mailing of such notice, the Port may adopt such Supplemental Resolution in substantially the form described in such notice, but only if there shall have first been delivered to the Fiscal Agent (i) the required consents, in writing, of the Owners of the Bonds, and (ii) an opinion of Bond Counsel stating that such Supplemental Resolution is authorized or permitted by this Resolution, and, upon the execution and delivery thereof, will be valid and binding upon the Port in accordance with its terms and will not adversely affect the exemption from federal income taxation and interest on the Bonds.

(D) If Owners of not less than the percentage of Bonds required by this Section 9.3 shall have consented to and approved the execution and delivery thereof as herein provided, no Owner of the Bonds shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Port or the Fiscal Agent from adopting the same or from taking any action pursuant to the provisions thereof.

Section 9.4. Effect of Supplemental Resolution. Upon the execution and delivery of any Supplemental Resolution pursuant to the provisions of this Article IX, this Resolution shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Port, the Fiscal Agent and all Owners of Bonds then

Outstanding shall thereafter be determined, exercised and enforced under this Resolution subject in all respects to such modifications and amendments.

ARTICLE X

WHEN BONDS DEEMED PAID; BONDS NOT PRESENTED FOR PAYMENT

Section 10.1. Bonds Deemed No Longer Outstanding. Any Bond shall no longer be deemed to be Outstanding hereunder when payment of the principal of and the premium, if any on such Bond plus interest (which prior to the Conversion Date shall be assumed to be the maximum rate permitted under this Resolution for such Bond while in the Unit Pricing Mode) on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment) either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the Fiscal Agent exclusively for such payment (1) moneys sufficient to make such payment or (2) Federal Securities maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Fiscal Agent, if any, pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Fiscal Agent. At such time as a Bond shall be deemed to be no longer Outstanding hereunder, as aforesaid, such Bond shall cease to accrue interest from the due date thereof (whether such due date be by reason of maturity, or upon redemption or prepayment or by declaration as aforesaid, or otherwise), and, except for the purposes of any such payment from such moneys or Federal Securities, shall no longer be secured by or entitled to the benefits of this Resolution. If such payment has been provided for pursuant to this Section 10.1 prior to the Conversion Date for such Bonds:

(i) The Fiscal Agent shall deliver notice to the Bank that such event has taken place.

(ii) The Bonds shall continue to enjoy the security and benefits of the Resolution to the extent (a) required to make any payments of debt service which may be necessary due to any deficiencies in the money or Federal Securities held in escrow for such Bonds to the extent and only to the extent that the Fiscal Agent be required to make payments from the pledged revenues to cover such deficiencies in funds; (b) required to assure the repurchase of such Bonds in the manner provided in Article II and in the Remarketing Agreement; and (c) otherwise so as to assure performance by the Port in accordance with the terms of such Bonds.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed or otherwise prepaid prior to their stated maturities, no deposit shall constitute such payment, discharge and satisfaction as aforesaid until the Port shall have given the Fiscal Agent a notice in form satisfactory to the Fiscal Agent:

(i) stating the date when the principal of each such Bond is to be paid whether at maturity or on a redemption date (which shall be any redemption date permitted by this Resolution);

(ii) requiring the Fiscal Agent to call for redemption pursuant to this Resolution any Bonds to be redeemed prior to maturity pursuant to (i) hereof; and

(iii) requiring the Fiscal Agent to mail, as soon as practicable, in the manner prescribed by Article VIII hereof, a notice to the Owners of such Bonds that the deposit required by (b) above has been made with Fiscal Agent and stating the maturity or redemption date upon which money is available for the payment of such Bonds as specified in (i) hereof.

Notwithstanding any provision of any other Section of this Resolution which may be contrary to the provisions of this Section, all moneys or Federal Securities set aside and held in trust pursuant to the provisions of this Section for the payment of

Bonds shall be applied to and used solely for the payment of the particular Bond with respect to which such moneys or Federal Securities have been so set aside in trust.

All money and Federal Securities which have been irrevocably deposited with the Fiscal Agent pursuant to this Section shall be deposited into a special trust account, hereby created and established, to be designated the "Escrow Fund". After payment of any such sums, the balance of the money and Federal Securities in such Escrow Account shall be applied as provided in the previous paragraph of this Section 10.1 to payment of Bonds. Any remaining balance in such Escrow Account which is in excess of the amounts required for such payment shall be paid into the Bond Fund.

If money or Federal Securities have been deposited or set aside with the Fiscal Agent pursuant to this Section for the payment of Bonds and such Bonds shall be deemed to have been paid and to be no longer Outstanding hereunder as provided in this Section, but such Bonds shall not have in fact actually been paid in full, no amendment to the provisions of this Article shall be made without the consent of the Owner of each Bond (if any) affected thereby.

Section 10.2. Bonds Not Presented for Payment When Due; Money Held for the Bonds After Due Date. Subject to the provisions of the next sentence of this paragraph, if any Bond shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof, and if money or Federal Securities shall at such due date be held by the Fiscal Agent therefor, in trust for that purpose sufficient and available to pay the principal and the premium, if any of such Bonds, together with all interest due on such principal to the due date thereof, all liability of the Port for such payment shall forthwith cease and be completely discharged, and thereupon, it shall be the duty of the Fiscal Agent to hold said money or Federal Securities without liability to the Owner of such Bond for interest thereon, in trust in a special trust account hereby created and established, to be designated the

"Unclaimed Money Fund," for the benefit of the Owner of such Bond who thereafter shall be restricted exclusively to said money or Federal Securities for any claim of whatever nature with respect to said Bond. Any such moneys or Federal Securities held by the Fiscal Agent remaining unclaimed by the Owners of such Bonds for seven (7) years after the principal of the respective Bonds with respect to which such moneys or Federal Securities have been so set aside has become due and payable (whether at maturity or upon redemption) shall upon the written request of the Port be paid to the Port, against its written receipt therefor, and the Owners of such Bonds shall thereafter be entitled to look only to the Port for payment thereof. Before being required to make any such payment to the Port, the Fiscal Agent may, at the expense of the Port, publish such notice as may be deemed appropriate by such Fiscal Agent, listing the Bonds so payable and not presented and stating that such money remain unclaimed and that after a date set forth therein any balance thereof then remaining will be returned to the Port.

Section 10.3. Variable Rate. Notwithstanding any provision herein to the contrary, if any series of Bonds bear an interest rate which may change subsequent to the discharge of such Bonds but prior to their final payment:

(A) If money or Federal Securities deposited into the Escrow Fund as required in Section 12.1 should prove insufficient to pay timely all principal and interest on such Bonds, the Port shall provide the Fiscal Agent such additional moneys as are necessary to timely pay all such principal and interest.

(B) If the interest rate assumed in Section 10.1 above for purposes of effecting the discharge of any Bond exceeds the Unit Pricing Rate on such Bond for a particular Interest Period, the Fiscal Agent shall remit to the Port such excess as overpayment.

(C) Upon the last date on which any of the Bonds become due, the Fiscal Agent shall remit to the Port as an overpayment

any surplus sums held in trust and no longer required to pay interest.

(D) The provisions of this Section 10.3 shall survive the release and discharge of this Resolution.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Notices. All notices to any Owner prior to the Conversion Date to any Owners may be given by any telegraphic, telephonic, telecopier, telex or other electronic means, confirmed by certified mail, postage prepaid. Subsequent to the Conversion Date, all notices shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid, or sent by telegram. All notices shall be addressed as follows: If to the Fiscal Agent, at its Principal Office; if to the Remarketing Agent, at its Principal Office; if to the Port at its Principal Office; if to the Bank, at its Principal Office. A duplicate copy of each notice required to be given hereunder by any person shall also be given to the Fiscal Agent, the Remarketing Agent, the Bank and the Port. The Port, the Fiscal Agent and the Bank may, by notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.2. Counterparts. This Resolution may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.3. Severability Clause. The invalidity of one or more phrases, sentences, clauses, sections or paragraphs hereof shall not affect the remaining portion of this Resolution or any part thereof, all of which are inserted conditionally on being held valid in law; and in the event that one or more of the phrases, sentences, clauses, sections or paragraphs contained herein should be invalid, this Resolution shall be construed as if such invalid phrase or phrases, sentence or sentences, clause or

clauses, section or sections, paragraph or paragraphs had not been inserted.

Section 11.4. Special Notification to Moody's Investors Service, Inc. and Standard & Poors Corporation. Notice shall be given by the Fiscal Agent to Moody's Investors Service, Inc. and to Standard & Poors Corporation by certified mail (return receipt requested), of the occurrence of any of the following events:

(A) Any changes to this Resolution the Purchase Agreement or to the Revolving Credit Agreement.

(B) Termination of the Line of Credit.

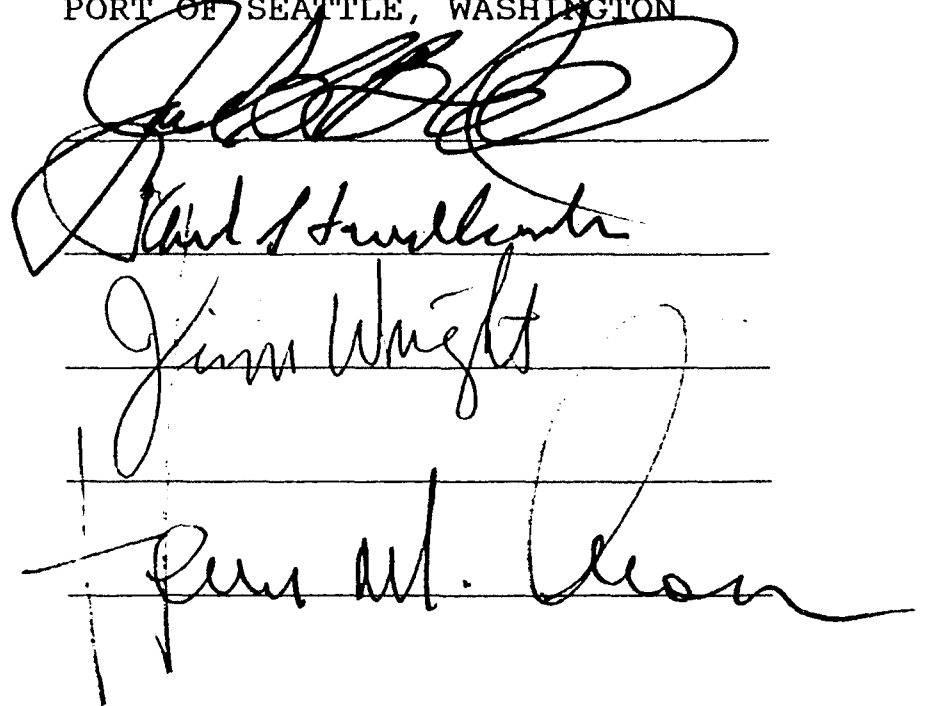
(C) A partial conversion pursuant to Section 2.3(B)(a) hereof.

Section 11.5. Authorization to Carry Out Provisions of Resolution. The appropriate Port officials are hereby authorized to execute the Purchase Agreement, the Revolving Credit Agreement, the Bank Note, the Remarketing Agreement and all other related documents required to carry out the intent of this Resolution.

Section 11.6. Resolution No. 2871 Amended. Resolution No. 2871 is hereby amended and supplemented in its entirety to read as provided in this Resolution.

ADOPTED by the Port Commission of the Port of Seattle at a regular meeting thereof, held this 25th day of June, 1985, and duly authenticated in open session by the signatures of the Commissioners voting and the seal of the Commission.

PORT OF SEATTLE, WASHINGTON



The image shows three handwritten signatures on horizontal lines. The top signature is a large, stylized cursive signature. The middle signature is written in a more legible cursive and appears to read "John S. ...". The bottom signature is also in cursive and appears to read "Perry M. ...".

(SEAL)

ATTEST:


Secretary of said Commission

EXHIBIT A
(FORM OF BOND)

No. R-

\$ _____

UNITED STATES OF AMERICA
STATE OF WASHINGTON

PORT OF SEATTLE
UNIT PRICED DEMAND ADJUSTABLE JUNIOR LIEN REVENUE BOND,
SERIES 1985

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Interest Mode</u>	<u>CUSIP</u>
	June 1, 2005		

Registered Owner:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS, that the Port of Seattle (the "Port"), a municipal corporation of the State of Washington, for value received, hereby promises to pay to the Registered Owner identified above or registered assigns or legal representative, as of the Record Date (defined herein), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above, solely from the sources described in Resolution No. 2964 (the "Resolution") of the Port, at the office of the Fiscal Agency of the State of Washington, in Seattle, Washington or New York, New York, and to pay to such Registered Owner by check or draft mailed to the Registered Owner as of the Record Date at his address as it appears on the registration books of such Fiscal Agency as the Bond Registrar, on each interest payment date, interest on the Principal Amount identified above from the date of authentication hereof, as evidenced by the Certificate of Authentication endorsed hereon, payable as provided herein, except if the interest payment date is also a Repurchase Date (defined herein), interest shall be payable upon presentation and surrender hereof. Registered owners of \$500,000 or more in principal amount of Bonds may have interest paid to them by wire transfer of funds with respect to any interest payment of at least \$3,000, as provided in the Resolution.

Prior to conversion to the Fixed Interest Mode in accordance with the Resolution, each Bond will bear interest at the Unit Pricing Rate determined for each Interest Period. An "Interest Period" for any Bond in the Unit Pricing Mode is that period of time chosen by each successive purchaser thereof, commencing with the date of purchase of such Bond and terminating the date prior to the date of required repurchase (the "Repurchase Date"). The "Unit Pricing Rate" for any Bond in the Unit Pricing Mode is that annual interest rate determined the Remarketing Agent for the Bonds (the "Remarketing Agent") to be necessary to market a

particular Bond for the applicable Interest Period at a price equal to, and not to exceed, 100% of the principal amount thereof. For any Bond in the Unit Pricing Mode having an Interest Period less than 12 consecutive calendar months in duration, interest on such Bond will be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed. For any Bond in the Unit Pricing Mode having an Interest Period equal to or greater than 12 consecutive calendar months in duration, interest on such Bond will be computed on the basis of a 360-day year of twelve 30-day months.

In the event that the Bonds are rated by neither Moody's Investors Service, Inc. nor Standard & Poor's Corporation, or in the event that the Remarketing Agent no longer determines, or fails to determine, the Unit Pricing Rates or if for any reason such manner of determining the Unit Pricing Rates is held to be invalid or unenforceable by court of law, the Unit Pricing Rates shall be determined by the Purchase Agent and shall be 75% of the interest rate applicable to 91-day United States Treasury bills determined on the basis of the average per annum discount rate at which such 91-day Treasury bills shall have been sold at the most recent Treasury auction conducted during the preceding 30 days, or if the Purchase Agent shall fail or refuse to determine the Unit Pricing Rates or if there shall have been no such auction within the preceding 30 days, the Unit Pricing Rate for each Interest Period shall be the same as determined for the applicable Interest Period on the most recent Rate Adjustment Date for which a Unit Pricing Rate was determined. For Bonds in the Unit Pricing Mode with Interest Period less than one year, the interest payment date will be the Repurchase Date. For Bonds in the Unit Pricing Mode with longer Interest Periods, the Interest Payment Dates will be the Repurchase Date and each June 1 and December 1 prior to the Repurchase Date.

The Port may elect to convert all or a portion of the Bonds in the Unit Pricing Mode to the Fixed Interest Mode in accordance with the Resolution. The Remarketing Agent will endeavor to effectuate such conversion by remarketing such portions of Bonds in the Unit Pricing Mode as are necessary to provide for the conversion with Repurchase Dates no later than the date fixed for conversion.

After conversion to the Fixed Interest Mode, the Bonds so converted will bear interest at a Fixed Interest Rate, computed on a 360-day year, so long as such Bonds remain outstanding. The "Fixed Interest Rate" for any Bond in the Fixed Interest Mode is that annual interest rate determined to be necessary to market the Bonds to be converted as of the applicable date fixed for conversion at a price equal to, and not to exceed, 100% of the principal amount thereof. For Bonds in the Fixed Interest Mode, the Interest Payment Dates will be each June 1 and December 1.

FROM AND AFTER ANY MATURITY DATE, DATE OF REDEMPTION OR REPURCHASE DATE, IF FUNDS FOR PAYMENT OF THE PRINCIPAL AND INTEREST THEN DUE SHALL BE HELD IN ACCORDANCE WITH THE RESOLUTION, THE BOND OR PORTION THEREOF WHICH HAS MATURED, HAS BEEN CALLED FOR REDEMPTION OR IS SUBJECT TO REPURCHASE, SHALL CEASE TO ACCRUE INTEREST AND TO BE ENTITLED TO ANY BENEFITS OR SECURITY UNDER THE RESOLUTION, AND THE REGISTERED OWNER OF SUCH BOND OR PORTION THEREOF SHALL HAVE NO RIGHTS IN RESPECT THEREOF EXCEPT TO RECEIVE PAYMENT OF THE PRINCIPAL AND INTEREST THEN DUE AND TO RECEIVE A NEW BOND FOR ANY UNREDEEMED PORTION IN EXCESS OF \$100,000. The Record Date for Bonds in the Unit Pricing Mode is the close of business of the day preceding each Interest Payment

Date and for Bonds in the Fixed Interest Mode is the close of business on the 15th day preceding any date on which principal of or interest on Bonds in the Fixed Interest Mode is due and payable.

Bonds may be transferred or exchanged for an equal total principal amount of Bonds of other authorized denominations upon surrender of such Bonds at the office of the Fiscal Agency in Seattle, Washington or New York, New York, duly endorsed for transfer or accompanied by an assignment executed by the Registered Owner or the owner's duly authorized attorney. The Fiscal Agent is not required to transfer or exchange such Bonds after a Record Date described above and before the commencement of the next succeeding Interest Period, or with respect to any Bonds selected for redemption, after the selection of such Bond for redemption. Exchanges and transfers shall be made without charge, except that the Fiscal Agent may require the owner requesting exchange or transfer to pay any required tax or governmental charge.

Reference is hereby made to the further provisions of this Bond set forth on the reverse side hereof and such further provisions shall for all purposes have the same effect as if set forth on the front side hereof.

This Bond shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the manual signature of a duly authorized signatory of the Fiscal Agency on the Certificate of Authentication.

This Bond shall have attributes of negotiability as are provided under the Uniform Commercial Code of the State of Washington.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened, to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed, and that the issuance of this Bond and the series of which it forms a part are within every debt and other limit prescribed by the laws and the Constitution of the State of Washington.

IN WITNESS WHEREOF, the Port has caused this Bond to be signed in its name and on its behalf by the facsimile signatures of the President and Secretary of the Port Commission and its seal or a facsimile thereof to be impressed or otherwise reproduced hereon, as of the date of the initial delivery of the Bonds.

PORT OF SEATTLE, WASHINGTON

By [Facsimile Signature]
President, Port Commission

ATTEST:

[S E A L]

[Facsimile Signature]
Secretary, Port Commission

OFFICE OF FINANCE ISSUE NO. 877

(FORM OF CERTIFICATE OF AUTHENTICATION)

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Port of Seattle, Washington, Unit Priced Demand Adjustable Junior Lien Revenue Bonds, Series 1985, referred to in the within mentioned Resolution.

WASHINGTON STATE FISCAL AGENCY,
Bond Registrar

Date of Authentication:

By:

Authorized Signatory

(FORM OF REVERSE SIDE OF BOND)

The Bonds are subject to optional and mandatory redemption upon the terms and conditions set forth in the Resolution described below.

Redemptions Prior to the Conversion

Optional Redemption at Par During Unit Pricing Mode. Any Bond in the Unit Pricing Mode may be redeemed in whole, or in part, at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date, without premium, at any time at the option of the Port, such redemption to occur on the Repurchase Date for such Bond. Such Redemption shall be in the minimum aggregate principal amount of \$100,000.

Mandatory Redemption. The Bonds in the Unit Pricing Mode are subject to mandatory redemption, in part by lot, at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date, without premium, on June 1 in the following years and aggregate principal amounts:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1987	\$ 800,000	1996	\$1,300,000
1988	900,000	1997	1,400,000
1989	900,000	1998	1,600,000
1990	900,000	1999	1,600,000
1991	1,000,000	2000	1,700,000
1992	1,200,000	2001	1,800,000
1993	1,100,000	2002	1,900,000
1994	1,200,000	2003	2,100,000
1995	1,300,000	2004	2,100,000
		2005	2,200,000

The Remarketing Agent will endeavor to effectuate the mandatory redemption by remarketing such portions of Bonds in the Unit Pricing Mode as are necessary to provide for the mandatory redemption with Repurchase Dates no later than the June 1 fixed for redemption. Notwithstanding the preceding sentence, the Fiscal Agent shall select Bonds to be redeemed in satisfaction of the Amortization Installments in direct order of the Repurchase Dates commencing on the June 1 fixed for redemption. In the event less than all the Bonds subject to repurchase on any Repurchase Date are required to be redeemed in satisfaction of an

Amortization Installment, such Bonds to be redeemed shall be selected by lot in multiples of \$100,000 principal amount to the extent possible.

The Port may deliver Bonds to the Fiscal Agent for cancellation and receive a credit in respect of Amortization Installment(s) for any such Bonds which have been purchased or redeemed (otherwise than through mandatory redemption) and not theretofore applied as a credit against any Amortization Installment for the Bonds. Each Bond so delivered (not less than 15 days prior to the Redemption Date) shall be credited at 100% of the principal amount thereof to the Amortization Installment on the June 1 succeeding such purchase or redemption or shall be credited to future Amortization Installments as directed by the Port.

Redemption upon Termination of Credit Facility Substitution for Credit Facility. The Bonds in the Unit Pricing Mode are subject to mandatory redemption in whole by the Port, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date, without premium, on the 30th day preceding the stated calendar termination date of the Credit Facility unless an Alternate Credit Facility has been substituted for the Credit Facility prior to the stated calendar termination date of the Credit Facility. The use of the Credit Facility is required to provide funds to pay the Redemption Price of, and accrued interest to such Redemption Date on, the Bonds on such Redemption Date. An Alternate Credit Facility may be substituted by the Port for the Credit Facility, but only upon 30 days' notice being given to the Fiscal Agent, the Purchase Agent and Remarketing Agent. Notice will also be given to the owners of Bonds in the Unit Pricing Mode not less than 25 days prior to such substitution.

Redemptions after the Conversion Date

Mandatory Redemption. Upon conversion of Bonds in the Unit Pricing Mode to the Fixed Interest Mode, the Bonds shall be remarketed as term bonds, and the annual Amortization Installments described above shall be applicable to Bonds in the Unit Pricing Mode and in the Fixed Interest Mode, on a pro rata basis as nearly as practicable.

Optional Redemption. The Bonds in the Fixed Interest Mode shall be subject to redemption commencing on the June 1 which is nearest the midpoint of the period from the Conversion Date to June 1, 2005, at a redemption price of 102% of the principal amount redeemed, which redemption price shall decline by 1/2% each subsequent June 1 to par on June 1 of the fifth year. Such Bonds are subject to redemption in whole on any date or in part on Interest Payment Dates only.

Notice of Redemption

Notice of any redemption of Bonds pursuant to the Resolution, identifying the Bonds or portions thereof to be redeemed, will be mailed by certified mail to the Registered Owner of each Bond to be redeemed at the address shown on the registration books at least 30 but not more than 60 days before the Redemption Date, unless the Bonds to be redeemed are in the Unit Pricing Mode and the Interest Periods for such Bonds terminate on or before the Redemption Date.

Payment

The principal of and premium, if any, and interest on the Bonds are payable in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. When the date of maturity of principal of, any Bond shall be other than a Business Day (as defined in the Resolution), then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity, interest payment date, or the date fixed for redemption or repurchase; provided, however, that with respect to Bonds in the Fixed Rate Mode no interest shall accrue for the period on or after the date fixed for payment.

Authorization and Security

This Bond is one of a duly authorized issue of Unit Priced Demand Adjustable Junior Lien Revenue Bonds, Series 1985 of the Port initially issued in the Unit Pricing Mode, in the aggregate principal amount of \$27,000,000 of like tenor and effect, except as to number and denominations, authorized to be issued pursuant to the laws of the State of Washington and the Resolution. The Bonds have been issued to redeem and retire certain bond anticipation notes which were issued to finance improvements to Port facilities. The Bonds are payable solely from Gross Revenues (as defined in the Resolution) of the Port, and from moneys provided by the Credit Facility or any Alternate Credit Facility to the extent provided in the Resolution. The Port has pledged that payments of principal of and interest on the Bonds are secured by a lien on Gross Revenue subordinate only to the lien thereon for the payment of outstanding Senior Lien Bonds and any bonds hereafter issued on a parity therewith and equal in rank to the lien securing payment of the Bank Note executed as a part of the Credit Facility and to any bonds the Port may hereafter issue on a parity with the Bonds as authorized by the Resolution. Reference is hereby made to the Resolution and Credit Facility documents, copies of which are on file at the office of the Fiscal Agent, for a more complete description of the provisions thereof relating, among other things, to the security for the Bonds, the rights of the owners of the Bonds, the rights, duties and obligations of the Port, and the Remarketing Agent. THIS BOND SHALL NOT CONSTITUTE A GENERAL OBLIGATION OF THE PORT, THE STATE OF WASHINGTON OR ANY POLITICAL SUBDIVISION THEREOF, AND SHALL NOT, DIRECTLY OR INDIRECTLY, OBLIGATE THE PORT, THE STATE OF WASHINGTON OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION FOR ITS PAYMENT AND IS PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN AND IN THE RESOLUTION.

CERTIFICATE MUST BE PRESENTED TO THE FISCAL AGENCY
 OF THE STATE OF WASHINGTON IN NEW YORK TO
 OBTAIN AND RECORD PAYMENT OF PRINCIPAL AND INTEREST
 ON EACH REPURCHASE DATE WITH RESPECT TO
 BONDS IN A UNIT PRICING MODE

<u>Rate Adjustment Date</u>	<u>Repurchase Date</u>	<u>Interest Period Number of Days</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Actual Date of Payment Principal Interest</u>	<u>Authorized Signature</u>
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____