

RATINGS: Moody's: Aa2

S&P: AA-

Fitch: AA

BOOK-ENTRY ONLY

NEW ISSUE

In the opinion of K&L Gates LLP, Bond Counsel, assuming compliance with certain covenants of the Port, interest on the Series 2011A Bonds and the Series 2011B Bonds is excludable from gross income for federal income tax purposes under existing law, except for interest on any Series 2011B Bond for any period during which such Series 2011B Bond is held by a "substantial user" of the facilities refinanced by such Series 2011B Bonds, or a "related person" to such "substantial user," within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2011B Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein.



\$108,570,000

Revenue Refunding Bonds

\$11,380,000

**Revenue Refunding Bonds
Series 2011A (Non-AMT)**

\$97,190,000

**Revenue Refunding Bonds,
Series 2011B (AMT)**

Dated: Date of delivery

Due: As shown on the inside cover page

The Port of Seattle (the "Port") is issuing its Revenue Refunding Bonds, Series 2011A (the "Series 2011A Bonds") and Revenue Refunding Bonds, Series 2011B (the "Series 2011B Bonds" and, together with the Series 2011A Bonds, the "Series 2011 Bonds") to (i) refund certain outstanding Port bonds, (ii) make a deposit to the Common Reserve Fund, and (iii) pay costs of issuing the Series 2011 Bonds.

Interest on the Series 2011 Bonds from their date of delivery is payable on each March 1 and September 1, commencing on March 1, 2012. The Series 2011 Bonds are subject to optional redemption prior to their scheduled maturities, as described herein. The fiscal agency of the State of Washington, currently The Bank of New York Mellon, is the registrar, authenticating agent and paying agent for the Series 2011 Bonds. When issued, the Series 2011 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2011 Bonds. Purchases of beneficial interests in the Series 2011 Bonds will be made in book entry form, in denominations of \$5,000 and integral multiples thereof within a series and maturity. Purchasers will not receive certificates representing their interests in the Series 2011 Bonds, except as described herein. So long as DTC or its nominee is the registered owner of the Series 2011 Bonds, payments of principal of and interest on the Series 2011 Bonds will be made directly to DTC or to such nominee. Disbursements of such payments to DTC's Direct Participants are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of the Direct Participants and the Indirect Participants as more fully described herein.

The Port is issuing the Series 2011 Bonds pursuant to Title 53 of the Revised Code of Washington and pursuant to Resolution No. 3059, as amended, as amended and restated by Resolution No. 3577, and as supplemented Resolution No. 3653, adopted on November 1, 2011. Under certain circumstances, the Port is authorized to issue additional bonds that are secured on a parity of lien with the Series 2011 Bonds and with \$1,329,402,926 aggregate principal amount of first lien revenue bonds of the Port outstanding as of October 2, 2011. **The Series 2011 Bonds are not general obligations of the Port or the State of Washington or of any political subdivision of the State of Washington. Neither the full faith and credit of the Port nor the taxing power of the Port is pledged to the payment of the Series 2011 Bonds.**

The Series 2011 Bonds are offered when, as and if issued, subject to receipt of the approving legal opinion of K&L Gates LLP, Seattle, Washington, Bond Counsel and Disclosure Counsel to the Port. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP. It is expected that delivery of the Series 2011 Bonds will be made by *Fast Automated Securities Transfer* through DTC in New York, New York, on or about December 13, 2011.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

BofA Merrill Lynch

J.P. Morgan

Morgan Stanley

**Barclays Capital
Backstrom McCarley
Berry & Co., LLC**

Drexel Hamilton, LLC

Port of Seattle
\$11,380,000
Revenue Refunding Bonds, Series 2011A (Non-AMT)

Due (September 1)	Principal Amount	Interest Rate	Yield	CUSIP No.**
2012	\$1,680,000	2.00%	0.20%	735389PT9
2013	1,800,000	3.00	0.65	735389PU6
2014	1,860,000	4.00	1.02	735389PV4
2015	1,925,000	4.00	1.41	735389PW2
2016	2,005,000	5.00	1.65	735389PX0
2017	2,110,000	4.00	1.88	735389PY8

Port of Seattle
\$97,190,000
Revenue Refunding Bonds, Series 2011B (AMT)

Due (September 1)	Principal Amount	Interest Rate	Yield	CUSIP No.**
2012	\$2,700,000	2.00%	0.25%	735389PZ5
2013	1,420,000	2.50	1.25	735389QA9
2014	1,455,000	3.00	1.62	735389QB7
2015	3,235,000	5.00	2.01	735389QC5
2016	4,700,000	5.00	2.25	735389QD3
2017	5,370,000	5.00	2.53	735389QE1
2018	6,510,000	5.00	2.85	735389QF8
2019	6,835,000	5.00	3.15	735389QG6
2020	7,175,000	5.00	3.40	735389QH4
2021	8,405,000	5.00	3.62	735389QJ0
2022	8,935,000	5.00	3.79*	735389QK7
2023	9,385,000	5.00	3.97*	735389QL5
2024	9,855,000	5.00	4.11*	735389QM3
2025	10,345,000	5.00	4.26*	735389QN1
2026	10,865,000	5.00	4.38*	735389QP6

* Calculated to the par call date of September 1, 2021.

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**PORT OF SEATTLE
PORT COMMISSION**

Name	Office	Term Expires
Bill Bryant	Chair and President	December 31, 2011*
Rob Holland	Vice-Chair and President	December 31, 2013
John Creighton	Secretary	December 31, 2013
Tom Albro	Assistant Secretary	December 31, 2013
Gael Tarleton	Commissioner	December 31, 2011*

CERTAIN EXECUTIVE STAFF

Tay Yoshitani, Chief Executive Officer
Kurt Beckett, Chief of Staff
Dan Thomas, Chief Financial and Administrative Officer
Mark Reis, Managing Director, Aviation Division
Linda Styrk, Managing Director, Seaport Division
Joe McWilliams, Managing Director, Real Estate Division
Ralph Graves, Managing Director, Capital Development Division
Craig Watson, General Counsel

PORT HEADQUARTERS

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BOND COUNSEL AND DISCLOSURE COUNSEL

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Seattle, Washington

FINANCIAL ADVISOR

Seattle-Northwest Securities Corporation
Seattle, Washington

INDEPENDENT AUDITORS

Moss Adams, LLP
Seattle, Washington

* Re-elected in November 2011 to an additional four-year term.

** This inactive textual reference to the Port's website is not a hyperlink, and the Port's website, by this reference, is not incorporated herein.

TABLE OF CONTENTS

	Page		Page
INTRODUCTION	1	Customer Facility Charges	27
Security and Sources of Payment for the Series		SEAPORT DIVISION	27
2011 Bonds	1	General	27
Audited Financial Statements	2	Containerized Cargo	29
Continuing Disclosure	2	Noncontainer Trade and Other Seaport Services	32
Investment Considerations	2	REAL ESTATE DIVISION	34
Miscellaneous	2	CAPITAL PLAN FUNDING	34
PLAN OF REFUNDING	2	PORT FINANCIAL MATTERS	36
DESCRIPTION OF THE SERIES 2011 BONDS	4	General	36
General	4	Summary of Historical Operating Results	36
Optional Redemption	5	OTHER MATTERS	38
Partial Redemption; Notice of Redemption;		Investment Policy	38
Cessation of Interest	5	Labor Relations	38
Purchase of Series 2011 Bonds for Retirement	5	Pension Plans	38
Defeasance	5	Other Post-Employment Benefits	39
SECURITY AND SOURCES OF PAYMENT		Environmental Concerns	40
FOR FIRST LIEN BONDS	6	INSURANCE	40
Pledge of Net Revenues	6	General Overview	40
Flow of Funds	7	Property Insurance	40
Common Reserve Fund for Covered Bonds	8	Builder Risk Property Insurance	41
Reserve Funds for Other First Lien Bonds	9	Liability Insurance	41
First Lien Bond Rate Covenant	10	Third Party Agreements	41
Additional First Lien Bonds	11	Owner Controlled Insurance Program	41
Unpledged Sources of Payment; Use of PFCs		CERTAIN INVESTMENT	
and CFCs for Debt Service	11	CONSIDERATIONS	42
No Acceleration; Rights of Credit Facility		Uncertainties of the Aviation Industry	42
Issuers; Requirements Upon Downgrade of		Airline Agreements	42
Intermediate Lien Surety Providers	12	Uncertainties of Non-Airline Revenues	43
Debt Payment Record	12	Uncertainties of the Maritime Industry	43
OUTSTANDING PORT INDEBTEDNESS	12	Competition from Other Maritime Ports	43
First Lien Bonds	12	Other Agreements	43
Intermediate Lien Parity Bonds	13	Liquidity and Credit Facilities	43
Subordinate Lien Parity Bonds	13	Bankruptcy	44
Passenger Facility Charge Revenue Bonds	13	Laws and Regulation	44
General Obligation Bonds	14	Accounting Rules	45
Special Obligations	14	Limitation of Remedies	45
Interest Rate Swaps	14	Seismic and Other Considerations	45
Historical Debt Service Coverage	14	INITIATIVES AND REFERENDA	46
OUTSTANDING FIRST LIEN BONDS,		LITIGATION	46
INTERMEDIATE LIEN PARITY BONDS,		No Litigation Concerning the Series 2011	
AND SUBORDINATE LIEN PARITY		Bonds	46
BONDS	15	Other Litigation	47
THE PORT OF SEATTLE	17	CONTINUING DISCLOSURE	47
Introduction	17	TAX MATTERS	47
Port Management	17	LEGAL MATTERS	49
AVIATION DIVISION	18	RATINGS	49
Operating Revenues	19	THE REGISTRAR	49
Passenger Activity at the Airport	19	UNDERWRITING	49
Airport Business Agreements	23	INDEPENDENT AUDITORS	50
Regulation	26	MISCELLANEOUS	50
Passenger Facility Charges	26		
APPENDIX A — AUDITED FINANCIAL STATEMENTS			
APPENDIX B — SUMMARY OF THE PORT'S TAXING POWER			
APPENDIX C — PROPOSED FORMS OF BOND COUNSEL OPINIONS			
APPENDIX D — DTC AND ITS BOOK-ENTRY SYSTEM			
APPENDIX E — COPIES OF THE MASTER RESOLUTION AND THE SERIES RESOLUTION			
APPENDIX F — PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE			
APPENDIX G — DEMOGRAPHIC AND ECONOMIC INFORMATION			

No dealer, broker, sales representative or other person has been authorized by the Port to give any information or to make any representations with respect to the Series 2011 Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Port. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2011 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained by the Port from Port records and from other sources that are believed by the Port to be reliable, but the Port does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of the Official Statement nor any sale of the Series 2011 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Port since the date hereof.

This Official Statement is not to be construed as a contract or agreement between the Port and purchasers or owners of any of the Series 2011 Bonds.

Neither the Port's independent auditors nor any other independent accountants have compiled, examined, or performed any additional procedures with respect to the financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the financial information.

The initial public offering prices or yields set forth on the inside cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2011 Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside cover hereof.

Certain statements contained in this Official Statement, including the appendices, reflect not historical facts but forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "forecast" and "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. All forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in regional, domestic and international political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, financial conditions of tenants and/or other users of Port facilities, technological change and various other events, conditions and circumstances, many of which are beyond the control of the Port.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

RELATING TO

Port of Seattle Revenue Refunding Bonds

\$11,380,000
Revenue Refunding
Bonds, Series 2011A
(Non-AMT)

\$97,190,000
Revenue Refunding
Bonds, Series 2011B
(AMT)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover page, table of contents and appendices, is to provide information concerning the issuance by the Port of Seattle (the “Port”) of its Revenue Refunding Bonds, Series 2011A (the “Series 2011A Bonds”) and Revenue Refunding Bonds, Series 2011B (the “Series 2011B Bonds”) and, collectively with the Series 2011A Bonds, the “Series 2011 Bonds”).

The fiscal agency of the State of Washington, currently The Bank of New York Mellon, is the registrar, authenticating agent and paying agent (the “Registrar”) for the Series 2011 Bonds.

The Port is issuing the Series 2011 Bonds pursuant to Title 53 of the Revised Code of Washington and pursuant to Resolution No. 3059, as amended, as amended and restated by Resolution No. 3577 (the “Master Resolution”), and as supplemented by Resolution No. 3653, adopted by the Port Commission (the “Commission”) on November 1, 2011 (the “Series Resolution” and, collectively with the Master Resolution, the “Resolution”). Capitalized terms used in this Official Statement but not defined have the meanings set forth in the Resolution, a copy of which is included in this Official Statement as Appendix E.

The Port is a municipal corporation of the State of Washington (the “State”). The Port was organized on September 5, 1911. The Port owns and operates marine facilities at the Seattle harbor, Seattle-Tacoma International Airport (the “Airport”), and various industrial and commercial properties. See “THE PORT OF SEATTLE.”

Security and Sources of Payment for the Series 2011 Bonds

The Series 2011 Bonds are payable solely from and are secured by a pledge of Net Revenues (hereinafter defined) from the ownership and operation of all of the Port’s facilities. As of October 2, 2011, the Port had outstanding \$1,329,402,926 aggregate principal amount of first lien revenue bonds that are secured on a parity of lien with the Series 2011 Bonds. These outstanding revenue bonds, together with the Series 2011 Bonds and any revenue bonds that may be issued by the Port in the future on a parity of lien with these outstanding bonds, are referred to collectively in the Resolution as “Bonds” or “Parity Bonds” and in this Official Statement as the “First Lien Bonds.” The Port has covenanted in the Master Resolution not to issue any revenue bonds having a lien on Net Revenues prior to the lien of the First Lien Bonds.

Under the Master Resolution, the Port has covenanted with the owners and holders of each of the First Lien Bonds for as long as any of the same remain Outstanding that it will at all times establish, maintain and collect rentals, tariffs, rates, fees and charges in the operation of all its business that will produce Net Revenues in each fiscal year at least equal to the greater of (i) 135 percent of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on Outstanding First Lien Bonds or (ii) amounts required to be deposited during such fiscal year from Net Revenues into bond funds and reserve funds established for Outstanding First Lien Bonds and into the Repair and Renewal Fund, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service. See “SECURITY AND SOURCES OF PAYMENT FOR FIRST LIEN BONDS—First Lien Bond Rate Covenant,” “OUTSTANDING PORT INDEBTEDNESS – Historical Debt Service Coverage,” and Section 7(a) of the Master Resolution in Appendix E.

Pursuant to the Master Resolution, the Port is authorized to issue additional First Lien Bonds, provided that, among other things, the Port meets the required financial tests described under “SECURITY AND SOURCES OF PAYMENT FOR FIRST LIEN BONDS—Additional First Lien Bonds.”

Audited Financial Statements

The Port’s financial statements (the Enterprise Fund and the Warehousemen’s Pension Trust Fund) as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009, and 2008, respectively, are included in this Official Statement as Appendix A. See “INDEPENDENT AUDITORS” and Appendix A.

Continuing Disclosure

The Port has covenanted for the benefit of the holders and beneficial owners of the Series 2011 Bonds to provide certain financial information and operating data and to give notices of certain events to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” and Appendix F.

Investment Considerations

The Series 2011 Bonds may not be suitable for all investors. Prospective purchasers of the Series 2011 Bonds should give careful consideration to the information set forth in this Official Statement and confer with their own tax and financial advisors before considering a purchase of the Series 2011 Bonds.

The Port’s businesses are subject to a number of risk factors that may adversely affect the Port’s Gross Revenue and Net Revenues. This Official Statement describes the Port’s businesses and business environments, including certain risks, but it is impossible for the Port to specify or to anticipate all risks associated with its operations. See “CERTAIN INVESTMENT CONSIDERATIONS.” Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

Miscellaneous

Brief descriptions of the Series 2011 Bonds, the Resolution and certain statutes and agreements are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to such instruments, documents and statutes and to any other documents, statutes, agreements or other instruments described herein are qualified in their entirety by reference to each such document, statute, or other instrument. Appendix E includes copies of the Master Resolution and the Series Resolution.

PLAN OF REFUNDING

The Series 2011 Bonds are issued by the Port (i) to refund, subject to market conditions, certain outstanding Port bonds to generate debt service savings, (ii) to make a deposit to the Common Reserve Fund, and (iii) to pay costs of issuing the Series 2011 Bonds.

Sources and Uses of Funds

	Series 2011A Bonds	Series 2011B Bonds	Total
Sources			
Principal Amount of Series 2011 Bonds	\$ 11,380,000	\$ 97,190,000	\$ 108,570,000
Original Premium	966,552	8,720,977	9,687,529
Port contribution ⁽¹⁾	208,791	30,705,554	30,914,346
Total Sources	\$ 12,555,343	\$ 136,616,531	\$ 149,171,875
Uses			
Refunding Amount ⁽²⁾	\$ 11,333,791	\$ 126,137,045	\$ 137,470,837
Common Reserve Fund Deposit	1,138,000	9,719,000	10,857,000
Costs of Issuance ⁽³⁾	83,552	760,486	844,038
Total Uses	\$ 12,555,343	\$ 136,616,531	\$ 149,171,875

Note: Totals may not add due to rounding.

- (1) Reserve fund proceeds and other amounts held for certain of the Refunded Bonds are being contributed by the Port to the refunding.
- (2) To be applied to pay the redemption price of the Refunded Bonds as described below.
- (3) Represents costs of issuing the Series 2011 Bonds, including Underwriters' discount, legal fees, fees of the Financial Advisor, printing costs and rating agency costs.

The Port is refunding all of its outstanding Subordinate Lien Revenue Refunding Bonds, 1998, currently outstanding in the aggregate principal amount of \$11,125,000 (the "Subordinate Lien 1998 Bonds"), and Special Facility Revenue Bonds (Terminal 18 Project) Series 1999B and Special Facility Revenue Bonds (Terminal 18 Project), Series 1999C (together, the "T-18 Bonds"), currently outstanding in the aggregate principal amount of \$123,995,000, to effect debt service savings. The T-18 Bonds and the Subordinate Lien 1998 Bonds are referred to collectively in this Official Statement as the "Refunded Bonds".

The Refunded Bonds listed below were originally issued as Subordinate Lien Parity Bonds or as Special Revenue Bonds (not payable from or secured by Gross Revenue). The Subordinate Lien 1998 Bonds were issued to refund bonds that financed the cost of constructing the Port's headquarters building. The T-18 Bonds are the outstanding portion of three series of Special Revenue Bonds issued in 1999 in the aggregate principal amount of \$217,425,000 to finance a portion of the costs of expanding Terminal 18, one of the Port's four containerized cargo handling facilities. Debt service on the T-18 Bonds is payable from lease payments received under a lease between the Port and the operator of Terminal 18. Prior to the refunding of all of the T-18 Bonds, the associated assets, liabilities, revenues and expenses were not included in the Port's financial statements, and the tenant's lease payments were assigned to the trustee for the T-18 Bonds (the "T-18 Bond Trustee"). So long as the T-18 Bonds are outstanding the T-18 Bond Trustee is required to remit to the Port revenue received from the tenant net of debt service requirements and any other payment obligations associated with the T-18 Bonds. After the refunding of the T-18 Bonds, the Port will recognize the full Terminal 18 lease payments as Gross Revenue. In addition, the Series 2011 Bonds and the assets funded by the T-18 Bonds will be included in the Port's financial statements. See Note 6 of the Port's audited financial statements in Appendix A.

The following table identifies the Refunded Bonds by series, maturity date, principal amount and redemption terms.

Refunded Bonds

Maturity Date	Interest Rate	Principal Amount to be Refunded	Redemption Date	Redemption Price	CUSIP Number
Subordinate Lien Revenue Refunding Bonds, 1998:					
08/01/2012	5.000%	\$ 1,630,000	12/13/2011	100%	735388Q86
08/01/2013	5.375	1,710,000	12/13/2011	100	735388Q94
08/01/2014	5.375	1,805,000	12/13/2011	100	735388R28
08/01/2017	5.000	5,980,000	12/13/2011	100	735388R36
TOTAL		\$ 11,125,000			
Maturity Date	Interest Rate	Principal Amount to be Refunded	Redemption Date	Redemption Price	CUSIP Number
Special Facility Revenue Bonds (Terminal 18 Project), Series 1999B (AMT):					
09/01/2012	5.65%	\$ 1,145,000	12/13/2011	100%	735397AF8
09/01/2013	5.75	1,295,000	12/13/2011	100	735397AG6
09/01/2014	5.75	1,380,000	12/13/2011	100	735397AH4
09/01/2015	6.00	1,780,000	12/13/2011	100	735397AJ0
09/01/2016	6.00	2,590,000	12/13/2011	100	735397AK7
09/01/2020	6.00	18,225,000	12/13/2011	100	735397AL5
09/01/2026	6.25	54,585,000	12/13/2011	100	735397AM3
TOTAL		\$ 81,000,000			
Special Facility Revenue Bonds (Terminal 18 Project), Series 1999C (AMT):					
09/01/2012	5.65%	\$ 570,000	12/13/2011	100%	735397AS0
09/01/2013	5.75	640,000	12/13/2011	100	735397AT8
09/01/2014	5.75	685,000	12/13/2011	100	735397AU5
09/01/2015	6.00	875,000	12/13/2011	100	735397AV3
09/01/2016	6.00	1,260,000	12/13/2011	100	735397AW1
09/01/2020	6.00	8,775,000	12/13/2011	100	735397AX9
09/01/2029	6.00	30,190,000	12/13/2011	100	735397AY7
TOTAL		\$ 42,995,000			

Source: Port of Seattle.

The Port will use proceeds of the Series 2011 Bonds, together with other available Port funds and reserves held for the Refunded Bonds, to pay and redeem the Refunded Bonds on December 13, 2011, the date fixed for their redemption.

DESCRIPTION OF THE SERIES 2011 BONDS

General

Series 2011 Bonds. The Series 2011 Bonds are to be dated as of and bear interest from their date of delivery. The Series 2011 Bonds are to bear interest from their date, payable semiannually on March 1, 2012 and on each March 1 and September 1 thereafter, at the rates set forth on the inside cover page of this Official Statement. The Series 2011 Bonds are to mature, subject to prior redemption, in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest is to be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Book-Entry Only Form. The Series 2011 Bonds are being issued in fully registered form in denominations of \$5,000 and integral multiples thereof within a series and maturity and when issued will be registered in the name of Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as registered owner

and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2011 Bonds. Individual purchases may be made only in book-entry form. Purchasers will not receive certificates representing their interest in the Series 2011 Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2011 Bonds, as nominee of DTC, references herein to “Owners,” “Bondholders” or “Registered Owners” mean Cede & Co. (or such other nominee) and not the Beneficial Owners of the Series 2011 Bonds. In this Official Statement, the term “Beneficial Owner” means the person for whom its DTC Participant acquires an interest in the Series 2011 Bonds.

So long as Cede & Co. is the registered owner of the Series 2011 Bonds, the principal of and interest on the Series 2011 Bonds are payable by wire transfer to Cede & Co., as nominee for DTC which, in turn, is to remit such amounts to the Direct Participants for subsequent disbursement to the Beneficial Owners. See “DTC AND ITS BOOK-ENTRY SYSTEM” in Appendix D.

Optional Redemption

The Series 2011A Bonds are not subject to redemption prior to their scheduled maturities.

The Series 2011B Bonds maturing on or after September 1, 2022, are subject to redemption at the option of the Port on or after September 1, 2021, as a whole or in part on any date, with the maturities to be selected by the Port (and within a maturity in accordance with the operational procedures of DTC then in effect), at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

Partial Redemption; Notice of Redemption; Cessation of Interest

The Resolution provides that for so long as the Series 2011 Bonds of a series are held in book-entry form with DTC, the selection for redemption of such Series 2011 Bonds within a maturity shall be made as described below and in accordance with the operational arrangements of DTC then in effect. See “DTC AND ITS BOOK-ENTRY SYSTEM” in Appendix D. Series 2011 Bonds within a series and maturity to be redeemed are to be selected in all cases in accordance with the operational arrangements of DTC in increments of \$5,000 within a series and maturity.

The Resolution also provides that, unless waived by any owner of Series 2011A and 2011B Bonds to be redeemed, official notice of any such redemption (which notice, in the case of an optional redemption, shall state that redemption is conditioned upon the receipt by the Registrar of sufficient funds for redemption) shall be given by the Registrar on behalf of the Port by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2011 Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar (which shall be DTC so long as such Bonds are held in book-entry form with DTC). The Resolution provides that the requirement to give notice of redemption shall be deemed complied with when notice is mailed to the Registered Owners at their last addresses shown on the Bond Register, whether or not such notice is actually received by the Registered Owners. The Resolution also provides that so long as the Series 2011 Bonds are in book-entry form with DTC, notice of redemption shall be given to Beneficial Owners of Series 2011 Bonds (or portions thereof) to be redeemed in accordance with the operational arrangements then in effect at DTC and that neither the Port nor the Registrar shall be obligated or responsible to confirm that any notice of redemption is, in fact, provided to Beneficial Owners.

Purchase of Series 2011 Bonds for Retirement

The Port has reserved the right to use at any time any Gross Revenue (available after providing for payments required in the First through Eleventh priorities in “SECURITY AND SOURCE OF PAYMENT FOR FIRST LIEN BONDS – Flow of Funds” and for swap termination payments, if any) to purchase for retirement any of the First Lien Bonds (including the Series 2011 Bonds) offered to the Port at any price deemed reasonable by the Designated Port Representative.

Defeasance

The Series Resolution provides that in the event money and/or non-callable Government Obligations maturing or having guaranteed redemption prices at the option of the owner thereof at such time or times and bearing interest in

amounts (together with such money, if any) sufficient to redeem and retire part or all of the Series 2011 Bonds of any series in accordance with their terms are irrevocably set aside in a special account and pledged to effect such redemption or retirement, and if the Series 2011 Bonds (or portion thereof) of such series are to be redeemed prior to maturity, irrevocable notice, or irrevocable instructions to give notice of such redemption, has been delivered to the Registrar, then no further payments need be made to the applicable Series 2011 Bond Fund or any account therein for the payment of the principal of and premium, if any, and interest on such Series 2011 Bonds (or portion thereof) and the Series 2011 Bonds of such series (or portion thereof) shall cease to be entitled to any lien, benefit or security of the Resolution, except the right to receive the funds so set aside and pledged and such notices of redemption, if any, and such Series 2011 Bonds (or portion thereof) shall no longer be deemed to be outstanding under the Resolution or under any resolution authorizing the issuance of bonds or other indebtedness of the Port.

As currently defined in chapter 39.53 of the Revised Code of Washington, “Government Obligations” means (i) direct obligations of, or obligations the principal and interest on which are unconditionally guaranteed by, the United States of America and bank certificates of deposit secured by such obligations; (ii) bonds, debentures, notes, participation certificates or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-import Bank of the United States, federal land banks or the Federal National Mortgage Association; (iii) public housing bonds and project notes fully secured by contracts with the United States; and (iv) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the federal savings and loan insurance corporation, to the extent insured or guaranteed as permitted under any other provision of State law.

The definition of “Government Obligations” in the Series Resolution incorporates any future statutory revision.

SECURITY AND SOURCES OF PAYMENT FOR FIRST LIEN BONDS

Pledge of Net Revenues

The Series 2011 Bonds, together with all other First Lien Bonds, are revenue obligations of the Port payable from and secured solely by a pledge of Net Revenues. As defined in the Master Resolution, the term “Net Revenues” means Gross Revenue less any part thereof that must be used to pay Operating Expenses. Net Revenues pledged do not include Customer Facility Charges (“CFCs”) or Passenger Facility Charges (“PFCs”); however, CFCs and PFCs have been used and are expected to be used in the future to pay eligible debt service on certain series of First Lien Bonds. See “Aviation Division – Passenger Facility Charges” and “Aviation Division – Customer Facility Charges” and “Unpledged Sources of Payment; Use of PFCs and CFCs for Debt Service.” The Port is permitted, but not obligated, to pay Operating Expenses with the portion of the Port’s Tax Levy (as described in Appendix B) remaining after the payment of the Port’s outstanding limited tax general obligation bonds. In calculating debt service coverage, the Port credits against Operating Expenses (for purposes of such debt service coverage calculation only) the general purpose portion of Tax Levy funds. See Appendix B for information about the Tax Levy. The Port is also permitted to use a portion of its CFC to pay Port operating expenses related to the Consolidated Rental Car Facility described below and to credit that amount against Operating Expenses for the purposes of determining whether the Port is in compliance with its rate covenant. See “—First Lien Bond Rate Covenant.” No property or property tax revenues (including the Tax Levy) secure the repayment of the Series 2011 Bonds nor can property tax revenues be used to pay revenue bond debt service, including debt service on the Series 2011 Bonds.

As defined in the Master Resolution, the term “Gross Revenue” means all income and revenue derived by the Port from time to time from any source whatsoever except and excluding: (i) the proceeds of any borrowing by the Port and the earnings thereon (other than the earnings on proceeds deposited in the Common Reserve Fund or any other reserve funds), (ii) income and revenue which may not legally be pledged for revenue bond debt service (including the Tax Levy described in Appendix B), (iii) passenger facility charges, head taxes, federal grants or substitutes therefore allocated to capital projects, (iv) payments made to the Port under Credit Facilities issued to pay or secure the payment of a particular series of First Lien Bonds, (v) insurance or condemnation proceeds other than business interruption insurance, (vi) income and revenue of the Port separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds of the Port issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, provided that the withdrawal from Gross Revenue of any income or revenue derived or to be

derived by the Port from any income-producing facility that was contributing to Gross Revenue prior to the issuance of any Special Revenue Bonds is not permitted, and (vii) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the Port.

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

The Master Resolution provides that all bonds authorized under series resolutions in accordance with the Master Resolution shall be First Lien Bonds having an equal lien and charge upon the Net Revenues of the Port and that each series of First Lien Bonds shall be obligations of the special funds established in the series resolution authorizing their issuance and, for Covered Bonds, the Common Reserve Fund created in 2007. See “Common Reserve Fund” below. As provided in the Master Resolution, the amounts pledged to be paid into the special funds created under the series resolutions are declared to be a prior lien and charge upon Gross Revenue superior to all other charges of any kind or nature whatsoever except for Operating Expenses and except for charges equal in rank that have been or may be made to pay and secure the payment of the principal of and interest on First Lien Bonds issued under a series resolution in accordance with the Master Resolution. See Section 7(a) of the Series Resolution and Section 3 of the Master Resolution in Appendix E.

In the Series Resolution, the Port irrevocably obligates and binds itself for so long as any Series 2011 Bonds remain Outstanding to set aside and to pay into the Series 2011A Bond Fund and the Series 2011B Bond Fund from Net Revenues or money in the Revenue Fund, on or prior to the respective dates on which the same become due the principal of and premium, if any, and interest on the Outstanding Series 2011 Bonds. See Section 3 of the Master Resolution and Section 7 of the Series Resolution in Appendix E.

In the Series Resolution the Port designates the Series 2011 Bonds as Covered Bonds and provides that the Series 2011A Bonds are obligations only of the Series 2011A Bond Fund and the Common Reserve Fund, and that the Series 2011B Bonds are obligations only of the Series 2011B Bond Fund and the Common Reserve Fund. See “Common Reserve Fund for Covered Bonds.”

If and to the extent specified in a series resolution authorizing additional First Lien Bonds, the obligation of the Port to reimburse the provider of a Credit Facility (a “Repayment Obligation”) also may be secured by a pledge of and lien on Net Revenues on a parity with other outstanding First Lien Bonds.

Neither the Master Resolution nor any series resolutions authorizing Outstanding First Lien Bonds or the Series 2011 Bonds requires the Port to make deposits into the bond funds for First Lien Bonds prior to the date on which the principal of and interest on such First Lien Bonds comes due. See “—Flow of Funds” and Section 2 of the Master Resolution in Appendix E.

Flow of Funds

Pursuant to the Master Resolution, all Gross Revenue must be deposited as collected in the Revenue Fund, a separate fund or funds held by the Treasurer. The Revenue Fund must be held separate and apart from all other funds and accounts of the Port. As required by the Master Resolution, by Resolution No. 3540, as amended (the “Intermediate Lien Master Resolution”) and by the resolutions authorizing Subordinate Lien Parity Bonds, Gross Revenue deposited in the Revenue Fund is to be applied by the Port as follows:

First, to pay Operating Expenses not paid from other sources (such as the general purpose portion of the Tax Levy and CFCs);

Second, to make all payments, including sinking fund payments, required to be made into the debt service account(s) of any redemption fund to pay the principal of and premium, if any, and interest on any First Lien Bonds, including the Series 2011 Bonds;

Third, to make all payments required to be made into the Common Reserve Fund and all other reserve account(s) established to secure the payment of any First Lien Bonds;

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

Fifth, to make payments necessary to be paid into any bond fund or debt service account created to pay the debt service on the Intermediate Lien Parity Bonds and without duplication, to make net payments due with respect to any derivative product secured by a pledge of and lien on Available Intermediate Lien Revenues on an equal and ratable basis with outstanding Intermediate Lien Parity Bonds;

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

Seventh, to make payments necessary to be paid into any bond fund or debt service account created to pay the debt service on bonds subordinate to the Port's Intermediate Lien Parity Bonds but senior to its Subordinate Lien Parity Bonds (the "Reserved Lien Revenue Bonds");

Eighth, to make all payments required to be made into any reserve account(s) securing Reserved Lien Revenue Bonds;

Ninth, to make payments necessary to be paid into any bond fund or debt service account created to pay the debt service on the Subordinate Lien Parity Bonds;

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

Eleventh, to make all payments required to be made into the Repair and Renewal Fund to maintain any required balance therein; and

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

The Intermediate Lien Master Resolution provides that notwithstanding the foregoing, the obligations of the Port to make nonscheduled payments under a derivative product agreement (i.e., any termination payment or other fees) may be payable from Gross Revenue available after paragraph "Sixth" above, as set forth in such derivative product agreement. See "—Interest Rate Swaps."

Common Reserve Fund for Covered Bonds

The Master Resolution does not require that a debt service reserve fund be created for each series of First Lien Bonds and does not require that any minimum amount be deposited to a reserve fund for First Lien Bonds. At the option of the Port, First Lien Bonds may be secured by the Common Reserve Fund or may be secured by a separate reserve fund authorized by a series resolution. The Series 2011 Bonds will be designated as Covered Bonds and secured by the Common Reserve Fund.

The Common Reserve Fund Requirement means a dollar amount equal to the lesser of (i) 50 percent of Maximum Annual Debt Service on all Outstanding Covered Bonds, and (ii) the Tax Maximum for all Outstanding Covered Bonds, determined and calculated as of the date of issuance of each series of Covered Bonds (and recalculated upon the issuance of a subsequent series of Covered Bonds and also, at the Port's option, upon the payment of principal of Covered Bonds). The term "Covered Bonds" means the Port's Revenue Bonds, Series 2007 (the "Series 2007 Bonds"), the Series 2011 Bonds and any First Lien Bonds designated in the future as Covered Bonds secured by the Common Reserve Fund. The term Tax Maximum means the maximum dollar amount permitted by the Internal Revenue Code of 1986, as amended, including applicable regulations thereunder, to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield. See Section 8 of the

Master Resolution and Article 1 for definitions of “Debt Service,” “Annual Debt Service” and “Maximum Annual Debt Service” in Appendix E.

After the issuance of the Series 2011 Bonds, the Common Reserve Fund Requirement will be \$14,061,420.00. At closing, a surety bond issued by Ambac Assurance Corporation (“Ambac”) in the amount of \$8,189,407.50 and cash in the amount of \$10,857,000 will be on deposit in the Common Reserve Fund.

Amounts on deposit in reserve funds for Outstanding First Lien Bonds that are not Covered Bonds are not available to pay debt service on Covered Bonds, and amounts on deposit in the Common Reserve Fund are not available to pay First Lien Bonds that are not Covered Bonds. See Section 8 of the Master Resolution in Appendix E.

The Resolution permits the Port to substitute a Qualified Letter of Credit, Qualified Insurance, or a combination of both for all or a portion of the cash and securities then on deposit in the Common Reserve Fund and to transfer such cash and securities to any permitted fund or account specified by the Designated Port Representative. See “Reserve Funds for Other First Lien Bonds” below and Section 8 of the Master Resolution and the definitions of “Qualified Letter of Credit” and “Qualified Insurance” in Appendix E.

The Master Resolution provides that if a deficiency in any bond fund for a series of Covered Bonds shall occur immediately prior to an interest payment date, such deficiency shall be made up from the cash or securities on deposit in the Common Reserve Fund, and that if a deficiency still exists, the Port shall draw on any Qualified Letter of Credit or Qualified Insurance then credited to the Common Reserve Fund. If the amount in the Common Reserve Fund is insufficient to make up all deficiencies in the bond fund(s) for all Covered Bonds coming due on a Covered Bond payment date, the deficiencies shall be made up on a pro rata basis based on the principal, if any, and interest payments coming due on Covered Bonds on such interest payment date. Any deficiency created in the Common Reserve Fund by reason of a withdrawal to make up a deficiency in any bond fund for a series of Covered Bonds shall be made up within one year, from Qualified Insurance or a Qualified Letter of Credit or out of Net Revenues (or out of any other moneys on hand legally available for such purpose), in 12 equal monthly installments, after first making necessary provision for all payments required to be made into the bond funds for First Lien Bonds within such year. Similarly, the series resolutions authorizing the issuance of other Outstanding First Lien Bonds require that withdrawals from the reserve fund for a series of Outstanding First Lien Bonds be replenished in 12 equal monthly installments after first making necessary provision for all payments required to be made into the bond fund for such series of Outstanding First Lien Bonds. In the event a surety bond or a letter of credit is terminated or no longer is Qualified Insurance or a Qualified Letter of Credit because of the insolvency or incapacity of the provider, the Common Reserve Fund Requirement shall be satisfied (a) within one year after the termination, insolvency, or incapacity, with other Qualified Insurance or another Qualified Letter of Credit, or (b) within three years (in three equal annual installments) after the termination, insolvency, or incapacity, out of Net Revenues (or out of other money on hand and legally available for such purpose). See “Flow of Funds” and Section 8 of the Master Resolution in Appendix E.

In the event that the amount on deposit or credited to the Common Reserve Fund (including the amount of the Ambac Assurance surety bond) exceeds the amount of the Ambac Assurance surety bond, any draw on the Ambac Assurance surety bond shall be made only after all the funds in the Common Reserve Fund have been expended. In the event that the amount on deposit in or credited to the Common Reserve Fund (in addition to the amount available under the Ambac Assurance surety bond) includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the “Additional Funding Instrument”), draws on the Ambac Assurance surety bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency after first using cash. The Master Resolution provides that the Common Reserve Fund shall be replenished in the following priority: Reimbursement may be made to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments required to be made in paragraphs First and Second of Section 2(a) of the Master Resolution. See Section 8 of the Master Resolution in Appendix E.

Reserve Funds for Other First Lien Bonds

The Port has previously created separate reserve funds for each series of Outstanding First Lien Bonds other than the Series 2007 Bonds, which are Covered Bonds. With the exception of the debt service reserve fund for the Port’s Revenue Bonds, Series 2009, which is cash-funded, all of these separate reserve funds are funded by surety policies.

Each reserve fund (whether funded with a surety or cash) secures only its identified series of First Lien Bonds and is not available as security for any other series of First Lien Bonds, including the Covered Bonds. The Master Resolution does not require the Port to replace or otherwise address surety policies upon downgrade of the surety provider. Each of the series resolutions authorizing a separate reserve fund provides, however, that in the event of termination of a surety policy or the insolvency, or incapacity of the surety policy provider, the respective reserve requirement shall be satisfied (A) within one year after the termination, insolvency, or incapacity, with other Qualified Insurance or another Qualified Letter of Credit (as defined in the Series Resolution), or (B) within three years (in three equal annual installments) after the termination, insolvency, or incapacity, out of Net Revenues (or out of other money on hand and legally available for such purpose). See “Flow of Funds.” The table below lists each series of Outstanding First Lien Bonds that is secured with a debt service reserve fund surety policy, the amount of the surety policy securing that particular series of First Lien Bonds and the surety provider.

TABLE 1

**Port of Seattle
Surety Bonds for First Lien Bonds**

First Lien Bond Series	Final Maturity	Reserve Requirement	Surety Provider
Series 2000B	2015	\$ 14,136,884	MBIA ⁽¹⁾
Series 2001A	2031	13,287,229	FSA ⁽²⁾
Series 2001B	2024	20,029,535	FSA ⁽²⁾
Series 2001C	2014	1,019,417	FSA ⁽²⁾
Series 2001D	2017	7,259,069	FSA ⁽²⁾
Series 2003A	2033	13,373,451	MBIA ⁽¹⁾
Series 2003B	2029	11,213,319	MBIA ⁽¹⁾
Series 2004	2017	2,500,000	FGIC ⁽³⁾

(1) Reinsured and administered by National Public Finance Guarantee Corporation.

(2) Now Assured Guaranty Municipal Corp.

(3) Reinsured by MBIA and currently reinsured and administered by National Public Finance Guarantee Corporation.

First Lien Bond Rate Covenant

Under the Master Resolution, the Port has covenanted with the owners and holders of each of the First Lien Bonds for so long as any of the same remain Outstanding that it will at all times establish, maintain and collect rentals, tariffs, rates, fees and charges in the operation of all its business that will produce Net Revenues in each fiscal year at least equal to the greater of (i) 135 percent of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on Outstanding First Lien Bonds, or (ii) amounts required to be deposited during such fiscal year from Net Revenues into the bond funds and reserve funds established for Outstanding First Lien Bonds and into the Repair and Renewal Fund, but excluding payments made from refunding debt and capitalized debt service (the “Rate Covenant”). See Section 7 of the Master Resolution in Appendix E. In calculating Net Revenues, the Port takes into account the amount of the general purpose portion of the Tax Levy available to pay Operating Expenses during that fiscal year and the amount of CFCs used to pay the Port’s portion of expenses related to the Consolidated Rental Car Facility.

The Master Resolution provides that if the Net Revenues in any fiscal year are less than required to fulfill the Rate Covenant, then the Port will retain a Consultant (as defined in the Master Resolution) to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges; and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commission, on the basis of such recommendations and other available information, will establish rentals, tariffs, rates, fees and charges for services and operations which will be necessary to meet the Rate Covenant in the fiscal year during which such adjustments are made. The Master Resolution further provides that if the Commission has taken the steps set forth in the Master Resolution and the Net Revenues in the fiscal year in which adjustments are made nevertheless are not sufficient to meet the Rate Covenant, there shall be no default under the Master Resolution during such fiscal year, unless the Port fails to meet the Rate Covenant for two consecutive fiscal years. The Port would continue to be obligated to pay debt service regardless of the retention of a Consultant.

Under the Master Resolution, the Port also has covenanted not to construct, operate or enter into any agreement permitting or facilitating the construction or operation of any facilities that will compete with the operations of the Port in a manner that will materially and adversely affect the ability of the Port to comply with the Rate Covenant. See Section 7 of the Master Resolution in Appendix E.

Additional First Lien Bonds

The Master Resolution provides that the Port may issue bonds, having a lien and charge upon the Net Revenues equal to that of the Outstanding First Lien Bonds if (i) the Port has not been in default of its Rate Covenant for the immediately preceding fiscal year, and (ii) a certificate prepared by either a Consultant or the Port is filed demonstrating fulfillment of the Coverage Requirement (described below) commencing with the first full fiscal year following the earlier of (a) the Date of Commercial Operation of the Facilities to be financed with the proceeds of the additional First Lien Bonds, or (b) the date on which any portion of interest on the additional First Lien Bonds then being issued will no longer be paid from the proceeds of such additional First Lien Bonds, and for the following two fiscal years.

As defined in the Master Resolution, “Coverage Requirement” means Net Revenues equal to or greater than 135 percent of Aggregate Annual Debt Service. See Section 1 of the Master Resolution in Appendix E for the definition of “Debt Service,” “Annual Debt Service,” and “Aggregate Annual Debt Service.”

Net Revenues are to be based upon the financial statements of the Port for the Base Period (described below), in the case of a certificate filed by the Port, and upon Net Revenues for the Base Period with such adjustments as the Consultant deems reasonable, in the case of a certificate filed by a Consultant. The “Date of Commercial Operation” means the date on which the Facilities are first ready for normal continuous operation, or if portions of the Facilities are placed in normal continuous operation at different times, the midpoint of the dates of continuous operation of all portions of such Facilities, as estimated by the Port, or if used with reference to Facilities to be acquired, the date on which such acquisition is final. “Base Period” means any consecutive 12-month period selected by the Port out of the 30-month period next preceding the date the additional First Lien Bonds are issued.

Because the Series 2011 Bonds are being issued to refund bonds that are not First Lien Bonds, the Master Resolution requires that the Port demonstrate compliance with the Coverage Requirement. The Port will provide or cause to be provided on the date of issuance of the Series 2011 Bonds a certificate demonstrating fulfillment of the Coverage Requirement. See Section 5 of the Master Resolution in Appendix E.

Under the Master Resolution, additional First Lien Bonds also may be issued without satisfying the requirements described above for (i) refunding purposes under certain conditions, or (ii) paying Costs of Construction for Facilities for which First Lien Bonds have been issued previously if the principal amount of the additional First Lien Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15 percent of the principal amount of First Lien Bonds theretofore issued for such Facilities and reasonably allocable to the Facilities to be completed (as shown in a written certificate of a Designated Port Representative) and if a Consultant’s certificate is delivered stating that the nature and purpose of the Facilities has not changed materially. The Master Resolution permits the Port to issue refunding First Lien Bonds without satisfying the requirements described above if the Maximum Annual Debt Service to be outstanding after the issuance of the refunding First Lien Bonds will not be greater than Maximum Annual Debt Service were such refunding not to occur. See Sections 5 and 6 of the Master Resolution in Appendix E.

Unpledged Sources of Payment; Use of PFCs and CFCs for Debt Service

For First Lien Bonds, Net Revenues do not include PFCs and CFCs; however, CFCs and PFCs have been used and are expected to be used in the future to pay debt service on certain series of First Lien Bonds. The Master Resolution does not permit the Port to take CFCs and PFCs into account for purposes of determining compliance with the Rate Covenant, or to apply CFCs and PFCs against the amount of scheduled debt service to be paid on First Lien Bonds, or as revenues when calculating the Coverage Requirement. In 2010, the Port utilized \$19 million of CFCs and \$21.6 million of PFCs to pay debt service on outstanding First Lien Bonds. These amounts are not taken into account in showing debt service coverage in Table 2. See Table 2 and “AVIATION DIVISION — Passenger Facility Charges” and “—Customer Facility Charges.”

No Acceleration; Rights of Credit Facility Issuers; Requirements Upon Downgrade of Intermediate Lien Surety Providers

Neither the Master Resolution nor any series resolution provides for acceleration of the maturity of the First Lien Bonds upon the occurrence and continuance of a Default (as defined in the Master Resolution or in the relevant series resolution). Payments of debt service on First Lien Bonds are required to be made only as they become due. In the event of multiple defaults in payment of principal or interest on the Series 2011 Bonds, the Series 2011 Bond owners would be required to bring a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies. See Section 5 of the Series Resolution and Section 21 of the Master Resolution in Appendix E.

As permitted by the Master Resolution, a series resolution may provide that if the issuer of a Credit Facility that is not solely a liquidity facility is issued for First Lien Bonds, the issuer of the Credit Facility shall be deemed to be the owner, Registered Owner, and holder of such insured First Lien Bonds for the purpose of granting consents and exercising voting rights with respect thereto and for any other purpose accepted by the Port as a condition of issuance of the facility, except for amendments that alter the interest rate on such First Lien Bonds or their maturity date(s) or redemption terms or principal amounts. See Section 17 of the Master Resolution.

The Port's outstanding variable-rate Subordinate Lien Parity Bonds and Commercial Paper are secured by bank letters of credit. Although none of the Port's revenue bonds is subject to acceleration, an event of default under any of the bank reimbursement agreements pursuant to which the letters of credit were issued, among other events, would entitle the issuer of such letter of credit to require the mandatory tender for purchase of all of the Subordinate Lien Parity Bonds secured by such letter of credit. In that event, the Port would be required to reimburse the letter of credit issuer or to purchase or redeem all of such Subordinate Lien Parity Bonds over the period (currently five years or less) and to pay interest at the rates set forth in the applicable reimbursement agreement. Interest on the Port's variable rate Subordinate Lien Parity Bonds is payable monthly or on another interest payment schedule, while the Port's other bonds, including the Series 2011 Bonds and all of the Outstanding First Lien Bonds (other than the capital appreciation bonds), are payable semiannually.

Debt Payment Record

Since its creation, the Port has not been in default in the payment of principal of or interest on any of its bond indebtedness or in any other material respect, nor have any material agreements or legal proceedings with respect thereto been declared invalid or unenforceable.

OUTSTANDING PORT INDEBTEDNESS

First Lien Bonds

As of October 2, 2011, the Port had outstanding \$1,329,402,926 aggregate principal amount of First Lien Bonds, of which \$3,842,600 in accreted value are capital appreciation bonds. As described above, the Port has reserved the right to issue additional First Lien Bonds upon compliance with the provisions of the Master Resolution. In addition, the Port may issue bonds secured by a lien or liens on Net Revenues subordinate to the lien of the First Lien Bonds, including Intermediate Lien Parity Bonds and Subordinate Lien Parity Bonds described below, and may establish additional liens on Gross Revenue subordinate to the lien of the First Lien Bonds and above or below the lien of the Intermediate Lien Parity Bonds.

Intermediate Lien Parity Bonds

The Intermediate Lien Parity Bonds are revenue obligations of the Port payable from and secured by a pledge of Available Intermediate Lien Revenues. "Available Intermediate Lien Revenues" means Gross Revenue of the Port (excluding Released Revenues, if any, as defined and as described in the Intermediate Lien Master Resolution) after payment of (i) all Operating Expenses not paid from other sources; (ii) all payments, including sinking fund payments, required to be made into the debt service accounts for First Lien Bonds; (iii) all payments required to be made into any other reserve accounts maintained for First Lien Bonds; and (iv) all payments required to be made into any other redemption fund and debt service accounts that may be created in the future to pay and secure the payment of the principal of and premium, if any, and interest on any revenue bonds or other revenue obligations of the Port having liens on Net Revenues junior and inferior to the lien of the First Lien Bonds but prior to the lien of the Intermediate Lien Parity Bonds. Intermediate Lien Parity Bonds are not subject to acceleration.

As of October 2, 2011, \$893,655,000 aggregate principal amount of Intermediate Lien Parity Bonds were Outstanding. The Port is permitted to issue additional Intermediate Lien Parity Bonds, including derivative products payable from Available Intermediate Lien Revenues, upon compliance with certain conditions.

The Intermediate Lien Parity Bonds are secured by a common reserve account. The Intermediate Lien Reserve Requirement is \$49,894,026 and is met with a combination of cash and an existing single surety policy issued by Financial Security Assurance Inc. (now Assured Guaranty Municipal Corp., "FSA") in the amount of \$2,159,455.

Subordinate Lien Parity Bonds

The Port's Subordinate Lien Parity Bonds are payable from Gross Revenue after all of the payments and transfers described in clauses "First" through "Eighth" under "—Flow of Funds" have been made. Subordinate Lien Parity Bonds are not subject to acceleration but variable-rate Subordinate Lien Parity Bonds may be subject to mandatory tender upon a default or the occurrence of certain other events. See "SECURITY AND SOURCES OF PAYMENT FOR FIRST LIEN BONDS—Defaults and Remedies; No Acceleration; Rights of Credit Facility Issuers."

As of October 2, 2011, the Port had outstanding \$182,180,000 aggregate principal amount of fixed-rate Subordinate Lien Parity Bonds (including \$11,125,000 of 1998 Subordinate Lien Parity Bonds that are Refunded Bonds). In addition, the Port has two series of variable-rate Subordinate Lien Parity Bonds outstanding (the Series 1997 Subordinate Lien Bonds, outstanding in the aggregate principal amount of \$108,830,000, and the Series 2008 Subordinate Lien Bonds, outstanding in the aggregate principal amount of \$200,715,000). The Port also has authorized the issuance from time to time of up to \$250 million of Subordinate Lien Commercial Paper Notes, of which \$22,655,000 were outstanding as of October 2, 2011.

The Port has previously acquired a surety bond from FGIC (subsequently reinsured by MBIA, and currently administered and reinsured by National Public Finance Guarantee Corporation) in the amount of \$18,505,263 to secure the payment of Outstanding Subordinate Lien Parity Bonds issued in 1999 (the "1999A/B Bonds"). The resolution authorizing the 1999A/B Bonds does not require that the surety bond be replaced upon ratings withdrawals or downgrades of FGIC. The resolution does require that in the event of termination of the surety bond or the insolvency or incapacity of the provider, the 1999 Subordinate Lien Reserve Requirement shall be satisfied (a) within one year after the termination, insolvency or incapacity, but no later than the date of cancellation, with other Qualified Insurance or another Qualified Letter of Credit, or (b) within three years (in three equal annual installments) after the termination, insolvency, or incapacity, out of Available Revenues (or out of other money on hand and legally available for such purpose). See "Flow of Funds."

Passenger Facility Charge Revenue Bonds

As of October 2, 2011, the Port had outstanding \$177,485,000 aggregate principal amount of Passenger Facility Charge Revenue Bonds, Series 1998 and Series 2010 (the "PFC Bonds"). The PFC Bonds have no claim on Gross Revenue of the Port, and the Port's revenue bonds have no claim on PFC revenues. See "AVIATION DIVISION—Passenger Facility Charges."

General Obligation Bonds

The Port has statutory authority to issue limited tax and unlimited tax general obligation bonds. As of October 2, 2011, the Port had \$358,550,000 aggregate principal amount of limited tax general obligation bonds outstanding and no unlimited tax general obligation bonds. Limited tax general obligation bonds are general obligations of the Port, payable from property taxes levied by the Port within the State statutory limitations applicable to port levies permitted to be imposed without approval of the voters and from all other legally available funds of the Port. See Appendix B for information about the Port's Tax Levy and limited tax general obligation bonds.

Special Obligations

From time to time, the Port may issue revenue bonds, revenue warrants or other revenue obligations for the purpose of undertaking any project, the debt service on which is to be payable from and secured solely by the revenues derived from such project ("Special Revenue Bonds"). Revenues received from such projects are not Gross Revenue, and Special Revenue Bonds are not entitled to a lien on Gross Revenue on any basis, senior or junior, and are not payable from such Gross Revenue or any other revenues of the Port (other than the revenues derived from the project financed with the Special Revenue Bonds). The outstanding T-18 Bonds being refunded with proceeds of the Series 2011 Bonds are Special Revenue Bonds. See "PLAN OF REFUNDING."

In May 2003, the Port issued \$121,140,000 aggregate principal amount of Special Revenue Bonds (the "Fuel System Bonds") to finance the cost of a fuel hydrant system at the Airport. As of October 2, 2011, \$102,885,000 of Fuel System Bonds remained outstanding. The Port issued the Fuel System Bonds to finance the costs of upgrading, expanding and integrating the existing system at the Airport for the receipt, storage, transmission and delivery of jet fuel and entered into a long-term lease (the "Fuel System Lease") of the fuel system with a limited liability company (the "Fuel System Lessee") formed by certain of the air carriers that serve the Airport. The Fuel System Bonds, which are insured by MBIA (reinsured and administered by National Public Finance Guarantee Corporation), are limited obligations of the Port payable solely from payments to be made by the Fuel System Lessee under the Fuel System Lease and under a guaranty and a security agreement provided by the Fuel System Lessee. The Fuel System Lessee's only source of funds to make these payments and to pay the costs of operating and maintaining the Fuel System is payments to be made by air carriers using the Fuel System and by the members of the Fuel System Lessee pursuant to an interline agreement. The Fuel System was developed to be the exclusive system for the delivery of jet aircraft fuel at the Airport. In the resolution pursuant to which the Fuel System Bonds were issued, the Port agreed that should insurance or other funds be insufficient to rebuild the Fuel System after substantial damage or destruction, the Port would pay the cost of rebuilding the Fuel System or would defease any then outstanding Fuel System Bonds.

Interest Rate Swaps

Under Washington law, the Port may enter into payment agreements (interest rate swaps, caps, floors and similar agreements) for the purposes of reducing interest rate risk or reducing the cost of borrowing. The Port has instituted a swap policy that establishes certain requirements for the use of payment agreements including the authorization by the Commission of any payment agreement and compliance with all statutory requirements including minimum counterparty ratings and minimum collateralization. The Port has not entered into and presently has no plans to enter into any payment agreements.

Historical Debt Service Coverage

The following table shows historical debt service coverage for the years 2006 through 2010 on outstanding First Lien Bonds, calculated in conformity with the method of calculation of the First Lien rate covenant prescribed in the Master Resolution. In accordance with the resolutions, the Port has used certain income items (not otherwise included in "Gross Revenue") in offsetting debt service as permitted in its bond resolutions.

TABLE 2
Port of Seattle
Historical Debt Service Coverage
First Lien Bonds

For the Years Ended December 31
(in thousands)

Fiscal Year ⁽¹⁾	2006	2007	2008	2009	2010
Gross revenue available for First Lien Bonds debt service ⁽²⁾	\$438,325	\$449,281	\$477,810	\$440,845	\$460,026
Operating expenses ⁽³⁾	224,558	236,897	274,619	245,767	253,464
Less: Operating expenses paid from other than gross revenues	--	--	(374)	8	(442)
Less: Port general purpose tax levy	<u>(23,828)</u>	<u>(27,928)</u>	<u>(34,712)</u>	<u>(34,533)</u>	<u>(32,407)</u>
Adjusted operating expenses	200,730	208,969	239,533	211,242	220,615
Nonoperating revenue—net ⁽⁴⁾	<u>17,065</u>	<u>12,973</u>	<u>45,577</u>	<u>13,618</u>	<u>14,344</u>
Net revenue available for First Lien Bonds debt service	<u>\$254,660</u>	<u>\$253,285</u>	<u>\$283,854</u>	<u>\$243,221</u>	<u>\$253,755</u>
Debt service on First Lien Bonds	\$87,876	\$87,640	\$88,467	\$107,374	\$126,843
Coverage on First Lien Bonds	2.90	2.89	3.21	2.27	2.00

(1) The Port has determined that unrealized gains and losses on investments should not be considered in the revenue calculation. Commercial paper fees are added back to the expense calculation.

(2) Gross revenue represents total operating revenue adjusted for the following: fuel hydrant rental income and difference of escalating rental income on straight-line basis versus contracted amount are excluded.

(3) Operating expenses are adjusted for certain operating expenses paid with revenues derived from sources other than gross revenues such as rental car facility-related operating expenses paid from CFCs since 2006 and are also reduced by the portion of the Port's property tax levy available to pay operating expenses.

(4) Nonoperating revenue-net, represents total non-operating income-net adjusted for the following: interest expense on any obligations incurred in connection with and payable from gross revenue, income which is not legally pledged for revenue bond debt service, namely PFCs and CFCs, available tax levy, and capital contributions. Certain non-cash items like depreciation are excluded; others non-operating revenues are adjusted to a cash basis such as gain or loss on sale of assets and environmental expenses.

Source: Port of Seattle

**OUTSTANDING FIRST LIEN BONDS, INTERMEDIATE LIEN PARITY BONDS,
AND SUBORDINATE LIEN PARITY BONDS**

Table 3 lists debt service for the Port's Outstanding First Lien Bonds, Intermediate Lien Parity Bonds and Subordinate Lien Parity Bonds following the sale of the Series 2011 Bonds. Table 3 excludes the Port's subordinate lien commercial paper program which is authorized in the amount of \$250 million and as of October 2, 2011 was outstanding in the amount of \$22,655,000.

TABLE 3

**Port of Seattle Revenue Bond Debt Service
for First Lien Bonds, Intermediate Lien Parity Bonds and Subordinate Lien Parity Bonds**

Year Ending December 31	Outstanding First Lien Bonds Debt Service	Series 2011 Bonds			Total First Lien Bond Debt Service	Total Intermediate Lien Bonds	Total Subordinate Lien Parity Bonds ⁽¹⁾⁽²⁾	Total Debt Service
		Principal	Interest	Total 2011 Debt Service				
2012	\$117,184,949	\$ 4,380,000	\$ 3,681,911	\$ 8,061,911	\$ 125,246,860	\$ 66,613,975	\$ 45,973,572	\$ 237,834,407
2013	117,168,189	3,220,000	5,049,950	8,269,950	125,438,139	66,583,475	45,973,735	237,995,349
2014	117,178,688	3,315,000	4,960,450	8,275,450	125,454,138	69,448,275	45,975,576	240,877,989
2015	110,649,909	5,160,000	4,842,400	10,002,400	120,652,309	63,368,925	45,974,815	229,996,049
2016	101,068,036	6,705,000	4,603,650	11,308,650	112,376,686	75,540,525	45,970,917	233,888,128
2017	102,274,937	7,480,000	4,268,400	11,748,400	114,023,337	75,459,550	45,976,896	235,459,783
2018	95,666,002	6,510,000	3,915,500	10,425,500	106,091,502	74,773,150	45,977,802	226,842,454
2019	97,292,205	6,835,000	3,590,000	10,425,000	107,717,205	74,772,650	45,978,727	228,468,582
2020	89,734,832	7,175,000	3,248,250	10,423,250	100,158,082	74,772,525	45,975,913	220,906,520
2021	89,731,722	8,405,000	2,889,500	11,294,500	101,026,222	74,772,400	45,972,147	221,770,769
2022	89,727,617	8,935,000	2,469,250	11,404,250	101,131,867	67,025,275	45,976,324	214,133,466
2023	98,052,567	9,385,000	2,022,500	11,407,500	109,460,067	56,768,400	33,186,465	199,414,932
2024	107,259,483	9,855,000	1,553,250	11,408,250	118,667,733	56,317,650	33,184,808	208,170,191
2025	108,208,808	10,345,000	1,060,500	11,405,500	119,614,308	57,066,163	14,682,078	191,362,549
2026	108,818,508	10,865,000	543,250	11,408,250	120,226,758	57,062,300	14,682,624	191,971,682
2027	109,452,103	-	-	-	109,452,103	57,053,925	14,683,192	181,189,220
2028	110,249,146	-	-	-	110,249,146	57,056,550	14,682,333	181,988,029
2029	109,635,190	-	-	-	109,635,190	57,064,675	14,685,537	181,385,402
2030	112,002,950	-	-	-	112,002,950	57,067,963	14,682,672	183,753,585
2031	112,811,400	-	-	-	112,811,400	33,082,500	14,681,178	160,575,078
2032	80,156,425	-	-	-	80,156,425	33,079,125	14,682,414	127,917,964
2033	56,348,025	-	-	-	56,348,025	33,083,250	14,680,615	104,111,890
2034	32,633,625	-	-	-	32,633,625	33,081,625	-	65,715,250
2035	45,723,225	-	-	-	45,723,225	33,085,875	-	78,809,100
2036	41,808,825	-	-	-	41,808,825	15,074,250	-	56,883,075
2037	-	-	-	-	-	15,076,750	-	15,076,750
2038	-	-	-	-	-	15,077,500	-	15,077,500
2039	-	-	-	-	-	15,075,000	-	15,075,000
2040	-	-	-	-	-	15,072,625	-	15,072,625
TOTAL:	\$2,360,837,366	\$108,570,000	\$48,698,761	\$157,268,761	\$2,518,106,127	\$1,479,376,851	\$704,240,340	\$4,701,723,318

Note: Totals may not add due to rounding.

(1) Excludes Series 1998 Subordinate Lien bonds, expected to be refunded by the Series 2011 Bonds.

(2) Assumes an average interest rate of 4.71% per annum (Bond Buyer 40 Bond Index as of October 7, 2011) for all outstanding variable rate bonds and notes, excluding Subordinate Lien Commercial Paper. Assumes level debt service to 2022 for the variable rate Series 1997 Subordinate Lien Bonds and level debt service to 2033 for the Series 2008 Subordinate Lien Bonds, in each case with principal payments commencing in 2012.

Source: Port of Seattle

THE PORT OF SEATTLE

Introduction

The Port is a municipal corporation of the State organized on September 5, 1911, under provisions of the laws of the State, now codified at RCW 53.04.010 *et seq.* In 1942, the local governments in King County, Washington (the “County”) selected the Port to operate the Airport. In addition to the Airport, the Port owns and operates the Port’s marine facilities at the Seattle harbor and various other properties. The Port’s operating divisions currently include the Aviation Division, the Seaport Division, and the Real Estate Division.

Port Management

The Port Commission. Port policies are established by the five-member Commission elected at large by the voters of the County for four-year terms. The Commission appoints the Chief Executive Officer.

The current Commissioners are:

- | | | |
|----------------|---|--|
| BILL BRYANT | — | President of the Commission; Chairman of Bryant Christie Inc. Mr. Bryant was elected to the Commission in November 2007, re-elected in November 2011, and also served as Commission President in 2009 and 2010. |
| ROB HOLLAND | — | Vice-President of the Commission; career experience in transportation. Mr. Holland was elected to the Commission in November 2009. |
| JOHN CREIGHTON | — | Secretary of the Commission; experience as corporate attorney with international practice. Mr. Creighton was first elected to the Commission in November 2005, re-elected in 2009, and has twice served as Commission President. |
| TOM ALBRO | — | Assistant Secretary of the Commission; founder and executive of several companies in construction, transportation and health care administration. Mr. Albro was elected to the Commission in November 2009. |
| GAEL TARLETON | — | Member of the Commission; research advisor at the University of Washington. Ms. Tarleton was elected to the Commission in November 2007 and re-elected in November 2011. |

Certain Executive Staff. Through resolutions and directives, the Commission sets policy for the Port. The policies set by the Commission are implemented by the Port’s Chief Executive Officer and his staff. Brief resumes of the Chief Executive Officer and certain other staff members are included below.

TAY YOSHITANI, CHIEF EXECUTIVE OFFICER, was named CEO of the Port in 2007. As Chief Executive Officer, Mr. Yoshitani directs the Port’s staff in carrying out the policies established by the Commission. Prior to joining the Port, Mr. Yoshitani was a Senior Advisor to the National Association of Waterfront Employers in Washington, D.C. Previously, he served as executive director and deputy executive director of the Port of Oakland, executive director of the Maryland Port Administration and as deputy executive director of the Port of Los Angeles. Born in Japan, he is a graduate of the U.S. Military Academy at West Point and holds a master’s degree in business administration from Harvard University. He received airborne and ranger training in the Army prior to service in Vietnam and was discharged with the rank of captain.

KURT BECKETT, CHIEF OF STAFF, joined the Port in November 2007 as the External Affairs Director and in 2010 was promoted to Chief of Staff. He previously served as Chief of Staff for U.S. Senator Maria Cantwell since 2004 and as her deputy chief of staff since 2001. Before that, he worked for Congressman Norm Dicks for nearly 10 years, most recently as District Director. Mr. Beckett is a graduate of the University of Washington.

DAN THOMAS, CHIEF FINANCIAL AND ADMINISTRATIVE OFFICER, has been with the Port since 1990 and has served as Chief Financial Officer since August 2000. Mr. Thomas served as the Port’s Director of Finance and Budget from 1997 through August 2000. As Chief Financial and Administrative Officer, Mr. Thomas oversees the accounting, finance, treasury, budgeting, risk management, human resources, health and safety, labor relations,

and information technology functions. He holds a bachelor's degree in economics from Pennsylvania State University and a master's of business administration in finance from the University of Washington.

MARK REIS, MANAGING DIRECTOR, AVIATION DIVISION, became Managing Director of the Aviation Division in 2004 after serving as Deputy Managing Director for four years. Prior to holding that position, he was the general manager of commercial development at the Airport and Director of Finance for the Port. Prior to joining the Port, Mr. Reis was executive director of two Seattle-based non-profit organizations, the Northwest Conservation Coalition and the Northwest Renewable Resources Center. From 1978 to 1980, he worked for the U.S. House of Representatives Committee on Interior and Insular Affairs on energy legislation. Mr. Reis earned a bachelor's degree in environmental studies from Western Washington University and a master's degree in public administration from the John F. Kennedy School of Government at Harvard University.

LINDA STYRK, MANAGING DIRECTOR, SEAPORT DIVISION, came to the Port in 2005. Prior to joining the Port, she served as president of Universal Freight Forwarders in Seattle; the U.S. office and warehouse for Lauritzen Cool Logistics, AB. She also spent 19 years serving in a variety of positions with APL, Ltd. Ms. Styrk received her degree in Nautical Industrial Technology from the California Maritime Academy and has done graduate work in international studies. She serves on a number of boards, including the executive committee of the Manufacturing Industrial Council and the advisory board for the University of Washington's Global Trade, Transportation and Logistics program.

JOE MCWILLIAMS, MANAGING DIRECTOR, REAL ESTATE DIVISION, is responsible for a real estate portfolio that encompasses recreational and commercial marinas, parks, a variety of office, retail, and industrial properties and development sites. Prior to joining the Port in 2008, Mr. McWilliams was the Southwest Regional Manager for PHAROS Corporation, a fee-for-services real estate firm that provides acquisition services for infrastructure development for government and railroad clients. Mr. McWilliams was one of seven project directors on the Seattle Monorail Project. His commercial real estate background includes experience with Cushman and Wakefield and Wright, Runstad and Company. Mr. McWilliams has a business management degree from Texas Tech University.

RALPH GRAVES, MANAGING DIRECTOR, CAPITAL DEVELOPMENT DIVISION, is responsible for overseeing all capital development projects and for managing the Port's Central Procurement Office. Mr. Graves joined the Port in August 2008. Mr. Graves served as a member of the U.S. Army Corps of Engineers for 29 years, serving as Deputy District Engineer in Baltimore and as District Engineer in both Honolulu and Seattle. Upon leaving the Corps of Engineers, he worked for Parsons Brinckerhoff, working on the Alaskan Way Viaduct project in Seattle. Mr. Graves graduated from the United States Military Academy at West Point. He has a Master's degree in Civil Engineering from the University of California—Berkeley, and a PhD in Civil Engineering from Stevens Institute of Technology.

CRAIG WATSON, GENERAL COUNSEL, has been an attorney with the Port since 1990 and was named General Counsel in April 2005. Mr. Watson's duties include providing legal advice to the Chief Executive Officer and Port Commission, supervising a staff of seven in-house attorneys and managing outside legal counsel. At the Port, Mr. Watson has worked on labor and employment law, construction-related matters, personal injury cases and insurance coverage matters. Previously, he worked for the Portland-based law firm of Bullivant Houser Bailey in its Seattle office as a civil litigator specializing in property loss and personal injury matters. Mr. Watson received his law degree in 1984 from Willamette University in Salem, Oregon. After law school, he served as a clerk at the Oregon Court of Appeals.

AVIATION DIVISION

The Airport is located approximately 12 miles south of downtown Seattle. Currently, the Airport has facilities for commercial passengers, air cargo, general aviation and maintenance on a site of approximately 2,800 acres. Airport facilities include the Main Terminal, the South and North Satellites, accessed via an underground train, and a parking garage. A consolidated rental car facility currently is under construction. The Airport has three runways that are 11,900 feet, 9,425 feet and 8,500 feet in length. There are a number of transportation options between the Airport and downtown, local hotels, and other Seattle destinations including taxis, buses, light rail and livery services.

The Airport is relatively isolated from other comparable airport facilities. Other comparable airports in the region that currently provide commercial passenger and cargo service include: Portland International Airport in Oregon, approximately 160 miles to the south of the Airport, and Vancouver International Airport in British Columbia, approximately 155 miles to the north of the Airport. In addition, the Spokane International Airport in eastern Washington, approximately 270 miles to the east of the Airport, provides domestic and international passenger service. There are several smaller regional airports in the Seattle region that offer cargo services and general aviation services. Some of these smaller regional airports also offer limited commercial passenger service and may be able to expand commercial passenger service in the future.

Operating Revenues

The Aviation Division derives its operating revenues from airline and non-airline customers. Airline revenues for aircraft landings and terminal rental space are based on recovery of all associated costs allocated to the airlines. As such, a decline in costs results in a decline in airline revenue. Non-airline revenues derive from the fees, space rentals and concession payments from non-airline customers. Non-airline revenues fluctuate based on passenger activity and other factors. Airport operating revenues for 2009 and 2010, as reported in the Port's audited financial statements, are shown in the following table. See also "Airport Business Agreements."

TABLE 4
Port of Seattle
Aviation Division Operating Revenue
2009 - 2010
(in millions)

	2009	2010
Airline Revenues		
Landing fees	\$ 50.8	\$ 56.6
Terminal space rental	118.1	126.6
Other airline revenues ⁽¹⁾	13.6	15.1
Total airline revenues	\$ 182.5	\$ 198.3
Non-airline Revenues		
Parking	\$ 49.7	\$ 49.4
Rental cars ⁽²⁾	33.3	30.3
Terminal concessions ⁽³⁾	33.5	33.8
Other ⁽⁴⁾	20.9	21.9
Total non-airline revenues	\$ 137.4	\$ 135.4
Other operating revenues	8.3	8.4
Total Aviation Division Operating Revenue	\$ 328.2	\$ 342.2

Note: Totals may not add due to rounding.

(1) Includes airfield land and space rentals for cargo facilities hangars, overnight parking fees, ramp apron, badge fees, ramp permit fees, Fuel System Facilities rent and ground rent.

(2) Rental car revenue includes revenue from concession and leased space. See Other Airport Businesses and Agreements.

(3) Includes revenues from food and beverage, news and gift, duty-free, other concessions and non-airline terminal rental revenue.

(4) Includes ground transportation fees, employee parking, utility revenues and miscellaneous other revenues.

Source: Port of Seattle.

Passenger Activity at the Airport

In 2010, the Airport was the 17th busiest airport nationwide in terms of total passengers, according to statistics published by the Airports Council International-North America. The Airport served a total of approximately 31.6 million total passengers in 2010.

Passenger Enplanements. The Airport served approximately 15.8 million enplaned (embarked) passengers in 2010. Approximately 1.4 million (8.9 percent) of enplaned passengers on non-stop flights traveled to international destinations in 2010.

The following table illustrates the changes in domestic and international enplanements at the Airport from 2001 through 2010 and for the first eight months of 2010 and 2011.

TABLE 5

**Seattle-Tacoma International Airport
Historical Enplaned Passengers
2001 – 2010**

Year	Domestic	Percentage Increase/ (Decrease)	International	Percentage Increase/ (Decrease)	Total Enplaned Passengers	Percentage Increase/ (Decrease)
2001	12,344,569	(4.8)	1,161,411	(4.1)	13,505,980	(4.7)
2002	12,247,185	(0.8)	1,115,129	(4.0)	13,362,314	(1.1)
2003	12,250,155	0.0	1,105,512	(0.9)	13,355,667	(0.1)
2004	13,153,619	7.4	1,210,623	9.5	14,364,242	7.6
2005	13,407,973	1.9	1,224,164	1.1	14,632,137	1.9
2006	13,764,088	2.7	1,226,559	0.2	14,990,647	2.5
2007	14,313,379	4.0	1,347,856	9.9	15,661,235	4.5
2008	14,647,483	2.3	1,437,456	6.6	16,084,939	2.7
2009	14,296,186	(2.4)	1,314,012	(8.6)	15,610,198	(3.0)
2010	14,363,581	0.5	1,409,767	7.3	15,773,348	1.0
<u>YTD</u>						
<u>Comparison</u>						
2010 (Jan-Sep)	10,865,598	--	1,066,083	--	11,931,681	--
2011 (Jan-Sep)	11,322,240	4.2	1,143,098	7.2	12,465,338	4.5

Source: Port of Seattle (as of 10/02/2011).

O&D and Connecting Passenger Traffic. Most of the Airport’s passenger activity is origin and destination (“O&D”) activity, meaning that passengers either begin or end their trips at the Airport. The Airport’s predominately O&D nature means that activity levels at the Airport are closely linked to the underlying economic strength of the geographic area served by the Airport. See Appendix G – Demographic and Economic Information.

In 2010 (the last year for which O&D data is available), the estimated percentage of O&D passenger traffic at the Airport was 74.0 percent, based upon 2010 O&D data from the U.S. Department of Transportation’s database, adjusted by the Port to include foreign carriers. Between 2001 and 2010, the Airport’s estimated percentage of O&D passenger traffic has ranged between 76.8 percent (2001) to 73.5 percent (2009), as shown in the table below.

TABLE 6
Seattle-Tacoma International Airport
Historical Estimated Percentage of O&D Passenger Traffic
2001 – 2010

Year	Total Airport O&D Percentage
2001	76.8
2002	75.8
2003	74.8
2004	74.4
2005	76.6
2006	76.2
2007	75.5
2008	74.6
2009	73.5
2010	74.0

Source: O&D data from the U.S. Department of Transportation’s database, adjusted by the Port to include foreign carriers.

Domestic O&D traffic at the Airport primarily has been to and from medium- and long-haul markets (cities at least 500 miles from Seattle). As shown in the following table, the Airport’s top 26 domestic O&D markets in 2010 together represented more than 71% of enplaned passengers, and all but two were medium- or long-haul markets. There may be limited non-air options for travel to medium- and long-haul markets. The Airport also serves passengers connecting through the Airport to other airports. Connecting traffic is considered more discretionary than O&D traffic, because passengers may choose other connecting airports based on the price and/or convenience of routes established by airlines. Additionally, connecting traffic can be influenced by airline decisions to shift connecting activity from one airport facility to another.

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TABLE 7

**Seattle-Tacoma International Airport
Top Domestic Passenger Origin-Destination Markets and Airline Service
(with at least one percent of market share)
2010**

Rank	Market of Origin or Destination ⁽¹⁾	Approximate Air miles from Seattle	Share of market, based on enplaned passengers ⁽²⁾
1	Los Angeles, CA	954	11.5
2	Bay Area, CA	678	9.6
3	New York City Area	2,421	4.1
4	Las Vegas, NV	866	4.1
5	Phoenix, AZ	1,107	3.6
6	Denver, CO	1,024	3.1
7	San Diego, CA	1,050	3.0
8	Chicago, IL	1,721	2.9
9	Spokane, WA	224	2.3
10	Washington, D.C.	2,329	2.1
11	Dallas, TX	1,660	2.1
12	Honolulu, HI	2,677	2.1
13	Sacramento, CA	605	2.0
14	Atlanta, GA	2,182	1.8
15	Salt Lake City, UT	689	1.8
16	Minneapolis, MN	1,399	1.8
17	Boston, MA	2,496	1.8
18	Houston, TX	1,874	1.5
19	Anchorage, AK	1,449	1.4
20	Kahului, HI	2,640	1.4
21	Boise, ID	399	1.4
22	Orlando, FL	2,553	1.3
23	South Florida	2,717	1.3
24	Baltimore, MD	2,335	1.2
25	Detroit, MI	1,927	1.0
26	Philadelphia, PA	2,378	1.0
Subtotal			71.2%
All other cities			28.8
Total			100.0%

Note: Totals may not add due to rounding.

(1) Each market includes the major airports within the market.

(2) Compiled by the Port from U.S. Department of Transportation Statistics, T-100 Domestic Market Schedule T2.

Source: Port of Seattle.

Passenger Airline Diversity. Passenger enplanements at the Airport are spread over a relatively diverse air carrier base, with Alaska Airlines, Inc. (“Alaska”) accounting for the largest share of enplaned passengers (35.5 percent) at the Airport in 2010. Alaska and its affiliate, Horizon Air Industries, Inc. (“Horizon”) operate a regional hub that serves passengers connecting to and from regional destinations and together accounted for 49.2 percent of enplaned passengers at the Airport in 2010. Alaska and Horizon are separately certificated airlines both owned by the Alaska Air Group. Five other airlines combined accounted for an additional 37.3 percent of enplanements during this same period.

The following table illustrates the market shares in 2010 of the passenger airlines with a one-percent or greater share of enplaned passengers at the Airport. The far right column in this table shows, for comparison purposes the respective shares, by airline, in 2001.

TABLE 8

**Seattle-Tacoma International Airport
Airlines Ranked by Enplaned Passenger Traffic**

Airline	2010 Enplanements Share	2001 Enplanements Share
Alaska Airlines	35.1%	29.2%
Horizon Airlines	14.1	12.6
Alaska Air Group subtotal	49.1%	41.8%
Northwest Airlines ⁽¹⁾	- - %	8.9%
Delta Air Lines ⁽²⁾	11.9	5.8
Southwest Airlines	8.6	8.4
United Airlines ⁽³⁾⁽⁴⁾	7.8	14.9
American Airlines	4.3	5.4
Continental Airlines ⁽⁴⁾	4.3	2.9
US Airways	2.9	2.8
Virgin America	1.8	- -
America West Airlines ⁽⁵⁾	- -	1.8
Trans World Airlines ⁽⁶⁾	- -	1.6
JetBlue Airways	1.4	- -
Hawaiian Airlines	1.4	1.0
Frontier Airlines	1.3	- -
Others ⁽⁷⁾	5.3	4.7
Airport Total	100.0%	100.0%

Note: Totals may not add due to rounding

- (1) Subsequently merged with Delta Air Lines
- (2) Includes Delta connections (operated by SkyWest, ExpressJet and Mesaba Airlines).
- (3) Includes United Express (operated by Skywest).
- (4) United and Continental merged in October of 2010.
- (5) Subsequently merged with US Airways.
- (6) Subsequently merged with American Airlines.
- (7) Includes all airlines with less than one percent market share each.

Source: Port of Seattle (as of 10/02/2011).

Airport Business Agreements

The Airline Agreements. The Port has entered into Signatory Lease and Operating Agreements effective January 1, 2006 (the “2006 Airline Agreements”). Each of the 2006 Airline Agreements expires on December 31, 2012, unless terminated earlier by either party. Airlines representing approximately 99 percent of enplaned passengers have signed the 2006 Airline Agreements and are signatory airlines. Prior to expiration, the Airline Agreements can be renegotiated or extended. If the Airline Agreements are terminated, then the Port has the ability to set rates and charges at the Airport, subject to FAA regulations. The 2006 Airline Agreements provide for common-use gates and preferential-use gates and do not permit gates to be assigned on an exclusive-use basis.

Rate-Methodology for Signatory Airlines. The 2006 Airline Agreements include a hybrid compensatory rate-setting methodology based in part upon Airport-related debt service, amortization, and operating expenses, offset by certain revenues as described below. The signatory airlines pay rates and charges calculated to equal the airfield and terminal revenue requirements, as defined in the 2006 Airline Agreements, of the Airport. The Port is responsible for any costs not otherwise paid by the signatory airlines and, as described below, retains any net

operating income. Shortfalls and overages in the amounts payable by the airlines are to be rolled into rate-setting for the following two fiscal years. Under certain circumstances (including if the variance results from the termination by a signatory airline of its 2006 Airline Agreement), the Port is permitted to adjust terminal rents and landing fees mid-year. The 2006 Airline Agreements permit the Port to charge the airlines 100 percent of annual debt service allocated to the airlines unless the Port determines in its sole discretion that a charge above 100 percent and up to 125 percent of annual debt service is necessary to maintain total Airport revenue bond coverage (without regard to lien level) at 1.25 times the sum of the annual debt service. The 2006 Airline Agreements also permit the Port to include in the airline rate base amortization charges for equity-funded airline-related projects expended after December 31, 2005, in the case of landing fees, and for future projects that come into use during the term of the 2006 Airline Agreements, in the case of terminal rents.

The 2006 Airline Agreements do not require signatory airline approval of the issuance of debt as a condition to including either the cost of capital improvements or the related debt service in the airline rate base. The 2006 Airline Agreements provide, however, that the Port may not include in the airline rate base the capital costs of a capital improvement or the related debt service until the capital improvement is completed or until the capitalized interest fund for that capital improvement is exhausted.

Airfield Offsets. Debt service, amortization charges, debt service reserve fund deposits and operating costs for or allocated to airfield and airfield-related projects and space are offset by revenues (other than landing fees) received by the Port for use of the airfield, including revenue derived from leasing of airfield space or land, landing fee premiums paid by non-signatory airlines, annual aircraft parking land rental charges for aircraft parking at gates, and aircraft parking charges for hardstands not contiguous to the terminal.

Terminal Offsets. For the terminal, costs are offset by revenues received by the Port from premiums paid by non-signatory airlines; tariffs for use of Port-owned equipment at the terminal (including loading bridges, podiums and hold room furniture) and tariffs for use of open storage space; capital costs, amortization and operating costs attributable to space in the terminal reserved for non-aeronautical facilities or activities or attributable to Port-occupied space in the terminal allocable to the airfield or non-aeronautical facilities or activities; and costs attributable to the Port's share of costs allocable to public areas. At its sole discretion, the Port has the ability to credit the costs attributable to the federal inspection service area; the amount of this offset is established each year. Other revenues, such as parking revenues and rent and concession fees payable by rental car companies and terminal concessionaires are not deducted from the airlines' share of the terminal revenue requirement. The Port retains the benefit, and also the risk, of revenues generated from those sources.

Capital Improvements. The 2006 Airline Agreements include a list of capital improvements and costs that were previously approved by the signatory airlines. The Port may proceed with any of those projects without further review by the signatory airlines unless, at the time the Port elects to proceed with the construction of an approved project, the Port's estimate of the approved project's costs that will be added to the airline rate base exceeds 110 percent (in constant dollars) of the estimated cost at the time of approval, in which case the Port is required to notify the signatory airlines and, following any objection by a majority-in-interest, to delay the project for 180 days. As defined in the 2006 Airline Agreements, "majority-in-interest" means air carriers that account for more than 55 percent in number of the signatory airlines and that also account for more than 55 percent of the terminal rents and landing fees paid by all signatory airlines at the Airport during the immediately preceding fiscal year.

The 2006 Airline Agreements also permit the Port to proceed with new capital projects within two sets of parameters. First, the 2006 Airline Agreements establish a \$1.85 billion cap on the total budget for new aeronautical projects that are expected to impact the airline rate base and that the Port can initiate during the term of the 2006 Airline Agreements. Projects above this cap require majority-in-interest approval by the signatory airlines. Second, within the \$1.85 billion cap, individual projects with costs above specified thresholds may be delayed for up to 180 days by a majority-in-interest vote of the signatory airlines. The thresholds for new capital improvements that require majority-in-interest approval and thus may be subject to the 180 day delay are \$2.5 million for new capital improvements to the terminal or the airfield, and \$4.5 million for new capital improvements to roadways. The 2006 Airline Agreements require the Port to give to the signatory airlines notice and an opportunity to object to individual projects exceeding these thresholds and provide that for 180 days the Port may not proceed with construction of the project objected to by a majority-in-interest. Capital projects below these cost thresholds are not subject to majority-in-interest delay regardless of their original cost estimate.

The Port also is required to give the signatory airlines an opportunity to object if, at the time the Port elects to proceed with the new project, the Port's then-current estimate (calculated in constant dollars) exceeds 110 percent of the new project's estimated total budget previously disclosed to the signatory airlines. Projects exempt from majority-in-interest review are improvements required by a federal or state authority with jurisdiction over the Airport, capital improvements of an emergency nature, capital repairs to or replacements of damaged or destroyed property, capital improvements made to settle claims or lawsuits or to comply with judicial or administrative orders against the Port and, under certain circumstances, capital improvements required to make additional terminal space available to an air carrier. Projects that do not affect charges to the airlines are not subject to any of the limitations described above. See also "CAPITAL PLAN FUNDING."

Airlines that operate at the Airport but are not signatory airlines ("non-signatory airlines") are permitted to land at the Airport and to use Airport facilities on a common-use basis in accordance with an operating permit. The 2006 Airline Agreements require that landing fees and charges for use of the Port's gates and other facilities by non-signatory airlines (other than certain affiliates) be set at ten percent above the rates applicable to the signatory airlines under the 2006 Airline Agreements. Rates and charges assessed to non-signatory airlines are used to offset terminal and airfield costs allocated to signatory airlines.

Other Airport Businesses and Agreements. The Aviation Division's non-airline revenues include revenues from public parking, rental car and employee parking fees; terminal concession agreements; ground transportation, rental car and other concession fees; and revenues from airfield, terminal and other commercial property leases.

Public Parking. The Aviation Division operates an eight-floor parking garage for short-term and long-term public parking and for use by employees and rental car companies. The Port also provides approximately 1,500 parking spaces in a remote lot operated by a third party. Upon completion of the Port's consolidated rental car facility, use of the parking garage for rental car operations (currently consisting of two of the parking garage's eight floors) is expected to end, making those spaces available for general parking. In addition, privately-owned parking facilities compete with Airport parking. There are a number of privately owned and operated parking facilities offering a range of quality, cost, and service, including facilities very near the Airport.

Rental Cars. The Airport leases space to rental car operators and receives a concession fee on the gross revenues of rental car operations at the Airport. Rental car operators currently provide service in one of three categories: Full Service Concessionaires lease space in the Airport parking garage adjacent to the Airport Terminal building and counter space in the terminal; Limited Service Concessionaires lease counter space at the Airport, but vehicles are located at off-Airport facilities; Off-Airport Operators do not lease space at the Airport. The Port is currently constructing a consolidated rental car facility, approximately one mile from the Airport. Once completed, all rental car companies will be required either to either operate from the consolidated rental car facility or to use the facility to drop off or pick up their customers. At this time, nearly all of the rental car companies currently serving the Airport plan to operate from the consolidated rental car facility.

Under the new consolidated rental car facility lease, the rental car operators will continue to pay a concession fee equal to a percentage of their gross revenues and will pay ground rent, but will no longer will occupy or pay rent for space in the main parking garage or for counters in the terminal. Rental car companies are responsible for operating all areas of the facility. Companies choosing to operate under an Off-Airport operating agreement will pick-up and drop-off their customers at the new facility and will pay a concession fee. The Port expects the facility to open in the second quarter of 2012. See also "Customer Facility Charges" and "CAPITAL PLAN FUNDING."

Passenger Terminal Concession Agreements. In 2004, the Port signed ten-year concession agreements with Host International, Inc. ("Host") and with several prime concessionaires to provide all retail, food and duty-free sales in the passenger Terminal. Most of these agreements took effect January 1, 2005, except in cases where construction of Airport facilities caused an earlier or later effective date. Hudson Group operates all of the newsstands and some of the specialty retail shops. Concessions International, Host, Seattle Restaurant Associates (a partnership between Host and Seattle retailer Uwajimaya) and six independent restaurateurs operate the food and beverage venues; Host operates the duty free stores, and five independent operators operate specialty retail outlets. All of the concession agreements require the payment of concession fees based upon various percentages of sales and include minimum annual guarantee payments to be implemented in the event that concession fees fall short of the minimum. Concessionaires are responsible for providing first-class build-out of facilities and are required to offer "street prices" comparable to prices at local malls.

Miscellaneous Business Arrangements and Revenues. The Airport has agreements with a variety of ground transportation companies, under which the Port receives per-trip fees and permit fees, and lease agreements and other arrangements with other on-site and off-site tenants. These other agreements include a land lease plus a percentage of revenue for shuttle service on Airport property; standard land leases for other aeronautical and non-aeronautical tenants at the Airport, such as an in-flight kitchen; and agreements for aviation fees, such as fuel flowage fees and cargo hardstand revenues.

Regulation

The Port operates the Airport pursuant to an airport operating certificate issued annually by the Federal Aviation Administration (the “FAA”) after an on-site review. In addition to this operating certificate, the Airport is required to obtain other permits and/or authorizations from the FAA and other regulatory agencies and is bound by contractual agreements included as a condition to receiving grants under the FAA’s grant programs. Federal law also governs certain aspects of rate-setting and restricts grants of exclusive rights to conduct an aeronautical activity at an airport that receives or has received federal grants and other property. All long-term facility planning is subject to the FAA’s approval; the Port’s financial statements are subject to periodic audits by the FAA; the Port’s use of Airport revenues is subject to review by the FAA; and the Port’s use of PFC revenue and grant proceeds is also subject to approval, audit and review. The Port is also required to comply with the provisions of the federal Aviation and Transportation Security Act (the “Aviation Security Act”), with other federal security statutes and with the regulations of the Transportation Security Administration (the “TSA”). Security is regulated by the FAA and by the TSA.

The Port is also regulated by the federal Environmental Protection Agency and by the Washington Department of Ecology in connection with various environmental matters, including the handling of deicing materials and airline fuels and lubricants, protection of wetlands and other natural habitats, disposing of stormwater and construction wastewater runoff and noise abatement programs. The Port’s handling of noise, including restrictions and abatement programs, is also subject to the requirements of federal and State statutes and regulations.

Rates and Charges Regulation; Federal Statutes. Federal statutes and FAA regulations require that an airport maintain a rate structure that is as “self-sustaining” as possible and generally (with certain exceptions) limit the use of all revenue (including local taxes on aviation fuel and other airport-related receipts) generated by an airport receiving federal financial assistance to purposes related to the airport. Federal statutes also provide that without air carrier approval, an airport may not include in its rate base debt service allocable to projects not yet completed and in service.

Federal statutes include provisions addressing the requirements that airline rates and charges set by airports receiving federal assistance be “reasonable” and authorizes the Secretary of Transportation to review rates and charges complaints brought by air carriers.

Passenger Facility Charges

PFCs are fees collected from enplaned paying passengers to finance eligible, approved airport-related project costs, subject to FAA regulation. Airport operators are required to apply to the FAA for approval before imposing or using PFCs. In 1992, the Port received FAA approval to impose a PFC, and in 2001 received approval to increase its PFC to \$4.50 per paying enplaned passenger, the maximum allowable under current law. Approval of a PFC greater than \$3.00 results in a total reduction of up to 75 percent in passenger-based entitlement grants under the federal Airport Improvement Program.

PFC revenue is not included in the definition of “Gross Revenue” under the Master Resolution. PFC revenue remaining after payment of the PFC Bonds, however, may be applied to pay a portion of debt service on Port revenue bonds issued to finance PFC-eligible projects. Since 2008, the Port has applied and expects to continue to apply PFC revenue to pay a portion of First Lien Bond debt service. Such amounts may not be taken into account when calculating debt service coverage of First Lien Bonds but may be taken into account when calculating debt service coverage for Intermediate Lien Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR FIRST LIEN BONDS,” “OUTSTANDING PORT INDEBTEDNESS — Intermediate Lien Parity Bonds.” Before the Port can use PFC revenue to pay debt service on any of its revenue bonds, the Port is required to obtain FAA consent. Since the Port implemented its PFC program in 1992 and as of the end of October, 2011, the Port has obtained FAA

authorizations, pursuant to four PFC application approvals, to impose and use approximately \$2.2 billion of PFC revenues (at the \$4.50 PFC level) for various projects. Of the \$2.2 billion of approved authority, the Port has remaining unspent authority of approximately \$1.3 billion (and remaining projected aggregate PFC Bond debt service of \$242.5 million).

Debt service on the Series 2011 Bonds is not eligible to be paid by PFCs, because the projects constructed with original proceeds of the bonds being refunded by the Series 2011 Bonds are not PFC-eligible.

PFCs are imposed by the Port, collected by the airlines from paying passengers enplaning at the Airport and remitted to the Port (net of a handling fee, currently equal to \$0.11 for each PFC collected). The annual amount of PFCs collected by the Port depends upon the number of passenger enplanements at the Airport and the timely remittance of PFCs by the airlines. No assurance can be given that PFCs will actually be received in the amounts or at the times contemplated by the Port in its capital funding plans. In addition, the FAA may terminate or reduce the Port's authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that the Port has violated certain provisions of federal law or the PFC or other federal regulations, or if the FAA determines that PFC revenue is not being used for approved PFC projects or that implementation of such projects did not begin within the time frames specified in the PFC statute or the PFC regulations. Future PFC applications may be denied if the FAA determines that the Port violated any of its federal grant assurances or violated certain federal statutes and regulations applicable to airports. Amounts received or receivable under the PFC program are also subject to audit and adjustment by the FAA. The Port has never been found in violation of or been notified by the FAA as being out of compliance with federal grant assurances or applicable federal statutes and regulations.

Customer Facility Charges

Pursuant to the Revised Code of Washington ("RCW") Section 14.08.120(7) (the "CFC Act"), the Port is authorized, at rates determined by the Port, to impose a CFC upon customers of rental car companies accessing the Airport. The CFC Act limits the uses for which the Port may collect the CFC. Specifically, the Port may impose the CFC only "for the purposes of financing, designing, constructing, operating, and maintaining consolidated rental car facilities and common use transportation equipment and facilities which are used to transport the customer between the consolidated car rental facilities and other airport facilities."

The Port has been collecting the CFC since February 2006. As of July 1, 2008, the Port increased the CFC to \$5.00 per transaction day (from \$4.00 per transaction day). The Port has exclusive rate-setting ability with respect to CFCs, and the CFC Act does not limit the per-transaction or total dollar amount of CFCs that may be collected. The Port can use CFCs to pay both operating and capital costs of the consolidated rental car facility, and the portion of CFC revenues used to pay capital costs are accounted for as non-operating revenue, and the portion used to pay operating costs are accounted for as operating revenue.

The CFC Act allows CFCs to be used to repay the Port, with interest, for any non-CFC funds that the Port uses to fund eligible costs. The Port is applying CFCs to permitted purposes under the CFC Act, including the payment of debt service on the Port's Series 2009 First Lien Bonds issued in the aggregate principal amount of \$316,960,325.95 to finance costs of the Port's consolidated rental car facility and bus system. The Port expects to issue future debt to finance an estimated \$60 million of costs of the consolidated rental car facility and expects to pay debt service on those bonds from CFCs. See "SECURITY AND SOURCES OF PAYMENT FOR FIRST LIEN BONDS" and "OUTSTANDING PORT INDEBTEDNESS — Intermediate Lien Parity Bonds."

SEAPORT DIVISION

General

The Seaport Division owns cargo and non-cargo waterfront facilities at Elliott Bay and at the mouth of the Duwamish River. The principal focus of activity at the Seaport Division's facilities is the shipping of international containerized cargo through facilities in the south end of Elliott Bay (the "South Harbor"). The Seaport Division also owns non-containerized cargo facilities, industrial properties, and cruise ship facilities, shown on the map on the following page.

Port of Seattle Map of Seaport Facilities



LEGEND OF MAP SYMBOLS

	Interstate		Recreational Moorage		Freeway
	State Highway		Public Shoreline Access & Parks		Primary Road
					Secondary Road
					Railroad


Port of Seattle[®]
Where a sustainable world is headed.™

The Seaport Division consists of two revenue-generating business groups: Lease and Asset Management (consisting of container terminals, a bulk grain terminal, and industrial properties); and Cruise and Maritime Operations (which includes cruise ship, large fishing vessel facilities, and security). There are also service groups within the Seaport Division including Commercial Strategy, Environmental Services and Planning, and Finance.

The following table summarizes the Seaport Division's operating revenues for fiscal years ended December 31, 2009 and 2010. The lease revenues from container terminals provide the majority of the Seaport Division's operating revenue. Other revenue is derived from leases and fees associated with cruise ship terminals and the grain terminal, and from leases and fees associated with various industrial properties and docks. The Seaport also receives various governmental grants and miscellaneous reimbursements that may be accounted for as operating revenues.

TABLE 9

**Port of Seattle
Seaport Division Operating Revenues
2009 and 2010**

Revenue by Business Unit	2009 (\$ millions)	2010 (\$ millions)
Containers ⁽¹⁾	\$56.7	\$61.3
Cruise	10.7	11.9
Grain Terminal	6.0	6.0
Industrial Properties ⁽²⁾	12.7	13.2
Other ⁽³⁾	4.5	5.4
Total Operating Revenues⁽⁴⁾	\$90.7	\$97.8

(1) Comprised of revenues from Port-owned container terminals.

(2) Includes revenues from container support properties.

(3) Includes dock operations and security.

(4) Totals may not add due to rounding.

Source: Port of Seattle.

Containerized Cargo

Overview. The Seaport Division's largest investments and a significant portion of its operating revenues relate to the Port's containerized cargo facilities. Operating revenue in 2010 related to the Port's container terminals represented 63 percent of the Seaport Division's operating revenue. The Seaport Division's container business involves the leasing of property and equipment used primarily for the transfer of international containerized cargo arriving by ship to various modes of land transportation destined for the Pacific Northwest or for other regions of the country and the transfer of domestic goods and empty containers arriving by rail and truck to outbound ships. Most of the Port's containerized cargo trade is to and from ports in Asia. Cargo traffic through the Port is discretionary, and the shipping industry is competitive. See "Container Trade Through the Port."

Container Trade Through the Port. The Port leases container facilities to terminal operators. The terminal operators provide service to carriers and indirectly to the cargo owners (shippers). Carriers are the steamship lines that transport containers. Shippers regularly contract with a number of carriers, and larger shippers also may direct traffic to one or more terminal facilities. The ability of a terminal operator to attract and efficiently move cargo is important to the success and value of a container facility. The Port is not a participant in the agreements between and among shippers, carriers and the terminal operators, and does not have any control over these agreements.

There is significant competition for container traffic among North American ports, including the Port. Success depends largely on the size of the local market and the cost and efficiency of the port and inland transportation systems. Due to the relatively small population in the Pacific Northwest, most cargo that passes through the Port either comes from or is destined for other regions. As such, the Port is considered a discretionary port; discretionary cargo can be shifted to other ports generally based on the cost and efficiency of moving cargo from its point of origin to its final destination; these routing decisions are made by shippers and carriers. Therefore, the Port competes with other ports on the West Coast (including the United States, Canada and Mexico) and on the Gulf and

East Coasts. The cost, efficiency and quality of competitive ports and the intermodal connections serving them may change and are beyond the control of the Port. Competition coupled with the discretionary nature of Seattle’s cargo contributes to fluctuations in volumes.

Container volumes in 2009 were down 24.1% compared to the Port’s prior peak year of 2005, but rebounded 34% in 2010 to 2.1 million twenty-foot equivalent units (“TEUs”). The following table summarizes total container traffic through the Seattle harbor for 2001 through 2010, including international containers (all of which are handled through Port facilities) and domestic containers (some of which are transported by barge to and from private terminals). Based on data collected by the American Association of Port Authorities, TEU volumes at North American ports totaled 50.8 million in 2010.

TABLE 10
Seattle Harbor Container Volumes
2001 - 2010
(in thousands)

Year	International Containers ⁽¹⁾						Domestic Containers ⁽²⁾	Total Containers ⁽³⁾
	Imports		Exports		Empty TEUs	Total Intl. TEUs	TEUs	TEUs
	Metric Tons	Full TEUs	Metric Tons	Full TEUs				
2001	4,022	497	4,344	329	226	1,052	262	1,315
2002	3,823	538	4,534	359	277	1,174	266	1,439
2003	3,524	543	4,367	349	293	1,185	302	1,486
2004	4,745	705	4,975	388	374	1,467	310	1,776
2005	5,841	846	6,209	485	414	1,745	342	2,088
2006	5,783	799	5,603	439	398	1,636	351	1,987
2007	6,003	810	6,455	504	314	1,628	345	1,974
2008	4,988	664	5,568	435	277	1,376	328	1,704
2009	4,671	612	5,798	460	213	1,285	300	1,585
2010	7,039	897	7,565	558	380	1,835	304	2,140
YTD Comparison								
2010 (Jan-Sep)		681		402	296	1,380	239	1,619
2011 (Jan-Sep)		575		451	249	1,275	248	1,523

Total might not equal the sum of component parts due to rounding.

(1) Approximate weight per full TEU at the Port is eight metric tons of import cargo and eleven to eighteen tons of export cargo.

(2) Includes volumes handled by Port and non-Port facilities in Seattle’s harbor. Includes full and empty containers.

(3) Total for the Seattle Harbor.

Source: Port of Seattle.

Container Facilities and Terminal Lease Agreements. The Port owns four container terminals that total more than 500 acres of terminal space and the equipment necessary to transfer cargo on and to and from ships and on and off intermodal transport. As shown on Table 11, the two larger terminals, Terminal 5 and Terminal 18, have on-dock rail, and the two smaller terminals, Terminal 30 and Terminal 46, have near-dock rail access. BNSF Railway Company (“BNSF”) intermodal yard is located near the container terminals. In addition, access to Interstates 5 and 90 is also nearby.

The Alaskan Way Viaduct, a major north-south arterial, is located immediately to the east of Terminals 30 and 46. The State is in the process of replacing the Alaskan Way Viaduct and although the Port expects the replacement to result in traffic disruption, the State’s construction plans include mitigation efforts to accommodate cargo transit.

The Port is considered a “deep water” port; the Seaport has a 50-foot draft (mean lower low water (“mllw”)) at its navigation channel. Although there is no immediate need to increase the depth and width in the channels, the Port is developing a strategic dredge plan with the goal of expanding the federally authorized navigation channels so that

potential future dredging projects would be eligible for federal funding. The Port may undertake berth dredging from time to time in the future, and the cost of that dredging would be included in the Port's capital budgets.

As it relates to container facilities, presently the Port is a landlord port, meaning that most of the Seaport Division's revenues from containerized cargo are derived from long-term, fixed-rate (with scheduled rent escalations) terminal leases and to a much smaller degree from crane rentals. The Port's container business revenues are derived from leases of the four terminals to terminal operators. Under the terms of the leases, rent at Terminals 5, 18 and 30 is based on a per-acre rate that is subject to periodic increases. The per-acre rate (basic land and improvement rent) is consistent in all three leases, as these leases include a provision to the effect that any downward adjustment in the base rate will automatically be applied to all three leases (Most Favored Nation provision). Terminal 46 rent is based on volume with a minimum annual guarantee and adjustments to make rent comparable to the per acre rent at Terminals 5, 18 and 30. The lease at Terminal 46 is due to expire in 2015 unless the tenant exercises its option to extend the lease for an additional 10 years. The leases currently include limited rent abatement provisions for unusable portions of the terminals in the event of *force majeure* events including, but not limited to, damage, destruction, condemnation. This structure, including the basis on which lease revenues are calculated, could change either upon expiration of a lease or, at any time, upon a renegotiation of an existing lease. Customers have approached the Port about future scheduled rent escalations in its container terminal leases given the current economic and competitive climate and the Port is evaluating potential changes to address these concerns. Any change in the terms of one lease could affect the terms of all the leases as a result of the Most Favored Nation provision. A change in the structure of the Port's leases could result in a decrease or increase in Net Revenues.

In addition to land rent, the Port charges per-lift fees for use of any Port-owned cranes. Because most crane use charges are volume-based and because crane rent varies for each crane, the Port's annual revenue from crane usage is variable. Crane rent varies for each crane. The use of Port-owned cranes is decreasing as certain tenants have elected to acquire their own cranes.

Although the Port's container revenues are derived from long-term terminal leases and from crane rentals and have been relatively stable, short-term and long-term revenues of the Seaport are affected by a number of factors in the shipping industry, and requests to renegotiate terms of the leases and other arrangements are a common response to competition and other pressures. See "Container Trade Through the Port."

TABLE 11

**Port of Seattle
Container Facilities**

Category	Terminal 5	Terminal 18	Terminal 30	Terminal 46
Primary Lessee	Eagle Marine Services, Ltd. ⁽¹⁾	SSA Terminals, LLC and SSA Containers, Inc. ⁽²⁾⁽³⁾	SSA Terminals (Seattle), LLC ⁽⁴⁾	Total Terminals International LLC ⁽⁵⁾
Terminal Area	158 acres (expansion area completed in 1998) <i>Leased - 158 acres Available for expansion - 14 acres</i>	196 acres (expansion area completed in 2002) <i>Leased - 196 acres</i>	70 acres (expansion area completed in 2009) <i>Leased - 70 acres</i>	88 acres (improvements completed in 2004) <i>Leased - 88 acres</i>
Lease Expiration	2028	2039	2039	2015, plus one 10-year extension at tenant's option
Berth Facilities	2,900 feet	4,500 feet	2,700 feet ⁽⁹⁾	2,780 feet
Water Depth	45 ft to 50 ft below mllw	46 ft to 50 ft below mllw	45 ft to 50 ft below mllw	50 ft below mllw
Container Cranes⁽⁶⁾	Six (6) 100-ft gauge Post-Panamax cranes ⁽⁷⁾	Three (3) 50-ft gauge Post-Panamax cranes, and three (3) 100-ft gauge Post-Panamax cranes. ⁽⁷⁾ One (1) 100-ft gauge Super Post-Panamax cranes ⁽⁸⁾ .	Three (3) 50-ft gauge Panamax cranes and three (3) 100-ft gauge Super Post-Panamax cranes ⁽⁸⁾	Two (2) 100-ft gauge Post-Panamax cranes, and three (3) 100-ft gauge Super Post-Panamax cranes ⁽⁷⁾

(1) Eagle Marine Services, Ltd. is a subsidiary of American President Lines, Ltd., which is a wholly-owned subsidiary of Neptune Orient Lines.
(2) The original lease named SSA Terminals, LLC and Stevedoring Services of America, Inc. as Lessees. Subsequent Lessee name changes from Stevedoring Services of America, Inc. to SSA Marine, Inc., and then to SSA Containers, Inc. were solely changes in identity and not in ownership or control. SSA Terminals is a wholly-owned subsidiary of SSA Containers, Inc. SSA Terminals, Inc. can be sole signer with consent from the Port.

(3) SSA Terminals, Inc. can be sole signer with consent from the Port

(4) SSA Terminals (Seattle), LLC is a joint venture among SSA Seattle, LLC, China Shipping Terminals (USA), LLC, and Matson Seattle LLC.

(5) The primary member of Total Terminals International LLC is Hanjin Shipping Company, Ltd which holds a 60% interest.

(6) Panamax cranes are designed to service container ships that can pass through the Panama Canal (up to a width of 106 feet) before the expansion of the Panama Canal is completed. Post-Panamax cranes and Super Post-Panamax cranes are designed to service container ships with a width in excess of 106 feet that are currently too wide to pass through the Panama Canal. Post-Panamax cranes are able to service vessels with a width to accommodate up to 17 rows of containers. Super Post-Panamax cranes are able to service vessels with a width accommodating 18 or more rows of containers.

(7) Cranes owned by Port of Seattle.

(8) Cranes owned by Lessee.

(9) Comprised of two non-contiguous berths of approximately 1,200 and 1,500 linear feet respectively.

Note: Corporate ownership information provided in the footnotes above is based on information from the container terminal tenants and has not been independently verified.

Source: Port of Seattle.

Noncontainer Trade and Other Seaport Services

In addition to handling facilities for containerized cargo, the Port offers handling facilities for non-containerized cargo such as grain, breakbulk and liquid bulk commodities. Volumes of non-containerized cargoes, grain in

particular, have fluctuated substantially from year to year and the revenues from the lease of the grain terminal are largely dependent on volume.

TABLE 12

**Seattle Harbor Grain Volumes
2001 - 2010
(in metric tons)**

Fiscal Year	Grain
2001	2,714,874
2002	1,679,821
2003	3,107,732
2004	3,877,991
2005	5,049,107
2006	5,901,821
2007	5,333,018
2008	6,400,778
2009	5,512,164
2010	5,491,360

Source: Port of Seattle

The Port owns two cruise ship terminals, one located at Pier 66 on the Central Harbor waterfront, just west of downtown Seattle, and the second at Terminal 91, just north of downtown. The Terminal 91 cruise ship terminal opened in April, 2009 to replace the facility at Terminal 30. The cruise ship terminals principally serve ships bound for the Alaska cruise market. Vancouver, British Columbia also has cruise ship facilities used by cruise lines that serve the Alaska cruise market. The Port's cruise ship facilities are operated by Cruise Terminals of America (a joint venture by General Steamship Agencies, SSA Marine Inc., and Columbia Hospitality, Inc.), pursuant to a lease that expires on December 31, 2012. The Port's revenues from the cruise ship facilities leases and agreements are dependent upon cruise ship volume.

TABLE 13

**Seattle Harbor Cruise Traffic
2001 - 2010**

Fiscal Year	Cruise Ship Vessel Calls ⁽¹⁾	Cruise Ship Passengers
2001	52	166,815
2002	75	244,905
2003	99	344,922
2004	148	562,308
2005	169	686,978
2006	196	751,074
2007	190	780,593
2008	210	886,039
2009	218	875,433
2010	223	931,698

(1) Seattle participated in the Alaska cruise market since the early 1990s through hosting port of call vessels. Seattle first became a homeport to cruise ships for the Alaska market in 2000.

Source: Port of Seattle

The Seaport also derives revenues from leases, dockage and other fees from various industrial uses. The most significant sources of lease revenue are from: facilities for a domestic ocean freight transportation company shipping freight between Seattle, Alaska, and Hawaii; for seafood processing and cold storage companies; a manufacturing/fabrication company servicing fish processing vessels; and a container storage and repair company. Dockage, moorage and wharfage fees are primarily from fishing vessels some of which off-load seafood at docks adjacent to seafood processing and cold storage facilities.

REAL ESTATE DIVISION

The Real Estate Division was formed as a separate operating division of the Port effective January 1, 2008 to manage certain Port real estate holdings, including facilities that had been managed by the Seaport Division. In 2010, the Real Estate Division had total operating revenues of \$29.8 million. Responsibilities of the Real Estate Division include the management and operations of several Port-owned recreational and commercial marinas, management of leased commercial and industrial properties primarily at the Port's central waterfront and upland properties at marinas and commercial vessel moorage facilities, including several operations that were formerly a part of the Seaport. The Real Estate Division also manages the Eastside Rail Corridor industrial property described below and plans and facilitates the development of selected real estate assets currently within the Port's portfolio.

On May 12, 2008, the Port signed a purchase agreement and a donation agreement with BNSF to acquire the 42-mile Eastside Rail Corridor. On December 21, 2009, the Port completed the acquisition of the Eastside Rail Corridor for \$81.5 million. Portions of the Eastside Rail Corridor have been conveyed or are expected to be conveyed to a variety of public agencies or other entities for consideration. The Port expects that other local agencies will acquire portions of or easements on the Rail Corridor, offsetting a portion of the Port's acquisition costs. The timing and amounts of this partner participation are uncertain.

CAPITAL PLAN FUNDING

Each year, the Port engages in a capital planning and review process to review the multi-year Capital Improvement Program (the "CIP") and to develop a draft plan of finance for the following five years. Once approved by the Commission, the next year of the CIP forms the basis of the Port's capital budget, which, together with the Port's operating forecast, is the key component of the Port's draft plan of finance. The draft plan of finance is designed to provide guidance on long-term funding as planning and investment decisions are made during the year and is consistent with the Port's financial management policies.

In addition to the capital investment programs for the Airport, Seaport, and Real Estate Divisions, the Port forecasts capital investment for Corporate Professional and Technical Services (primarily for information technology improvements).

The table below summarizes the Port's committed and prospective CIP expenditures (excluding financing costs) for the 2012-2016 period. This plan is preliminary; the draft plan of finance will be finalized in December 2011. Committed Projects are ongoing projects or projects that are ready to move forward and for which a funding commitment will be secured. Business Plan Prospective Projects are considered critical for achieving business plan goals and have business unit or division approval but are less certain in timing or scope and are not yet under contract so can more easily be deferred.

TABLE 14

**Port of Seattle
Preliminary Capital Improvement Plan⁽¹⁾
2012 - 2016**

Division	Committed Projects	Business Plan Prospective	Total (millions) ⁽²⁾
Aviation Division	\$ 444	\$ 651	\$ 1,095
Seaport Division	42	254	296
Real Estate Division	21	33	54
Corporate Professional and Technical Services	25	39	64
Total (millions) ⁽²⁾	\$ 532	\$ 977	\$ 1,509

(1) From the Port of Seattle 2012 Preliminary Budget; may differ from 2012 Final Budget.

(2) Excludes financing costs. Does not include non-capital expense (public assets expense, environmental expense).

Source: Port of Seattle.

Aviation Division Committed Capital Plan. The Aviation Division capital program has shifted from capacity enhancement projects to renewal and replacement. The major exception to this shift in project focus is the Port’s consolidated rental car facility, currently under construction. The remote rental car facility is intended to accommodate all rental car companies desiring to rent space at the Airport. Most of the budgeted funds for this project have already been expended. Additional projects in the Aviation Division’s committed capital plan include the replacement of terminal escalators (including replacement of 42 aging escalators over a seven-year period), various terminal modifications and realignment of airline locations, improvements to the Federal Inspection Services area for international arrivals to expand capacity, noise mitigation (involving the buy-out or insulation of single-family houses, multi-family buildings, and institutional buildings), installation of pre-conditioned air for heating and cooling of aircraft while parked at Airport gates, pavement replacement at various airfield locations, buying out the lease of the U.S. Postal Service Airmail Center together with demolition of the building, and the construction of aircraft parking hardstands and investing in electrical ground service equipment and infrastructure.

Seaport Division Committed Capital Plan. The Seaport Division’s 2012-2016 capital improvement program continues the Port’s emphasis on supporting investments in facilities and infrastructure for the movement of cargo and cruise ship passengers. The most significant container related project is the redevelopment of approximately 10 acres at Terminal 25/30 South for container yard operations. This project is contingent on a request by a terminal operator to lease the facility under economically feasible terms. Other container related projects include replacement of a damaged fender system at Terminal 18 and various street vacation related projects resulting from previous terminal expansions at Terminals 5, 18 and 30. Other industrial property projects are primarily renewal and replacement efforts. These include the replacement of a water main at Terminal 91 and a roof replacement for a tenant-occupied cold storage building on Pier 90. The most significant cruise-related project is the upgrade of the Pier 91 fender system. In addition, there are security upgrades and environmental initiatives primarily related to storm water improvements. In addition to the capital projects included in the CIP, the Seaport’s recent facility assessment indicated the need for an estimated \$30 million in pile cap repairs that may be undertaken in the next few years. This project will likely be accounted for as an operating expense. Seaport will need to defer \$14 million out of its capital plan (from the perspective of either the committed or business plan) to stay within its funding policies, which include operating cash flow margins and minimum operating fund balances.

Real Estate Division and Corporate Committed Capital Plans. The Real Estate Division’s 2012-2016 capital improvement program includes renewal and replacement of infrastructure, building components and systems that are at or beyond the end of their useful lives and environmental programs and tenant improvements related to the re-letting of space expected to become vacant as existing leases expire. Corporate projects are primarily technology investments and are allocated to the three operating divisions.

Funding. The Port expects to derive funding for its \$1,509 million capital improvement program from a variety of sources. The Airport and Seaport Divisions expect to fund their projects using their designated funds, including net income, federal grants, existing bond proceeds, PFCs, CFCs, proceeds of additional revenue bonds estimated to fund \$744 million, and an expected additional \$50 million draw on commercial paper in December 2011. The Seaport Division will need to defer \$14 million out of its capital plan (from the perspective of either the committed or

business plan) to stay within its funding policies, which include operating cash flow margins and minimum operating fund balances.

Public Expense. In addition to the capital projects described above, the Port participates in public projects, particularly in connection with freight mobility. On February 9, 2010 the Commission approved a memorandum of agreement with the Washington State Department of Transportation regarding the Port's participation in the replacement of the Alaskan Way Viaduct. Under the agreement, the Port's contribution will not exceed \$300 million (including \$19 million that the Port is investing in related projects). The Port expects to pay the remaining \$281 million from a combination of bond funding (limited tax general obligation bonds to be issued in the future) and from proceeds of the Tax Levy. The timing of the Port's contribution has not been determined, but the Port expects that a significant portion of its contribution will occur around 2016.

PORT FINANCIAL MATTERS

General

The Port's audited financial statements (the Enterprise Fund and the Warehousemen's Pension Trust Fund) as of December 31, 2010 and 2009 and for the years ended December 2010, 2009, and 2008, respectively, are set forth in Appendix A, together with the Independent Auditors' Report thereon. See "INDEPENDENT AUDITORS."

Summary of Historical Operating Results

The following table summarizes selected operating results of the Enterprise Fund of the Port for fiscal years 2006 through 2010. The summary sets forth operating results as extracted by Port management from the Port's audited financial statements for the years ended December 31, 2006 through 2010. For a discussion of the Port's 2009 and 2010 operating results, see Management's Discussion and Analysis in Appendix A. In its audited financial statements for the years ended December 31, 2006 through 2010 and in the Master Resolution, the Port does not account for proceeds of the Tax Levy, Customer Facility Charges, federal capital grant receipts or PFCs as operating revenue and, accordingly, such proceeds are not included in the summaries of operating results presented below.

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TABLE 15
Port of Seattle Five-Year Selected Historical Operating Results
For the Years Ended December 31, 2006 Through 2010
(in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
REVENUES:					
Operating					
Aviation					
Property Rentals	\$209,975	\$213,367	\$208,577	\$200,520	\$205,537
Landing Fees	46,730	53,158	65,771	50,847	56,647
Parking ⁽¹⁾	53,628	57,305	61,313	51,995	52,336
Operating Grants & Contract Revenues ⁽²⁾	1,188	53	144	395	771
Other Revenues ⁽³⁾	25,891	22,191	21,437	24,484	26,882
Total Aviation Revenues	<u>\$337,412</u>	<u>\$346,074</u>	<u>\$357,242</u>	<u>\$328,241</u>	<u>\$342,173</u>
Seaport					
Property rentals	71,314	73,746	68,828	71,330	77,878
Equipment rentals	10,441	9,689	8,944	8,758	9,036
Operating Grants & Contract Revenues ⁽²⁾	2,946	1,486	1,316	2,292	1,791
Other Revenues ⁽⁴⁾	24,482	26,122	7,165	8,311	9,145
Total Seaport Revenues	<u>\$109,183</u>	<u>\$111,043</u>	<u>\$86,253</u>	<u>\$90,691</u>	<u>\$97,850</u>
Real Estate ⁽⁵⁾					
Property rentals	--	--	\$11,660	\$10,580	\$9,381
Berthage and moorage	--	--	9,073	9,793	9,901
Utilities	--	--	1,089	1,225	1,157
Security Grants	--	--	--	19	--
Other	--	--	12,975	8,515	9,381
Total Real Estate Revenues	<u>--</u>	<u>--</u>	<u>\$34,797</u>	<u>\$30,132</u>	<u>\$29,820</u>
Other					
Other Revenues ⁽⁶⁾	359	771	231	371	647
TOTAL OPERATING REVENUES	<u><u>\$446,954</u></u>	<u><u>\$457,888</u></u>	<u><u>\$478,523</u></u>	<u><u>\$449,435</u></u>	<u><u>\$470,490</u></u>
EXPENSES:					
Operating					
Aviation	\$126,635	\$132,984	\$147,453	\$128,440	\$136,105
Seaport	46,384	45,759	26,287	28,092	26,556
Real Estate	--	--	32,990	24,325	26,017
Environmental ⁽⁷⁾	99	214	3,230	2,139	--
Administration	51,807	57,940	64,659	62,771	64,786
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION	<u>\$224,925</u>	<u>\$236,897</u>	<u>\$274,619</u>	<u>\$245,767</u>	<u>\$253,464</u>
NET OPERATING INCOME BEFORE DEPRECIATION	<u>\$222,029</u>	<u>\$220,991</u>	<u>\$203,904</u>	<u>\$203,668</u>	<u>\$217,026</u>
DEPRECIATION	<u>140,190</u>	<u>141,588</u>	<u>144,208</u>	<u>157,068</u>	<u>160,775</u>
OPERATING INCOME	<u><u>\$81,839</u></u>	<u><u>\$79,403</u></u>	<u><u>\$59,696</u></u>	<u><u>\$46,600</u></u>	<u><u>\$56,251</u></u>

- (1) Includes public parking and employee parking. Revenues derived from car rental companies are included as "property rentals."
(2) During 2009, certain current and prior-year operating grants and contract revenues were reclassified as Non-Operating revenue to comply with GASB #9. As such, 2006-2008 balances have been restated from prior year disclosures.
(3) Includes primarily ground transportation fees.
(4) Includes dockage and wharfage and sales of utilities. Until 2008 also included revenues from conference and meeting center operations which moved to Real Estate in 2008.
(5) Real Estate Division added beginning FY 2008.
(6) Through 2008, includes combined revenues of the corporate services department and the Economic Development Division. As of 2009, is composed only of Corporate Services.
(7) During 2009, certain current and prior-year operating environmental expenses were reclassified as Non-Operating expenses to comply with GASB #49. As such, 2006-2008 balances have been restated from prior-year disclosures.

Source: Port of Seattle.

OTHER MATTERS

Investment Policy

The Port has an adopted investment policy, which was last amended on October 23, 2007. For the purpose of purchasing investments, the Port pools its own funds, including funds established with bond proceeds. Investment earnings from the pool are allocated monthly to each participating fund based upon the average daily balance of each fund.

Under the Port's current investment policy, the Port may invest in (i) U.S. Treasury securities; (ii) U.S. agency securities including mortgage backed securities of these agencies limited to (1) collateralized mortgage pools having a stated final maturity not exceeding the maturity limits of the investment policy (10 years), and (2) planned amortization and sequential pay classes of collateralized mortgage obligations collateralized by 15-year agency-issued pooled mortgage securities having a stated final maturity not exceeding the maturity limits of the investment policy; (iii) certificates of deposit with Washington State banks authorized by the State's Public Deposit Protection Commission; (iv) bankers' acceptances, on the secondary market, issued by any of the top 50 world banks in terms of assets; and (v) repurchase agreements, provided that (1) the repurchase agreement may not exceed 60 days; (2) the underlying collateral must be a security authorized by the investment policy for purchase; and (3) all underlying securities used for repurchase agreements are settled on a delivery versus payment basis. Securities collateralizing repurchase agreements must be marked to market daily and have a value of at least 102 percent of the cost of the repurchase agreement for terms less than 30 days and 105 percent for terms in excess of 30 days. Other permitted investments include reverse repurchase agreements with terms not exceeding 60 days, commercial paper purchased on the secondary market, rated no lower than A1/P1 as authorized by Washington State Investment Board Guidelines, and certain municipal bonds rated "A" or better by at least one nationally-recognized credit rating agency.

The Port's current investment policy diversification parameters allow for 100 percent of the portfolio be invested in U.S. Treasury securities, 60 percent in U.S. agency securities, excluding agency discount notes, 20 percent in agency discount notes, 10 percent in agency mortgage-backed securities, 15 percent in certificates of deposit, 20 percent in bankers' acceptances, 20 percent in commercial paper, 15 percent in overnight repurchase agreements, 25 percent in term repurchase agreements, and five percent in reverse repurchase agreements.

For information on the Port's investments, see Note 2 in the financial statements of the Port included in Appendix A.

Labor Relations

The Port budgeted for approximately 1,697 regular full-time-equivalent employees in 2011, an increase of approximately 1.0 percent from 1,680 in the 2010 budget. Approximately 744 employees belong to bargaining units under 21 labor contracts.

Pension Plans

Salaried employees of the Port belong to one of two retirement systems, the Public Employees Retirement System ("PERS") or the Law Enforcement Officers and Firefighter Fund ("LEOFF"), both of which are administered by the State. The State administers these and other defined benefit retirement plans, including plans that cover both State and local government employees. The retirement plans are funded by contributions from employers, contributions from employees and investment returns.

Contribution rates for the plans for the upcoming biennium are adopted by the State during even-numbered years according to a statutory rate-setting process. The process begins with the Office of the State Actuary (the "OSA") performing an actuarial evaluation of each plan and determining recommended contribution rates. Actuarial valuations are prepared on a plan-wide basis and not for individual employers such as the Port. The State actuary is required to provide an actuarial valuation of each retirement system, including PERS and LEOFF, every two years. In practice, however, the OSA provides valuations annually, although only the valuations for odd-numbered years are used to calculate contribution rates. The OSA provides preliminary results and recommended contribution rates to the Select Committee on Pension Policy, a committee of the Legislature (the "SCPP"), and the Pension Funding Council ("Pension Council"). The Pension Council, based on the recommendations of the OSA and the SCPP,

adopts contribution rates. The rates adopted by the Pension Council are subject to revision by the Legislature, and the Legislature may, and in each of the past eleven years has, adopted contribution rates lower than those suggested by the OSA and adopted by the Pension Council. A temporary and supplemental contribution rate increase is required to be charged to fund the cost of any benefit enhancements enacted following the adoption of the basic rates, and the supplemental contribution rates are included in the basic rates at the beginning of the next contribution rate-setting cycle. All employers are required to contribute at the levels established by the Legislature.

Because the contribution rates for the State-administered plans are set by the State and are beyond the control of the Port, the Port's liability is limited to its commitment to make the required deposits into the PERS and LEOFF funds. Similarly, the Port's risks regarding the funds are limited to the possibility of unexpected changes to contribution rates set by the State.

The Port's deposits to both funds are current. The Port's required contributions for the years ended December 31 were as follows:

TABLE 16

**Port of Seattle Actuarially Required PERS Pension Contributions
2008 - 2010**

<u>Year</u>	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2008	\$ 641,065	\$ 4,352,159	\$ 547,015
2009	364,621	4,361,076	634,677
2010	514,124	3,453,778	543,982

Source: Port of Seattle.

TABLE 17

**Port of Seattle Actuarially Required LEOFF Pension Contributions
2008 - 2010**

<u>Year</u>	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2 (Firefighters)</u>	<u>LEOFF Plan 2 (Police Officers)</u>
2008	\$ 378	\$ 340,537	\$ 906,652
2009	386	348,834	857,363
2010	14	379,715	918,386

Source: Port of Seattle.

On May 25, 2004, the Port adopted an amended plan and trust agreement for the Warehousemen's Pension Plan and Trust (the "Warehousemen's Pension Plan") that gives the Port sole administrative control of the pension plan and guarantees that the Port will pay all accrued benefits for former employees of the warehouse and distribution business, which was closed in 2002. The Warehousemen's Pension Plan is a defined benefit plan. The Warehousemen's Pension Plan is closed and provides that only service credited and compensation earned prior to April 1, 2004, will be utilized to calculate benefits. As of December 31, 2010, the unfunded accrued actuarial liability was \$14,036,000, and the funded ratio was 42.5 percent. The December 31, 2010, valuation included an assumed average rate of return of 7.0 percent, net of investment expenses, and an amortization period of 20 years. See Note 14 in Appendix A.

Other Post-Employment Benefits

In addition to pension benefits described in Note 8 of the audited financial statements included in Appendix A, the Port provides other post employment benefits ("OPEB") as described in Note 9. As of December 31, 2010, the Port had an actuarial accrued liability of \$7,260,000 for LEOFF Plan 1 Members' Medical Services Plan benefits. As of December 31, 2010, the Port had a net OPEB obligation associated with life insurance coverage for eligible retired employees of \$1,099,000. See Note 9 in Appendix A.

Environmental Concerns

The Port has been notified by federal and State environmental agencies that it is potentially liable for some or all of the costs of environmental investigation and cleanup activities on some Port-owned property. The Port has identified a number of contaminated sites on Aviation, Seaport, and Real Estate properties and facilities that must be investigated for the presence of hazardous substances and remediated in compliance with federal and State environmental laws and regulations. Some Port facilities may require asbestos abatement, and some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments and/or groundwater. In some cases, the Port has been designated by the federal government as a “Potentially Responsible Party,” and/or by the State government as a “Potentially Liable Person” for the investigation and cleanup of properties owned by the Port or where the Port may have contributed to site contamination. Although the Port may not bear ultimate liability for the contamination, under federal and State law, the Port is presumptively liable as the property owner, and it is often practically and financially beneficial for the Port to take initial responsibility to manage and pay for the cleanup. In each of these matters, the Port is cooperating with the notifying agency and taking appropriate action with other parties to investigate and remediate environmental damage or contamination. Currently, it is not possible to determine the full extent of the Port’s liability in these matters.

The Port has developed a procedure consistent with the accounting rules to recognize liabilities for environmental cleanups, to the extent that such liabilities can be reasonably estimated. As of December 31, 2010, the Port had recognized liabilities for environmental cleanups in the amount of approximately \$56.7 million. Where appropriate, the Port is pursuing financial reimbursement from state funding agencies, other potentially liable parties, and from its insurers. See Note 1 – Environmental Remediation Liability and Note 10 in Appendix A.

In addition to previously-recognized liabilities, the Port is aware of sites that are likely to become recognized liabilities in the future. Some of these potential liabilities could be significant but are too uncertain in terms of scope, amount and timing to be recognized under the accounting rules. For example, the Port is one of several entities potentially liable for the cleanup of sediments in the Duwamish River. The Lower Duwamish Waterway Group (the “LDWG”), a partnership of the Port and three other entities, has been conducting investigations of Duwamish River sediments for over ten years. The cleanup phase is now approaching, and LDWG recently submitted a Draft Final Feasibility Study of cleanup alternatives – encompassing removal, containment, and natural recovery options – that is currently being reviewed by the regulatory agencies. Present value cost estimates for the alternatives range from \$66 million to \$1.3 billion. The Port cannot predict which alternative will be chosen, the actual final cost, or what the Port’s share of those costs will be.

INSURANCE

General Overview

The Port of Seattle has a comprehensive risk management program that financially protects the Port against loss from adverse events to its property, operations, third-party liabilities, and employees. The Port’s insurance year for liability coverage runs from October 1, 2011 to October 1, 2012. The Port’s insurance year for property coverage runs from July 1, 2011 to July 1, 2012. The Port utilizes the services of Alliant Insurance Services for the placement of its liability insurance. The Port also utilizes Alliant Insurance Services to purchase its property insurance. Alliant was selected through a competitive selection process in 2009. All of the Port’s insurance carriers are rated “A” or better by the A.M. Best & Company and include Chartis, Lexington, Navigators Insurance, and National Union.

Property Insurance

The Port maintains a comprehensive property insurance program for loss of, and damage to, Port property including business interruption and equipment breakdown with a \$1 billion (\$1,000,000,000) per occurrence limit at a \$500,000 per occurrence deductible. Terrorism coverage is provided with a sub-limit of \$250 million per occurrence. Coverage for flood is capped at an annual aggregate of \$25 million above a flat \$500,000 deductible. Property insurance coverage extends to contractors of the Port, in addition to the Port, for property damage to the capital improvements that are in the course of construction. This “course of construction” coverage has a maximum limit of \$50 million per project. Projects under construction with values that exceed \$50 million must be specifically underwritten. The Port does not purchase earthquake insurance for its property unless it is part of a stand-alone builder risk property insurance policy specific to a project under construction.

Builder Risk Property Insurance

Builder risk property insurance applies to large projects, namely those above \$50 million in completed value, for which a specific policy is issued to cover potential losses that occur during the construction period. In June 2008, the Port purchased a specific three year stand alone builder risk property insurance policy to cover the construction of the Consolidated Rental Car Facility. The policy covers the Port and its contractor's interest in the property. Limits on this policy are \$280 million with smaller sub-limits to cover the perils of windstorm, flood, earthquake, and terrorism. The policy deductible is \$50,000 per occurrence. Earthquake limits are capped at \$150,000,000. In December of 2009, the Port purchased a second specific builder risk policy to cover the Spokane Street/East Marginal Way Grade Separation Project. The policy has limits of \$20 million and includes coverage for damage caused by earth movement (earthquake). These policies will expire in November of 2011.

Liability Insurance

The Port purchases excess non-aviation commercial general liability insurance which covers losses involving actual or alleged bodily injury and property damage that arises from claims made against the Port by third parties. The excess general liability limit is \$50 million per occurrence with a \$1 million per claim retention. This excess liability coverage is for the Port's non-aviation operations, automobile, employee benefits, and foreign liability exposures. Coverage includes claims resulting from bodily injury and property damage arising from terrorism acts (under the Terrorism Risk Insurance Program Reauthorization Act of 2007).

The Port purchases a separate airport operator's liability insurance policy which covers liability claims from third parties that involve property damage and bodily injury that arise out of airport operations. The limit of liability is \$500 million with a \$1 million per claim retention. Coverage for events stemming from terrorism and/or war is excluded. In 2007, the Port added Robinson Aviation (ramp tower control vendor) as an insured onto this policy to cover the liability exposure of aircraft movement on the ramp area.

Separate liability policies have been purchased to cover the Port's public officials' and employment practices liability (\$10 million limit/\$1 million per claim retention); fiduciary liability (\$5 million limit/no-deductible), and police professional liability (\$10 million limit/\$1 million per claim retention). The Port also purchases an employee dishonesty policy (formerly called a fidelity bond) protecting the Port from liability due to the dishonesty of Port employees. This policy has a \$5 million limit. The Port self-insures its workers' compensation exposure.

Third Party Agreements

Contractors, tenants, and lessees, are required to carry at least \$1 million of commercial general liability insurance (\$10 million for large construction projects and higher-risk projects) and automobile liability insurance of at least \$1 million (\$5 million for automobiles operated on the non-movement part of the aircraft operations area and \$10 million for automobiles operated on the aircraft movement area of the aircraft operations area). The Port requires airline tenants at Seattle-Tacoma International Airport to provide between \$50 million and \$300 million per occurrence liability limits. Contractors must also provide proof of workers' compensation coverage for their employees as well as Washington State "stop-gap" coverage that covers employers' liability. The Port of Seattle requires all contractors, tenants, and lessees, to include the Port of Seattle as an "additional insured" on their policies of commercial general liability insurance. All contracts and lease agreements require that the Port, and its employees, officers, and commissioners are to be held harmless and indemnified for all actual and alleged claims that arise out of the acts of the Port's contractors, consultants, vendors, and lessees. Professionals such as engineers, architects, and surveyors, are also required to carry professional liability (errors and omissions) insurance for work they do for the Port.

Owner Controlled Insurance Program

The Airport Capital Improvement Program (the "ACIP") construction projects (built between 2001 and 2008) were insured against third party claims under an Owner Controlled Insurance Program (the "OCIP") that expired on December 31, 2008. All ACIP work completed prior to the OCIP termination date continues to be covered for potential future claims for property damage and bodily injury through December 31, 2014. All potential claims that may arise from errors and omissions involving professional work will be potentially covered under the OCIP

program if the claim is reported prior to December 31, 2016. The OCIP insured the Port, construction managers, eligible and enrolled contractors, and other designated parties for work performed under the ACIP. Certain Contractors and Subcontractors and their employees were excluded from this program. No new claims were made on any of the OCIP policies between October 1, 2010, and October 1, 2011.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the Series 2011 Bonds involves investment risk. Prospective purchasers of the Series 2011 Bonds should consider carefully all of the information set forth in this Official Statement, including its appendices, evaluate the investment considerations and merits of an investment in the Series 2011 Bonds and confer with their own tax and financial advisors when considering a purchase of the Series 2011 Bonds.

The Series 2011 Bonds are secured solely by a pledge of Net Revenues. The Port's ability to derive Net Revenue from operation of the Port sufficient to pay debt service on the Series 2011 Bonds and its other revenue obligations depends on many factors, some of which are not subject to the control of the Port.

Factors subject to the Port's control, to some degree, include the contractual terms the Port establishes with its tenants including airlines and container terminal operators as well as the contractual terms the Port establishes with banks and other entities providing liquidity or credit enhancement for Port obligations and whether and when to amend such terms. In addition, the Port determines, subject to the requirements of the Master Resolution, whether and when to issue additional indebtedness secured by a lien on Net Revenue either on a parity with or subordinate to the Series 2011 Bonds.

There are many factors outside of the Port's control that can affect activity levels in the Port's operating divisions. Some known factors include the level of economic activity both within and outside of the area served by the Port, general demand for air travel and commodities, the financial condition of the airline and shipping industries, regulation of the Port and Airport and Seaport operations, global health, security and other geopolitical concerns, and natural disasters.

The following section discusses some of the factors affecting Net Revenues. The following discussion cannot, however, describe all of the factors that could affect Net Revenues. In addition to these known factors, other factors could affect the Port's ability to derive Net Revenues sufficient to pay debt service on the Series 2011 Bonds and the Port's other revenue obligations.

Uncertainties of the Aviation Industry

The ability of the Port to generate revenues from its Airport operations depends, in part, upon the financial health of the aviation industry. The economic condition of the industry is volatile, and the aviation industry has undergone significant changes, including mergers, acquisitions, bankruptcies and closures in recent years. The industry is cyclical and subject to intense competition and variable demand. Further, the aviation industry is sensitive to a variety of factors, including (i) the cost and availability of labor, fuel, aircraft and insurance, (ii) general economic conditions, (iii) international trade, (iv) currency values, (v) competitive considerations, including the effects of airline ticket pricing and increased taxes and fees, (vi) traffic and airport capacity constraints and the national aviation system capacity constraints, (vii) uncertainties of federal funding, governmental regulation, including security regulations and taxes imposed on airlines and passengers, and maintenance and environmental requirements, (viii) passenger demand for air travel, and (ix) disruption caused by airline accidents, natural disasters, criminal incidents and acts of war or terrorism, such as the events of September 11, 2001. The aviation industry is also vulnerable to strikes and other union activities. Airlines operating at the Airport have filed for bankruptcy in the past and may do so in the future.

Airline Agreements

Each of the 2006 Airline Agreements expires on December 31, 2012, unless terminated earlier by either party. There is no guarantee that the Port will be able to enter into a new agreement with the same or more favorable terms or that any rate resolution would not be challenged by one or more of the airlines or that the Port would not choose to amend its agreements or resolutions to respond to adverse economic or other conditions at the Airport. The airlines are not required to pay for all of the Port's costs at the Airport or to provide debt service coverage on all of

the Port's Airport-related bonds. See AVIATION DIVISION – Airport Business Agreements –The Airline Agreements.”

Uncertainties of Non-Airline Revenues

In addition to revenue from the airlines, the Aviation Division has the use of non-airline revenue, such as parking and concession revenue, for example, but also takes the risk that such revenue may not be sufficient to enable the Aviation Division to satisfy from non-airline revenue all of its obligations not covered by the airlines. The Port's ability to generate revenues at the Airport from its non-airline businesses (including parking, car rentals and terminal concessions such as food and beverage sales) depends, in part, upon the volume of passengers passing through the Airport, economic conditions, and ground transportation and terminal concessions preferences, pricing and alternatives.

Uncertainties of the Maritime Industry

The Port's ability to generate revenues from its Seaport Division operations depends, in part, upon the financial health of the maritime industry and upon the Port's tenants' abilities to compete with other terminals at other ports in North America. The maritime industry and the demand for and utilization of Seaport Division facilities is sensitive to a variety of factors, including (i) the cost and availability of labor, fuel and insurance, (ii) general economic conditions, (iii) international trade, (iv) currency values, (v) competitive considerations, (vi) governmental regulation and (vii) disruption caused by natural disasters, criminal incidents and acts of war or terrorism. The maritime industry is also vulnerable to strikes and other union activities. Seaport tenants and customers may file for bankruptcy. The impacts of a bankruptcy are discussed under “Bankruptcy.” These factors and therefore the relative attractiveness of the Port may differ significantly from other ports. The Port and its tenants compete for cargo with ports in Canada and Mexico as well as ports in the United States.

Competition from Other Maritime Ports

The Port competes for market share with other United States West Coast ports, as well as with ports in other parts of the United States and in Canada and Mexico. Factors such as the total delivered cost for goods, service reliability, available distribution and transload facilities and transit time affect carrier decisions (and sometimes shipper directions) about which port to use. These may be affected by developments outside the Port's control. For example, future developments such as the anticipated completion of the widening of the Panama Canal in 2014 could impact the Seaport Division's market share, as could expansions at other ports on the West Coast or elsewhere in North America. The revenues of the Port may be adversely impacted by increased competition, additions to port facilities, and pricing decisions by other port facilities; the Port cannot predict the scope of any such impact at this time.

In addition, the imposition of fees that apply only to the Seaport or only to a subset of ports including the Seaport (such as fees that only apply to state or United States ports, e.g. the harbor maintenance tax on United States ports), increase the ocean carriers' cost to use the Seaport facilities and may adversely impact the Port's revenues. The Port cannot predict whether any such fees will be imposed, the amount of such fees or the impact thereof on Port revenues.

Other Agreements

The Port has entered into various agreements that provide rent and concessions revenue to the Port. Some of the revenue payable under these agreements is based on volume and thus will vary, perhaps substantially. These agreements have various expiration dates. There is no guarantee that agreements will be renewed or that new agreements will have similar provisions and associated revenues. There is also no guarantee that existing agreements will not be amended with terms less favorable than current terms.

Liquidity and Credit Facilities

The Port purchased from monoline bond insurance companies surety bonds to satisfy debt service reserve fund obligations in connection with certain outstanding Port debt, including First Lien Bonds other than the Series 2009 Bonds, Series 2011 Bonds, and all outstanding Intermediate Lien Parity Bonds other than the Series 2005

Intermediate Lien Parity Bonds. In addition, bank letters of credit provide liquidity and credit enhancement for certain of the Port's Subordinate Lien Parity Bonds (variable rate demand obligations and commercial paper). In these and other respects, the Port is exposed to rating and other credit-related risks associated with various monoline insurers and banks.

Although the Port is not obligated to purchase variable-rate Subordinate Lien Parity Bonds if a bank fails to honor its letter of credit, the Port is exposed to bank credit risk. Rating downgrades or other credit events affecting the banks, for example, have and can result in higher variable interest rates paid by the Port, either in connection with remarketed bonds or "bank bonds" purchased by the bank upon a failed remarketing or upon a mandatory tender that would be required if an expiring letter of credit cannot be replaced. As described under the heading "SECURITY AND SOURCES OF PAYMENT FOR FIRST LIEN BONDS—Defaults and Remedies; No Acceleration; Rights of Credit Facility Issuers," a Port event of default (including, in certain circumstances, a rating downgrade or withdrawal) under bank reimbursement agreements pursuant to which the letters of credit were issued, among other events, would entitle the bank to require the mandatory tender for purchase of all of the Subordinate Lien Parity Bonds secured by such letter of credit. In that event or upon the purchase by the bank of "bank bonds" resulting from an inability to convert the bonds or to remarket the bonds for a period, to issue new commercial paper or to replace an expiring letter of credit, the Port would be required to reimburse the bank or to purchase or redeem all of such bonds over a three- to five-year period and to pay interest at the rates set forth in the applicable reimbursement agreement.

Bankruptcy

The bankruptcy of a signatory airline or of another tenant or customer of the Port could result in delays, additional expenses and/or reductions in payments or nonpayment to the Port and, as a result, could reduce Gross Revenue and Net Revenue. Bankruptcy law in the United States is governed by the United States Bankruptcy Code (the "Bankruptcy Code"), and federal bankruptcy courts retain jurisdiction over parties that are subject to bankruptcy petitions, voluntarily or involuntarily. Bankruptcy courts have the jurisdiction, within the limits of the Bankruptcy Code, to review debtors' agreements and the debtors' decisions to assume or reject their agreements and to approve, reject or delay payments of debtors' financial and other obligations. Risks associated with bankruptcy include risks of substantial delay in payment or of non-payment, the risk that the Port might not be able to enforce its other contractual remedies, the risk that the Port may have to return certain payments received during "preference" period and the risk of additional litigation costs if the Port determines or is required to participate in bankruptcy proceedings. Bankruptcy of a major tenant or customer could result in long delays and significant costs and possibly in large losses to the Port.

Under current Washington law, local governments, such as the Port, may be able to file for bankruptcy under Chapter 9 of the Bankruptcy Code. In 1935, the Washington state legislature authorized any taxing district in the state of Washington to file a petition mentioned in Section 80 of chapter IX of the federal bankruptcy code approved July 1, 1898, as amended (including acts amendatory thereof and supplementary thereto, as the same may be amended from time to time). Taxing districts in the state of Washington also are expressly authorized to carry out a plan of readjustment if approved by an appropriate court. If the Port were to become a debtor in a federal bankruptcy case, owners of the Series 2011 Bonds may not be able to exercise any of its remedies under the Master Resolution during the course of the proceeding. Legal proceedings to resolve issues could be time consuming and expensive, and substantial delays or reductions in payments could result.

Laws and Regulation

The Port operates the Airport pursuant to an airport operating certificate issued annually by the FAA. In addition to this operating certificate, the Airport is required to obtain other permits and/or authorizations from the FAA and from other regulatory agencies and is bound by contractual agreements included as a condition to receiving grants under the FAA's grant programs. Limitations apply to the Port's use of PFCs. Federal law also governs certain aspects of rate-setting and restricts grants of exclusive rights to conduct an aeronautical activity at an airport that receives or has received federal grants and other property.

The Port is required to comply with the provisions of federal security statutes including the Aviation Security Act, and with the regulations of the TSA. Failure by the Port (or by its contractors or tenants) to comply with, or

violations of, statutory and regulatory requirements could result in the loss of grant and PFC funds and other consequences.

The Port and its contractors and tenants are subject to other federal, state and local laws and regulations. The Port is regulated by the federal Environmental Protection Agency and the Washington Department of Ecology in connection with various environmental matters. The Port's handling of noise, including restrictions and abatement programs, is also subject to the requirements of federal and State statutes and regulations.

These statutory and regulatory requirements are subject to change and could become more stringent and costly for the Port and its customers and tenants. For example, statutory or regulatory requirements limiting emissions or otherwise addressing climate change could be implemented or increased. The Port cannot predict whether future restrictions or limitations on the Port will be imposed, whether future legislation or regulations will affect funding for capital projects or whether such restrictions or legislation or regulations will adversely affect Net Revenues.

Accounting Rules

The Port is subject to accounting rules and standards propagated by the Governmental Accounting Standards Board. These rules may change, requiring the Port at such time to value and state its accounts in ways beyond the Port's ability to control or predict.

Limitation of Remedies

Under the terms of the Resolution, payments of debt service on Series 2011 Bonds are required to be made only as they become due and the occurrence of a default does not grant a right to accelerate payment of the Series 2011 Bonds. In the event of multiple defaults in payment of principal or interest on the Series 2011 Bonds, the Series 2011 Bond owners could be required to bring a separate action for each such payment not made. Remedies for defaults are limited to such actions which may be taken at law or in equity. See Appendix E. No mortgage or security interest has been granted or lien created in any real property of the Port to secure the payment of any of the Port's bonds including the Series 2011 Bonds. Leases with tenants, including airlines and container terminal operators, are subject to bankruptcy proceedings, leading to possible rejection of the leases or long delays in enforcement.

Various State laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Series 2011 Bonds. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Port.

In the event of a default in the payment of principal of or interest on the Series 2011 Bonds, the remedies available to the owners of the Series 2011 Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. Bond Counsel's opinion as to enforceability to be delivered simultaneously with delivery of the Series 2011 Bonds will be qualified by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency, and equity principles. See the proposed forms of bond counsel opinions included in Appendix C.

Seismic and Other Considerations

The Port's facilities are in an area of seismic activity, with frequent small earthquakes and occasionally moderate and larger earthquakes. The Port can give no assurance regarding the effect of an earthquake, a tsunami from seismic activity in Washington or in other areas, a volcano or other natural disaster or that proceeds of insurance carried by the Port would be sufficient, if available, to rebuild and reopen Port facilities or that Port facilities or surrounding facilities and infrastructure could or would be rebuilt and reopened in a timely manner following a major earthquake or other natural disaster.

INITIATIVES AND REFERENDA

Under the State Constitution, the voters of the State have the ability to initiate legislation and to modify existing laws through the powers of initiative and referendum. An initiative measure is submitted to the voters (if an initiative to the people) or to the Legislature (if an initiative to the Legislature) if the Secretary of State certifies the receipt of a petition signed by at least eight percent of the number of voters registered and voting for the office of governor at the preceding regular gubernatorial election. Certified initiatives to the people are placed on the ballot for the next State-wide general election.

Certified initiatives to the Legislature are submitted to the Legislature at its regular session each January. Once an initiative to the Legislature has been submitted, the Legislature must take one of the following three actions: (i) adopt the initiative as proposed, in which case the initiative becomes law without a vote of the people; (ii) reject or refuse to act on the proposed initiative, in which case the initiative must be placed on the ballot at the next State general election; or (iii) approve an amended version of the proposed initiative, in which case both the amended version and the original initiative must be placed on the next State general election ballot.

A bill passed by the Legislature is referred to the people for final approval or rejection if the Secretary of State certifies the receipt of a petition signed by at least four percent of the number of voters registered and voting for the office of governor at the preceding regular gubernatorial election. Certain actions of the Legislature necessary for the immediate preservation of the public peace, health or safety and the support of State government or its existing institutions are exempt from the referendum process.

Proposed initiatives to the people must be filed within ten months prior to the next State general election, and the petition signatures must be filed not less than four months before such general election. Proposed initiatives to the Legislature must be filed within ten months prior to the next regular session of the Legislature, and the petition signatures must be filed not less than ten days before such regular session of the Legislature. A referendum measure may be filed any time after the Governor has signed the act that the sponsor wants referred to the ballot. Petition signatures must be filed within 90 days after the final adjournment of the legislative session at which the act was passed.

An initiative or referendum approved by a majority of voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

In recent years there have been a number of initiatives filed in Washington, including initiatives targeting fees and taxes imposed by local jurisdictions or subjecting local jurisdictions to additional requirements. The Port cannot predict whether this trend will continue, whether any filed initiatives will receive the requisite signatures to be certified to the ballot, whether such initiatives will be approved by the voters, whether, if challenged, such initiatives will be upheld by the courts, and whether any future initiative could have a material adverse impact on the Port's revenues or operations.

LITIGATION

No Litigation Concerning the Series 2011 Bonds

As of the date of this Official Statement, there is no litigation, to the knowledge of the Port, pending or threatened, challenging the authority of the Port to issue the Series 2011 Bonds or seeking to enjoin the issuance of the Series 2011 Bonds.

Other Litigation

The Port is a defendant in various legal actions and claims that arise during the normal course of business. Some of these claims may be covered by insurance. The Port is not aware of any legal actions that, in the opinion of Port management, will have a material adverse effect on the financial position, results of operations or cash flows of the Port.

CONTINUING DISCLOSURE

The Port is covenanting for the benefit of the holders and beneficial owners of the Series 2011 Bonds to provide certain financial information and operating data (the “Annual Disclosure Report”) by not later than six months following the end of the Port’s fiscal year (which currently would be June 30, 2012, for the report for the 2011 fiscal year), and to provide notices of the occurrence of certain enumerated events. The Annual Disclosure Report and notices of listed events are to be filed with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Disclosure Report and in notices of listed events is set forth in Appendix F. These covenants are made by the Port to assist the purchaser of the Series 2011 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Port has always filed the Operating and Financial Information portion of its Annual Disclosure Reports when required but inadvertently did not always file its audited financial statements at the same time. That failure has been corrected, and the Port has otherwise complied in all material respects with its previous undertakings with regard to the Rule to provide annual reports and notices of material events.

TAX MATTERS

In the opinion of Bond Counsel, interest on the Series 2011A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2011A Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

In the opinion of Bond Counsel, interest on the Series 2011B Bonds is excludable from gross income for federal income tax purposes, except for interest on any 2011B Bond for any period during which such 2011B Bond is held by a “substantial user” of the facilities financed by the Series 2011B Bonds, or by a “related person” within the meaning of Section 147(a) of the Code. Furthermore, interest on the Series 2011B Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

Federal income tax law contains a number of requirements that apply to the Series 2011A and Series 2011B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Series 2011A and Series 2011B Bonds and the facilities refinanced with proceeds of the Series 2011A Bonds and Series 2011B Bonds and certain other matters. The Port has covenanted to comply with all applicable requirements.

Bond Counsel’s opinion is subject to the condition that the Port comply with the above-referenced covenants and, in addition, will rely on representations by the Port and its advisors with respect to matters solely within the knowledge of the Port and its advisors, respectively, which Bond Counsel has not independently verified. If the Port fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Series 2011A Bonds and Series 2011B Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2011A Bonds and Series 2011B Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Series 2011A Bonds and Series 2011B Bonds. Owners of the Series 2011A Bonds and Series 2011B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2011 Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the Series 2011A Bonds and Series 2011B Bonds should be aware that ownership of the Series 2011A Bonds and Series 2011B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2011A Bonds and Series 2011B Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Series 2011A Bonds and Series 2011B Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the Series 2011A Bonds and Series 2011B Bonds, are in many cases required to be reported to the Internal Revenue Service (the “IRS”). Additionally, backup withholding may apply to any such payments made to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Series 2011A Bonds and Series 2011B Bonds from realizing the full current benefit of the tax status of the interest on the Series 2011 Bonds. Prospective purchasers of the Series 2011A Bonds and Series 2011B Bonds should consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

Bond Counsel’s opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel’s legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the Port’s compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2011A Bonds and Series 2011B Bonds. Owners of the Series Series 2011A Bonds and 2011B Bonds are advised that, if the IRS does audit the Series 2011A Bonds and/or the Series 2011B Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Port as the taxpayer, and the owners of the Series 2011A Bonds and 2011B Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Series 2011A Bonds and Series 2011B Bonds until the audit is concluded, regardless of the ultimate outcome.

Premium

An amount equal to the excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on that Bond. A purchaser of a Bond must amortize any premium over that Bond’s term using constant yield principles, based on the Bond’s yield to maturity. As premium is amortized, the purchaser’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2011 Bonds prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of a Bond at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such Bond.

LEGAL MATTERS

Issuance of the Series 2011 Bonds is subject to receipt of the legal opinions of K&L Gates LLP, Seattle, Washington, Bond Counsel and Disclosure Counsel to the Port, and to certain other conditions. See Appendix F. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies ("S&P") and Fitch Ratings have assigned their ratings of "Aa2," "AA-," and "AA" respectively, to the Series 2011 Bonds. Certain information was supplied by the Port to such rating agencies to be considered in evaluating the Series 2011 Bonds.

The foregoing ratings express only the views of the rating agencies and are not recommendations to buy, sell or hold the Series 2011 Bonds. An explanation of the significance of each of the ratings may be obtained from the rating agency furnishing the rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, or any of them, if, in their or its judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2011 Bonds.

THE REGISTRAR

The principal of and interest and redemption premium, if any, on the Series 2011 Bonds are payable by the fiscal agency of the State of Washington, currently The Bank of New York Mellon in New York, New York (the "Registrar"). For so long as the Series 2011 Bonds remain in a "book-entry only" transfer system, the Registrar will make such payments to DTC, which, in turn, is obligated to remit such principal payments to the DTC participants for subsequent disbursement to the Beneficial Owners of the Series 2011 Bonds. See Appendix D.

UNDERWRITING

The Series 2011A Bonds are to be purchased from the Port at an aggregate purchase price of \$12,306,578.10 (the principal amount of the Series 2011A Bonds, less Underwriters' discount of \$39,973.75, and plus premium of \$966,551.85), and the Series 2011B Bonds are to be purchased from the Port at an aggregate purchase price of \$105,488,479.34 (the principal amount of the Series 2011B Bonds, less Underwriters' discount of \$422,497.76, and plus premium of \$8,720,977.10); in each case subject to the terms of a bond purchase contract between the Port and the Underwriters. The bond purchase contract between the Port and Merrill Lynch, Pierce, Fenner & Smith Incorporated, on its own behalf and on behalf of Barclays Capital Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Backstrom McCarley Berry & Co., LLC and Drexel Hamilton, LLC (collectively, the "Underwriters") provides that the Underwriters will purchase all of the Series 2011 Bonds if any are purchased and that the obligation of the Underwriters to accept and pay for the Series 2011 Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Port, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Port.

The initial public offering prices or yields set forth on the inside cover pages may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2011 Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside cover pages.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2011 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2011 Bonds.

J.P. Morgan Securities LLC ("JPMS"), an Underwriter of the Series 2011 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2011 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2011 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2011 Bonds that such firm sells.

Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, and Barclays Capital Inc., an Underwriter of the Series 2011 Bonds, established a strategic alliance in May of 2009, which enables Pershing LLC to participate as a selling group member and a retail distributor for all new issue municipal bond offerings underwritten by Barclays Capital Inc., including the Series 2011 Bonds offered hereby. Pershing LLC will receive a selling concession from Barclays Capital Inc. in connection with its distribution activities relating to the Series 2011 Bonds.

INDEPENDENT AUDITORS

The Port's financial statements (the Enterprise Fund and the Warehousemen's Pension Trust Fund) as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009, and 2008, respectively, included herein as Appendix A, have been audited by Moss Adams LLP, independent accountants, as stated in its report appearing herein. The audited financial statements of the Port of Seattle are public documents. The Port of Seattle has not requested that Moss Adams LLP provide consent for inclusion of its audited financial statements in this Official Statement, and Moss Adams has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, Moss Adams LLP has not participated in any way in the preparation or review of this Official Statement.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to purchasers of the Series 2011 Bonds. The summaries provided in this Official Statement and in the appendices attached hereto of the Series 2011 Bonds and the documents referred to herein do not purport to be comprehensive or definitive, and all references to the documents summarized are qualified in their entirety by reference to each such document. All references to the Series 2011 Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of the documents referred to herein are available for inspection during the period of the offering at the principal office of the Port.

Statements in this Official Statement, including matters of opinion, projections and forecasts, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Port and the purchasers of the Series 2011 Bonds.

By _____ /s/
Daniel R. Thomas
Chief Financial and Administrative Officer

APPENDIX A
AUDITED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT AUDITORS

To the Port Commission
 Port of Seattle
 Seattle, Washington

We have audited the accompanying financial statements of the Enterprise Fund and the Warehousemen's Pension Trust Fund of the Port of Seattle (the "Port") as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009, and 2008, which collectively comprise the Port's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Warehousemen's Pension Trust Fund as of December 31, 2010 and 2009, and the changes in financial position and cash flows for the Enterprise Fund, and the changes in net assets for the Warehousemen's Pension Trust Fund for the years ended December 31, 2010, 2009, and 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Port's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Moss Adams LLP

Seattle, Washington
 April 22, 2011

PORT OF SEATTLE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of the Port of Seattle's (the "Port") activities and financial performance provides an introduction to the financial statements of the Port for the fiscal year ended December 31, 2010, including the Port operations within the Enterprise Fund and the Warehousemen's Pension Trust Fund, with selected comparative information for the years ended December 31, 2009 and 2008. The Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Warehousemen's Pension Trust Fund. This includes the Port's major business activities, which are comprised of the Aviation, Seaport, and the Real Estate divisions. Enterprise Funds are used to account for operations and activities that are financed at least in part by fees or charges to external users. The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. The Port became the sole administrator for the Warehousemen's Pension Plan and Trust effective May 25, 2004. The MD&A presents certain required supplementary information regarding capital assets and long-term debt activity during the year, including commitments made for capital expenditures. The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section. The notes are essential to thoroughly understand the data contained in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The report includes the following three basic financial statements for the Port Enterprise Fund: the statements of net assets, the statements of revenues, expenses, and changes in net assets, and the statements of cash flows. The report also includes the following two basic financial statements for the Warehousemen's Pension Trust Fund: statements of net assets and statements of changes in net assets.

ENTERPRISE FUND

Financial Position Summary

The statements of net assets present the financial position of the Enterprise Fund of the Port at the end of the fiscal year. The statements include all assets and liabilities of the Enterprise Fund. Net assets, the difference between total assets and total liabilities, is an indicator of the current fiscal health of the organization and the enterprise's financial position over time. A summarized comparison of the Enterprise Fund assets, liabilities, and net assets at December 31, 2010, 2009, and 2008 is as follows (in millions):

	2010	2009	2008
ASSETS:			
Current, long-term, and other assets	\$ 1,115.5	\$ 1,169.1	\$ 819.9
Capital assets	5,463.7	5,429.5	5,345.4
Total assets	<u>\$ 6,579.2</u>	<u>\$ 6,598.6</u>	<u>\$ 6,165.3</u>
LIABILITIES:			
Current liabilities	\$ 373.4	\$ 520.6	\$ 418.2
Long-term liabilities	3,401.4	3,326.1	3,107.2
Total liabilities	<u>\$ 3,774.8</u>	<u>\$ 3,846.7</u>	<u>\$ 3,525.4</u>
NET ASSETS:			
Invested in capital assets—net of related debt	\$ 2,291.3	\$ 2,240.7	\$ 2,236.2
Restricted	85.0	104.9	68.8
Unrestricted	428.1	406.3	334.9
Total net assets	<u>\$ 2,804.4</u>	<u>\$ 2,751.9</u>	<u>\$ 2,639.9</u>

Assets exceeded liabilities by \$2.8 billion, a \$52.5 million increase over total net assets as of December 31, 2009 compared to \$2.8 billion, and a \$112.0 million increase over total net assets as of December 31, 2008. For each year presented, the largest portion of the Enterprise Fund's net assets represents its investment in capital assets, less the related debt outstanding used to acquire those capital assets. The Port uses these capital assets to provide services to its tenants, passengers, and customers of the Aviation, Seaport and Real Estate divisions; consequently, these assets are not available for future spending. Although the Port's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities. From 2009 to 2010, and from 2008 to 2009, there was an increase of \$50.6 million, and an increase of \$4.5 million, respectively, in invested in capital assets net of related debt from the continued creation of new assets while offsetting by the depreciation of existing capital assets during both periods.

As of December 31, 2010 and 2009, the restricted net assets of \$85.0 million and \$104.9 million, respectively, are mainly comprised of net assets from unspent bond proceeds restricted for debt reserves in accordance with bond covenants and Passenger Facility Charges ("PFC") which are subject to Federal regulations on their uses. From 2009 to 2010 and from 2008 to 2009, there was a decrease of \$19.9 million and an increase of \$36.1 million, respectively, in restricted net assets due to the timing of spending from PFCs during the periods, and 2009 included an addition of \$32.1 million in restricted debt reserves for the Series 2009 Bonds issuance.

As of December 31, 2010 and 2009, the unrestricted net assets of \$428.1 million and \$406.3 million, respectively, may be used to satisfy the Port's ongoing obligations. However, amounts from Airport operations must be used solely for the Aviation Division's ongoing obligations. Cash and cash equivalents, and investment balances related to such Airport operations total \$281.4 million and \$267.2 million for the years ended 2010 and 2009, respectively. From 2009 to 2010, and from 2009 to 2008, there was an increase of \$14.2 million and \$36.7 million in this category, respectively, largely due to curtailing spending in 2010 and 2009.

Statements of Revenues, Expenses, and Changes in Net Assets

The change in net assets is an indicator of whether the overall fiscal condition of the Enterprise Fund has improved or worsened during the year. Following is a summary of the statements of revenues, expenses, and changes in net assets (in millions) for the years ended December 31, 2010, 2009, and 2008:

	2010	2009	2008
Operating revenues	\$ 470.5	\$ 449.4	\$ 478.5
Operating expenses	253.4	245.8	274.6
Operating income before depreciation	217.1	203.6	203.9
Depreciation	160.8	157.1	144.2
Operating income	56.3	46.5	59.7
Nonoperating (expense) income—net	(34.3)	(11.3)	42.5
Capital contributions	30.5	76.8	52.4
Increase in net assets	52.5	112.0	154.6
Net assets—beginning of year	2,751.9	2,639.9	2,490.0
Restatement—Implementation of GASB 49 (Note 1)			(4.7)
Net assets—end of year	<u>\$ 2,804.4</u>	<u>\$ 2,751.9</u>	<u>\$ 2,639.9</u>

Financial Operation Highlights

A summary of operating revenues follows (in millions):

	2010	2009	2008
OPERATING REVENUES:			
Services	\$ 174.6	\$ 164.0	\$ 187.8
Property rentals	284.9	274.6	286.2
Fuel hydrant facility revenues	7.9	7.8	2.9
Operating grant and contract revenues	3.1	3.0	1.6
Total	<u>\$ 470.5</u>	<u>\$ 449.4</u>	<u>\$ 478.5</u>

During 2010, operating revenue increased 4.7% from the 2009 balance of \$449.4 million to \$470.5 million. Aviation Division operating revenues increased \$13.9 million largely due to an increase in aeronautical revenues from increased operating costs and capital costs. Aeronautical revenues are derived from charging airlines landing fees and terminal rents that are set to fully recover capital and operating costs attributable to the airfield and terminal cost centers. These increases were offset by non-aeronautical revenues specifically related to the decrease in rental car concession revenues in 2010. The new contracts with the rental car companies became effective November 2009. Prior to the new contracts, the rental car companies had higher minimum annual guarantees that caused concession revenues to be much higher in 2009 compared to 2010. Seaport Division operating revenues increased \$7.2 million from 2009 due to (1) a full year of lease rents from the new lease at Terminal 30 which commenced in August 2009, (2) modification in straight-line rent adjustment methodology for Terminal 5 and the addition of Terminals 30 and 46 in the calculation, (3) increase in container terminal lease rate effective July 2010, (4) higher cruise revenue due to higher passenger volumes, and (5) higher security

grant revenue. These increases were partially offset by a one-time reimbursement from King County for the Terminal 30 Upland Dredge Disposal project in 2009. Real Estate Division operating revenues decreased slightly from 2009 due to (1) higher vacancies at the World Trade Center West, Terminal 102, Fishermen's Terminal Office and Retail, and the Tsubota Steel site, (2) a reimbursement payment to a tenant for street permit costs, and (3) closure of the Portside Café. Amounts were partially offset by higher revenue from an increase in event activity at Bell Harbor International Conference Center and for events held at the Smith Cove Cruise Terminal, which was a new event venue in 2010.

During 2009, operating revenue decreased 6.1% from the 2008 balance of \$478.5 million to \$449.4 million. Aviation Division operating revenues decreased \$29.0 million due to (1) a decrease in landside revenues from decline in public parking, and (2) a decrease in aeronautical revenue resulting from lower operating costs and reduced debt service. Seaport Division operating revenues increased \$4.4 million from 2008 due to (1) an increase in revenues from a new lease at Terminal 30, (2) higher cruise revenue from passenger fees collected in connection with the new Terminal 91 gangway, (3) the accounting recognition of the 2008 increase in the Port's container terminal rates for Terminal 5, which are required to be recognized on a straight-line basis over 5 years, and (4) reimbursement from King County for the Terminal 30 upland dredge disposal. Real Estate Division operating revenues decreased \$4.7 million from 2008 primarily due to a decrease in event activities at Bell Harbor International Conference Center and the Bell Street Garage, which were partially offset by higher revenues at Shilshole Bay Marina related to higher occupancy.

A summary of operating expenses before depreciation follows (in millions):

	2010	2009	2008
OPERATING EXPENSES BEFORE DEPRECIATION:			
Operations and maintenance	\$ 188.7	\$ 183.1	\$ 210.0
Administration	44.8	43.6	44.4
Law enforcement	19.9	19.1	20.2
Total	<u>\$ 253.4</u>	<u>\$ 245.8</u>	<u>\$ 274.6</u>

During 2010, operating expenses increased 3.1% from \$245.8 million to \$253.4 million from prior year. Aviation Division operating expenses increased \$6.5 million largely due to (1) an increase in the security fund requirement for the airlines based on increased revenue requirement, (2) rate increases of janitorial contract, (3) litigated injury and damage claims, and (4) environmental remediation liability expenses. There were cost savings from (1) electricity and natural gas commodities and (2) payroll costs from eliminated positions and benefit rate reduction. Seaport Division operating expenses decreased \$1.0 million primarily due to a significant reduction in direct expenses from 2009 related to (1) the Terminal 30 Upland Dredge Disposal project, (2) expensing of design costs associated with the Terminal 25 South Container Yard project, which was indefinitely deferred, and (3) the expensing of costs for the Pier 24 Habitat project. These decreases were offset by (1) higher security grant expenses and (2) environmental remediation liability expenses in 2010. Real Estate Division operating expenses increased \$1.9 million due to (1) additional expenses for the Eastside Rail Corridor acquired in late 2009, (2) higher expenses associated with tenant improvements and (3) higher expenses associated with increased event activity at the Bell Harbor International Conference Center which was more than offset by higher revenue.

During 2009, operating expenses decreased 10.5% from \$274.6 million to \$245.8 million from prior year. A Portwide Expense Savings Plan was implemented in 2009 which included two-week furloughs and reduction of travel, training, and other discretionary expenses. Other savings were due to reversal of Other Postemployment Benefits ("OPEB") obligation due to the elimination of retiree medical subsidies, which offset voluntary and involuntary termination benefit costs that resulted from staff reductions in 2009. Aviation Division operating expenses decreased \$20.5 million from 2008 due to (1) reduction in payroll costs of \$4.6 million, (2) reduced contracted services and consultant support of \$6.4 million, (3) reduced travel and training costs, and (4) non-recurring items from 2008. Seaport Division operating expenses increased slightly from 2008. The increase was due to (1) the expensing of former capital projects relating to Terminal 25 South Container Yard project, which was indefinitely deferred, (2) the incentive payment

associated with the Long Term Cruise Agreement, and (3) significant expense projects in 2009 such as the Terminal 30 Upland Dredge disposal and Terminal 18 maintenance dredge projects. Real Estate Division operating expenses decreased \$8.6 million over 2008 primarily due to expensing capitalized costs associated with the North Bay development project in 2008 and less activity at Bell Harbor International Conference Center in 2009.

As a result of the above, operating income before depreciation increased \$13.5 million in 2010 from 2009, and decreased only slightly in 2009 from 2008.

Depreciation expense increased \$3.7 million in 2010 from 2009 and increased \$12.9 million in 2009 from 2008, respectively, due to an overall increase in additions to capital assets year over year.

A summary of nonoperating income (expense)—net and capital contributions follows (in millions):

	2010	2009	2008
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenue	\$ 73.1	\$ 75.6	\$ 75.7
Passenger facility charges revenue	59.7	59.7	60.7
Customer facility charges revenue	23.2	21.9	22.9
Non-capital grants and donations	12.5	7.2	10.5
Investment income—net	13.1	17.3	39.0
Revenue and capital appreciation bond interest expense	(133.2)	(121.1)	(105.5)
Passenger facility charges revenue bond interest expense	(10.2)	(11.0)	(11.4)
General obligation bond interest expense	(17.5)	(15.8)	(17.1)
Public expense	(25.1)	(20.4)	(27.5)
Environmental expense—net	(22.7)	(14.7)	(5.7)
Other (expense) income—net	(7.2)	(10.0)	0.9
Total	<u>\$ (34.3)</u>	<u>\$ (11.3)</u>	<u>\$ 42.5</u>
CAPITAL CONTRIBUTIONS	\$ 30.5	\$ 76.8	\$ 52.4

During 2010, nonoperating expense—net was \$34.3 million, a \$23.0 million increase from 2009 nonoperating expense—net. This was due to (1) an increase in revenue and general obligation bond interest expense from the continuing trend of less interest being capitalized as fewer new capital projects came on line, (2) new debt service on 2010 revenue bonds, (3) a decrease in investment income—net primarily from declining interest rates in conjunction with slightly lower portfolio balances, and (4) an increase in environmental expenses.

During 2009, nonoperating expense—net was \$11.3 million, a \$53.8 million decrease from 2008 nonoperating income—net. This was due primarily to (1) an increase in bond interest expense from less interest being capitalized as fewer new capital projects came on line, (2) new debt service on 2009 bonds, (3) a decrease in investment income—net from declining interest rates coupled with lower portfolio balances, (4) an increase in environmental expenses, (5) higher litigation costs, and (6) a net loss from the sale/disposal of assets of which the largest loss related to the replacement of runway exit lights with newer technology. All demolitions were partially offset by a gain on a non-cash land exchange with Washington State Department of Transportation.

During 2010, capital contributions decreased \$46.3 million due to a decrease in Federal Aviation Administration ("FAA") grant receipts with the noise abatement program nearly complete and the Third Runway related letter of intent on Airport Improvement Program winding down. Several of the Transportation Security Administration ("TSA") programs were closed out in early 2010.

During 2009, capital contributions were \$76.8 million, a \$24.4 million increase from 2008. This was due primarily to an increase in grants and donations revenues specifically relating to TSA aviation grants and FAA grants from a reimbursement not previously anticipated and increased spending on grant funded projects.

Increase in net assets for 2010 and 2009 was \$52.5 million and \$112.0 million, respectively, compared to prior years. Though a lower increase than prior years, there was still positive net operating income and capital contributions for 2010 and 2009 resulting in the corresponding increase in net assets.

WAREHOUSEMEN'S PENSION TRUST FUND

The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. Effective May 25, 2004, the Port became the sole administrator of the Warehousemen's Pension Plan and Trust (the "Plan"). This plan was originally established to provide pension benefits for the employees at the Port's warehousing operations at Terminal 106. In late 2002, the Port terminated all warehousing operations following the departure of the principal customer who operated the facility. The Plan provides that only service credited and compensation earned prior to April 1, 2004 shall be utilized to calculate benefits under the Plan, and the Port agrees to maintain the frozen Plan and to contribute funds to the Plan in such amounts that may be necessary to enable the Plan to pay vested accrued benefits as they become due and payable to participants and beneficiaries of the Plan. A summarized comparison of the assets, liabilities, and net assets of the Warehousemen's Pension Trust Fund as of December 31, 2010, 2009 and 2008, and changes in net assets for the years ended December 31, 2010, 2009 and 2008 (in millions) are as follows:

	2010	2009	2008
Total assets	\$ 10.4	\$ 10.1	\$ 8.5
Total liabilities			
Total net assets	<u>\$ 10.4</u>	<u>\$ 10.1</u>	<u>\$ 8.5</u>
Total additions (deductions)	\$ 2.6	\$ 3.9	\$ (2.3)
Total deductions	<u>(2.3)</u>	<u>(2.3)</u>	<u>(2.3)</u>
Increase (Decrease) in net assets	0.3	1.6	(4.6)
Net assets—beginning of year	10.1	8.5	13.1
Net assets—end of year	<u>\$ 10.4</u>	<u>\$ 10.1</u>	<u>\$ 8.5</u>

Total net assets as of December 31, 2010 increased by \$ 0.3 million from December 31, 2009 mainly due to an increase in fair value of investments and gain on sale of investments.

Total net assets as of December 31, 2009 increased by \$1.6 million from December 31, 2008 mainly due to an increase in fair value of investments of \$2.3 million resulting from favorable market conditions compared to 2008.

Additional information on the Port's Warehousemen's Pension Trust Fund can be found in Note 14 in the accompanying notes to the financial statements.

CAPITAL ASSETS

The Port's capital assets as of December 31, 2010, amounted to \$5.5 billion (net of accumulated depreciation). This investment in capital assets includes land, air rights, facilities and improvements, equipment, furniture and fixtures, and construction work in progress. The Port's investment in capital assets after accumulated depreciation increased slightly by \$34.2 million in 2010.

During 2010, completed projects totaling \$73.8 million were closed from construction work in progress to their respective capital accounts. The major completed project was for the berth upgrade of Terminal T115 for \$6.6 million for the Seaport Division.

The Port's 2010 expenditures for capital construction projects, including amounts associated with contributed capital, totaled \$198.5 million. During 2010, the major capital construction project was the rental car facility construction with spending of \$134.6 million in Aviation Division.

During 2010, the Port collected \$73.2 million in property taxes through a King County ad valorem tax levy. Through this tax levy, PFCs, Federal and State grants, increase in net assets, and various bond issues, the Port funds capital assets. All capital assets are accounted for within the Enterprise Fund. Additional information on the Port's capital assets can be found in Note 3 in the accompanying notes to the financial statements.

DEBT ADMINISTRATION

As of December 31, 2010, the Port had outstanding revenue bonds and notes of \$2.9 billion, a \$28.9 million increase from 2009 primarily due to new revenue bonds issued, and offset by scheduled principal payments. During 2010, subordinate lien revenue notes (commercial paper) decreased by \$62.5 million from \$156.8 million in 2009 to \$94.3 million in 2010.

In August 2010, the Port issued \$374.7 million in Series 2010ABC Intermediate Lien Revenue and Refunding Bonds to fully refund the Series 1998A First Lien Revenue Bonds, to fully refund the Series 2005 Subordinate Lien Revenue Bonds (conversion of variable rate debt to fixed rate debt), to partially refund Series 2000B First Lien Revenue Bonds, to pay for or reimburse costs of capital improvements to Airport facilities, to capitalize a portion of the interest on the Series 2010 Bonds, to pay the costs of issuing the bonds and to contribute to the Intermediate Lien Reserve Account.

As of December 31, 2010, the Port had outstanding general obligation ("GO") bonds of \$335.5 million, a \$21.8 million decrease from 2009 due to scheduled principal payments.

As of December 31, 2010, the Port had outstanding PFC revenue bonds of \$177.5 million, a \$22.7 million decrease from 2009 due to scheduled principal payments, in addition to the partial refunding of the 1998 PFC Bonds with the issuance of the new 2010AB PFC revenue Refunding bonds in 2010. In December 2010, the Port issued \$146.5 million in Series 2010AB PFC Revenue Refunding Bonds to partially refund the Series 1998A PFC Revenue Bonds, to fully refund the 1998B PFC Revenue Bonds, and to pay the costs of issuing the Series 2010AB PFC Revenue Refunding Bonds.

As of December 31, 2010, the Port had outstanding Fuel Hydrant Special Facility Revenue bonds of \$105.5 million, a \$2.5 million decrease from 2009 due to a scheduled principal payment. The fuel facilities are leased to SeaTac Fuel Facilities LLC ("Lessee") for 40 years. The Port owns the fuel system and the Lessee is obligated to collect the fuel system fees and to make monthly rent payments including a base rent for the land to the Port and facilities rent to Wells Fargo Bank Northwest, National Association ("Trustee"). Facilities rent is established at an amount sufficient to pay monthly debt service, replenish any deficiency in the debt service reserve fund, and pay other fees associated with the bonds, including the Trustee fee. No tax funds or revenues of the Port (other than fuel facilities lease revenues) are pledged to pay the debt service on the bonds.

Below are the underlying ratings for Port of Seattle bonds as of December 31, 2010. Many of the Port's bond issues include bond insurance or letters of credit; the credit ratings for those issues are the ratings of the bond insurer or letter of credit provider.

Current Bond Ratings	Fitch	Moody's	S&P
General obligation bonds	AAA	Aa1	AAA
First lien revenue bonds	AA	Aa2	AA-
Intermediate lien revenue bonds	A+	Aa3	A+
Subordinate lien revenue bonds	A	A1	A
Passenger Facility Charge Revenue bonds	A	A1	A+
Fuel Hydrant Special Facility bonds	A-	A3	A-

In October, 2010, Moody's and Standard & Poor's (S&P) raised their ratings on the Port's PFC Bonds to "A1" and "A+", respectively.

Additional information on the Port's debt activity can be found in Note 5 in the accompanying notes to the financial statements.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENTS OF NET ASSETS AS OF DECEMBER 31, 2010 AND 2009 (In thousands)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 100,538	\$ 68,167
Restricted cash and cash equivalents:		
Securities lending		77,338
Bond funds and other	78,080	58,471
Fuel hydrant assets held in trust	6,488	6,423
Short-term investments	64,215	3,616
Restricted short-term investments:		
Bond funds and other	49,249	503
Accounts and contracts receivable, less allowance of \$240 and \$874 for doubtful accounts	31,860	31,024
Grants-in-aid receivable	4,419	11,384
Taxes receivable	2,056	2,144
Materials and supplies	6,041	5,779
Assets held for sale	50,380	74,133
Prepayments and other current assets	<u>3,878</u>	<u>3,971</u>
Total current assets	<u>397,204</u>	<u>342,953</u>
NONCURRENT ASSETS:		
Long-term investments	374,958	412,058
Restricted long-term investments:		
Bond funds and other	298,536	366,645
Fuel hydrant assets held in trust	4,059	4,039
Deferred finance costs—net of accumulated amortization of \$40,341 and \$37,241	33,548	34,854
Other long-term assets	7,183	8,569
CAPITAL ASSETS:		
Land and air rights	1,948,502	1,919,043
Facilities and improvements	4,317,271	4,311,188
Equipment, furniture, and fixtures	<u>365,820</u>	<u>357,404</u>
Total capital assets	6,631,593	6,587,635
Less accumulated depreciation	1,507,305	1,372,829
Construction work in progress	<u>339,413</u>	<u>214,705</u>
Total capital assets—net	<u>5,463,701</u>	<u>5,429,511</u>
Total noncurrent assets	<u>6,181,985</u>	<u>6,255,676</u>
TOTAL	\$ 6,579,189	\$ 6,598,629

See notes to financial statements.

	2010	2009
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 76,421	\$ 79,452
Payroll and taxes payable	33,228	38,908
Bond interest payable	41,301	42,433
Lease deposits and customer advances	6,605	10,393
Security fund liability	15,131	14,188
Securities lending obligation		77,338
Current maturities of long-term debt	<u>200,750</u>	<u>257,870</u>
Total current liabilities	<u>373,436</u>	<u>520,582</u>
LONG-TERM LIABILITIES:		
Other postemployment benefits obligation	8,359	8,014
Environmental remediation liability	43,142	28,215
Accrued long-term expenses	<u>8,319</u>	<u>12,697</u>
Total long-term liabilities	<u>59,820</u>	<u>48,926</u>
LONG-TERM DEBT:		
Revenue and capital appreciation bonds	2,767,650	2,680,380
General obligation bonds	312,550	335,500
Passenger facility charges revenue bonds	167,395	190,125
Fuel hydrant special facility bonds	102,885	105,465
Unamortized bond discounts—net of amortization	<u>(8,921)</u>	<u>(34,252)</u>
Total long-term debt	<u>3,341,559</u>	<u>3,277,218</u>
Total noncurrent liabilities	<u>3,401,379</u>	<u>3,326,144</u>
Total liabilities	<u>3,774,815</u>	<u>3,846,726</u>
NET ASSETS:		
Invested in capital assets—net of related debt	2,291,311	2,240,650
Restricted for:		
Debt reserves	63,579	68,551
Passenger facility charges	20,725	35,656
Grants and other	670	686
Unrestricted	<u>428,089</u>	<u>406,360</u>
Total net assets	<u>2,804,374</u>	<u>2,751,903</u>
TOTAL	\$ 6,579,189	\$ 6,598,629

See notes to financial statements.

PORT OF SEATTLE**ENTERPRISE FUND****STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, AND 2008
(In thousands)**

	2010	2009	2008
OPERATING REVENUES:			
Services	\$ 174,562	\$ 163,983	\$ 187,791
Property rentals	284,898	274,584	286,139
Fuel hydrant facility revenues	7,911	7,845	2,926
Operating grant and contract revenues	<u>3,119</u>	<u>3,023</u>	<u>1,667</u>
Total operating revenues	<u>470,490</u>	<u>449,435</u>	<u>478,523</u>
OPERATING EXPENSES BEFORE DEPRECIATION:			
Operations and maintenance	188,678	182,995	209,960
Administration	44,837	43,636	44,438
Law enforcement	<u>19,949</u>	<u>19,136</u>	<u>20,221</u>
Total operating expenses before depreciation	<u>253,464</u>	<u>245,767</u>	<u>274,619</u>
NET OPERATING INCOME BEFORE DEPRECIATION	217,026	203,668	203,904
DEPRECIATION	<u>160,775</u>	<u>157,068</u>	<u>144,208</u>
OPERATING INCOME	<u>56,251</u>	<u>46,600</u>	<u>59,696</u>
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenue	73,125	75,587	75,680
Passenger facility charges revenue	59,744	59,689	60,708
Customer facility charges revenue	23,243	21,866	22,947
Noncapital grants and donations	12,473	7,153	10,473
Investment income—net	13,096	17,251	39,004
Revenue and capital appreciation bond interest expense	(133,239)	(121,148)	(105,517)
Passenger facility charges revenue bond interest expense	(10,187)	(10,956)	(11,412)
General obligation bond interest expense	(17,463)	(15,785)	(17,059)
Public expense	(25,085)	(20,370)	(27,494)
Environmental expense—net	(22,730)	(14,676)	(5,659)
Other (expense) income—net	<u>(7,276)</u>	<u>(10,003)</u>	<u>848</u>
Total nonoperating (expense) income—net	<u>(34,299)</u>	<u>(11,392)</u>	<u>42,519</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>21,952</u>	<u>35,208</u>	<u>102,215</u>
CAPITAL CONTRIBUTIONS	<u>30,519</u>	<u>76,781</u>	<u>52,436</u>
INCREASE IN NET ASSETS	52,471	111,989	154,651
TOTAL NET ASSETS:			
Beginning of year	2,751,903	2,639,914	2,489,980
Restatement—Implementation of GASB 49 (Note 1)			<u>(4,717)</u>
End of year	<u>\$ 2,804,374</u>	<u>\$ 2,751,903</u>	<u>\$ 2,639,914</u>

See notes to financial statements.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(In thousands)

	2010	2009	2008
OPERATING ACTIVITIES:			
Cash received from customers	\$ 461,879	\$ 464,464	\$ 469,363
Cash paid to suppliers for goods and services	(83,676)	(67,106)	(80,163)
Cash paid to employees for salaries, wages, and benefits	(180,419)	(178,611)	(162,668)
Operating grant and contract revenues	3,119	3,023	1,667
Other	(3,579)	309	2,500
Net cash provided by operating activities	<u>197,324</u>	<u>222,079</u>	<u>230,699</u>
NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Ad valorem tax levy receipts	73,213	75,280	75,397
Noncapital grant and contract revenues	12,087	7,153	10,473
Proceeds from (acquisition of) assets held for sale	23,753	(74,133)	
Cash paid for environmental remediation liability	(9,112)	(8,036)	(11,007)
Public expense disbursements	(28,097)	(18,033)	(3,459)
Recovery receipts	4,302	5,876	16,167
Receipts from implicit financing			<u>2,798</u>
Net cash provided by (used in) noncapital and related financing activities	<u>76,146</u>	<u>(11,893)</u>	<u>90,369</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance and sale of revenue bonds, capital appreciation bonds, PFC bonds, and commercial paper	548,966	382,070	228,860
Proceeds used for refunding of revenue bonds, and PFC bonds	(376,105)		(199,964)
Acquisition and construction of capital assets	(194,313)	(242,224)	(335,033)
Principal payments on revenue bonds, PFC bonds, GO bonds, and commercial paper	(164,370)	(167,960)	(150,160)
Interest payments on revenue bonds, PFC bonds, GO bonds, and commercial paper	(165,942)	(155,827)	(165,437)
Proceeds from sale of capital assets	981	52	11,008
Receipts from capital contributions	37,429	77,049	57,016
Passenger facility charges receipts	59,813	58,742	60,539
Customer facility charges receipts	<u>23,221</u>	<u>22,017</u>	<u>20,749</u>
Net cash used in capital and related financing activities	<u>(230,320)</u>	<u>(26,081)</u>	<u>(472,422)</u>
INVESTING ACTIVITIES:			
Purchases of investment securities	(686,782)	(720,283)	(594,090)
Proceeds from sales and maturities of investments	674,621	594,814	676,508
Interest received on investments	21,049	21,025	27,604
Interest paid on securities lending	(46)	(18)	(3,083)
Interest income on securities lending	53	63	3,398
Cash collateral (remittance of) receipts from securities lending	<u>(77,338)</u>	<u>77,338</u>	<u>(319,521)</u>
Net cash used in investing activities	<u>(68,443)</u>	<u>(27,061)</u>	<u>(209,184)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,293)	157,044	(360,538)
CASH AND CASH EQUIVALENTS:			
Beginning of year	<u>210,399</u>	<u>53,355</u>	<u>413,893</u>
End of year	<u>\$ 185,106</u>	<u>\$ 210,399</u>	<u>\$ 53,355</u>

See notes to financial statements.

(Continued)

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(In thousands)

	2010	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH			
Operating income	\$ 56,251	\$ 46,600	\$ 59,696
Miscellaneous nonoperating (expense) income	(3,579)	309	2,500
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	160,775	157,068	144,208
(Increase) decrease in assets:			
Accounts and contracts receivable	(5,387)	(2,586)	(2,894)
Materials and supplies, prepayments, and other	(75)	4,979	10,077
(Decrease) increase in liabilities:			
Accounts payable and accrued expenses	(8,025)	1,209	5,719
Payroll and taxes payable	(5,680)	3,172	7,008
Environmental remediation liability	5,975	3,720	2,734
Lease deposits and customer advances	(4,218)	14,355	(6,187)
Security fund liability	942	(1,625)	754
Other postemployment benefits obligation	<u>345</u>	<u>(5,122)</u>	<u>7,084</u>
Net cash provided by operating activities	<u>\$ 197,324</u>	<u>\$ 222,079</u>	<u>\$ 230,699</u>

SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Transfer of ownership of the Third Runway Navigational Aids System to Federal Aviation Administration			\$ 24,035
Lands exchange with Washington Department of Transportation	\$ 11,332		
See notes to financial statements.			(Concluded)

PORT OF SEATTLE

WAREHOUSEMEN'S PENSION TRUST FUND

**STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009
(In thousands)**

	2010	2009
ASSETS:		
Cash and cash equivalents	\$ 414	\$ 282
Investments—fair value:		
Common stock	6,287	6,552
Corporate bonds	3,528	3,148
Other assets	<u>163</u>	<u>157</u>
Total assets	<u>10,392</u>	<u>10,139</u>
LIABILITIES:		
Accounts payable	<u>(36)</u>	<u>(5)</u>
NET ASSETS—Held in trust for pension benefits and other purposes	\$ 10,356	\$ 10,134

See notes to financial statements.

PORT OF SEATTLE

WAREHOUSEMEN'S PENSION TRUST FUND

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In thousands)**

	2010	2009	2008
ADDITIONS:			
Employer contributions	\$ 1,500	\$ 1,500	\$ 1,500
Investment earnings:			
Interest		1	
Dividends	234	305	428
Gain (Loss) on investments sold	39	(145)	(504)
Net increase (decrease) in fair value of investments	796	2,287	(3,703)
Less investment expense	<u>(15)</u>	<u>(16)</u>	<u>(17)</u>
Net investment earnings (loss)	<u>1,054</u>	<u>2,432</u>	<u>(3,796)</u>
Total additions (deductions)	<u>2,554</u>	<u>3,932</u>	<u>(2,296)</u>
DEDUCTIONS:			
Benefits	2,210	2,194	2,176
Administrative expenses	44	44	41
Professional fees	<u>78</u>	<u>62</u>	<u>79</u>
Total deductions	<u>2,332</u>	<u>2,300</u>	<u>2,296</u>
CHANGE IN NET ASSETS	222	1,632	(4,592)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES:			
Beginning of year	<u>10,134</u>	<u>8,502</u>	<u>13,094</u>
End of year	\$ 10,356	\$ 10,134	\$ 8,502

See notes to financial statements.

PORT OF SEATTLE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Port of Seattle (the “Port”) is a municipal corporation organized on September 5, 1911, through enabling legislation by consent of the voters within the Port district. In 1942, the local governments in King County selected the Port to operate the Seattle-Tacoma International Airport (the “Airport”). The Port is considered a special purpose government with a separately elected commission of five members and is legally separate and fiscally independent of other state or local governments. The Port has no stockholders or equity holders. All revenues or other receipts must be disbursed in accordance with provisions of various statutes, applicable grants, and agreements with the holders of its bonds.

Reporting Entity—The Port reports the following funds: the Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Warehousemen’s Pension Trust Fund.

The Enterprise Fund is used to account for operations and activities that are financed at least in part by fees or charges to external users. The Enterprise Fund comprises three operating divisions. The Aviation Division (“Aviation”) serves the predominant air travel needs of a five-county area. The Airport has 16 U.S. flag passenger air carriers (including regional and commuter air carriers) and 10 foreign-flag passenger air carriers providing nonstop service from the Airport to 89 cities, including 19 foreign cities. The Seaport Division (“Seaport”) focuses primarily on containerized cargo and passenger marine terminals as well as industrial property connected with maritime businesses. International containerized cargo arriving by ship is transferred to various modes of land transportation destined for other regions of the country. Domestic containerized cargo arriving by various modes of land transportation is transferred to outbound ships for distribution to other countries around the world. The Real Estate Division (“Real Estate”) manages moorage facilities, leases commercial and industrial buildings/properties, and plans and facilitates the development of selected real estate assets. The Port has labor workforces subject to various collective bargaining agreements. These workforces support the operations and maintenance of the divisions.

The Warehousemen’s Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. On May 25, 2004, the Port became the sole administrator for the Warehousemen’s Pension Plan and Trust (the “Plan”). This plan was originally established to provide pension benefits for the employees at the Port’s warehousing operations at Terminal 106. In late 2002, the Port terminated all warehousing operations following the departure of the principal customer who operated the facility. As of May 25, 2004, the Plan is a governmental plan maintained and operated solely by the Port.

For financial reporting purposes, component units are entities which are legally separate organizations for which the Port is financially accountable, and other organizations for which the nature and significance of their relationship with the Port are such that exclusion would cause the Port’s financial statements to be misleading or incomplete. Based on these criteria, the following is considered as a component unit of the Port’s reporting entity.

The Industrial Development Corporation (“IDC”) is a blended component unit of the Port and is included within the accompanying financial statements. The IDC is a special purpose government with limited powers and governed by a Board of Directors, which is comprised of the same members as the Port Commission. The IDC has issued tax-exempt nonrecourse revenue bonds to finance

industrial development for acquiring, constructing, and renovating transshipment and manufacturing facilities within the corporate boundaries of the Port. These revenue bonds are secured by revenues derived from the industrial development facilities funded by the revenue bonds and leased to the IDC. The Port has not recorded these obligations, or the related assets, on the accompanying financial statements of the Port, as the Port has no obligation for the outstanding bonds beyond what is provided in the leasing arrangements. A copy of the separate financial statements for IDC may be obtained at:

Port of Seattle
Pier 69
P.O. Box 1209
Seattle, WA 98111

Basis of Accounting—The Port is accounted for on a flow of economic resources measurement focus. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that governments’ proprietary activities apply all GASB pronouncements as well as the pronouncements of the Financial Accounting Standards Board (“FASB”) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed by GASB Statement No. 20, the Port has elected to implement FASB Statements and Interpretations issued after November 30, 1989. The more significant of the Port’s accounting policies are described below.

Use of Estimates—The preparation of the Port’s financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used to record environmental remediation liabilities, litigated and non-litigated loss contingencies, insurance recoveries, allowances for doubtful accounts, grants-in-aid receivables, arbitrage rebate liabilities, other postemployment benefits, and terminated benefits. Actual results could differ from those estimates.

Significant Risks and Uncertainties—The Port is subject to certain business and casualty risks that could have a material impact on future operations and financial performance. Business risks include economic conditions, collective bargaining disputes, security, litigation, Federal, State, and local government regulations, and changes in law. The Port has a comprehensive risk management program that financially protects the Port against loss from adverse casualty events to its property, operations, third-party liabilities, and employees. The Port carries excess commercial insurance to cover many of these risks of loss. The excess commercial insurance coverage is above a self-insured retention that the Port maintains. The Port is a qualified workers compensation self-insurer in the State and administers its own worker compensation claims. Claims, litigation and other settlements have not exceeded the limits of available insurance coverage in each of the past three years, when insurance was applicable.

Airline Rates and Charges—Under the terms of the signatory airline lease and operating agreements (“SLOA”) effective from January 1, 2006 through December 31, 2012, the Port sets airline rates and charges using a hybrid-compensatory methodology. Under SLOA, rates for the landing fee and terminal rents are set to recover the operating and capital costs for the airfield and the terminal cost centers, respectively. Some of the key provisions in this agreement include the following: cost recovery formulas permitting the Port to charge the airlines 100% of annual debt service allocated to the airlines (unless the Port determines in its sole discretion that a charge above

100% and up to 125% of annual debt service is necessary to maintain the total Airport revenue bond coverage at 1.25 times the sum of the annual debt service).

Ad Valorem Tax Levy Revenue—Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on general obligation bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvement, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax revenues and interest on general obligation bonds as nonoperating income in the statements of revenues, expenses, and changes in net assets.

The King County ("County") Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior year. The lien date is January 1. Assessed values are established by the County Assessor at 100% of fair market value. A re-evaluation of all property is required every two years.

Taxes are due in two equal installments on April 30 and October 31. Collections are distributed daily to the Port by the County Treasurer.

Passenger Facility Charges—As determined by applicable Federal legislation, passenger facility charges ("PFC") generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds. PFC revenues received from the airlines are recorded as nonoperating income in the statements of revenues, expenses, and changes in net assets based upon passenger enplanement.

Customer Facility Charges—As determined by applicable State legislation, customer facility charges ("CFC") generate revenue to be expended by the Port for eligible capital projects, the payment of principal and interest on specific revenue bonds related to rental car facilities at the Airport, and certain related operating expenses. CFC revenues received from the rental car companies are recorded as nonoperating income in the statements of revenues, expenses, and changes in net assets.

Grants-in-Aid Receivable—The Port receives Federal and State grants-in-aid funds on reimbursement basis for all divisions, mostly related to construction of Airport and Seaport facilities and other capital activities along with operating and nonoperating grants to perform enhancements in both Airport and Seaport security.

Land, Facilities, and Equipment—Land, facilities, and equipment are stated at cost, less accumulated depreciation. Costs applicable to noise damage remedies and air rights, together with the cost of litigation, generally are capitalized as a cost of the property. The Port's policy is to capitalize all asset additions equal to or greater than \$20,000 and with an estimated life of three years or more. The Port capitalizes interest during construction until the asset is placed into service, based on average construction expenditures and average actual debt service rates for bond funded construction excluding externally restricted acquisition of specified qualified assets financed with grants or proceeds from tax-exempt debt. For tax-exempt debt externally restricted for the acquisition of specified qualifying assets, the Port capitalizes the difference between interest expense on debt and interest earnings on reinvested debt proceeds until the asset is placed into service. Depreciation is computed on a straight-line basis. Buildings and improvements are assigned lives of 30 to 50 years, equipment 3 to 20 years, and furniture and fixtures 5 to 10 years. The Port periodically reviews its long-lived assets for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

Materials and Supplies—Materials and supplies are recorded at the lower of cost or market. The Port's policy is to expense materials and supplies when used in operations and to capitalize amounts used in capital projects as construction work in progress.

Employee Benefits—Eligible Port employees accrue paid time off and extended illness leave on every straight-time hour worked. The paid time off accrual rates increase based on length of service. A stipulated maximum of paid time off leave may be accumulated by employees while there is no maximum limit to the amount of extended illness leave that can be accumulated. Terminated employees are entitled to be paid for unused paid time off and, under certain conditions, a portion of unused extended illness leave.

The Port also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the "457 Plan"). All regular employees, i.e. both union and non-union are eligible to participate in the 457 Plan. The Port placed its deferred compensation plan assets in a separate trust as required under the Small Business Job Protection Act of 1996. The trust requirements were met by establishing a qualifying insurance contract, and as such, the related assets and liabilities are not included in the Port's financial statements.

On an annual basis, the Port has the option of offering a 401(a) supplemental savings plan (the "401(a) Plan") for non-union employees. The 401(a) Plan establishes a 401(a) tax-deferred savings account for each eligible employee. The Port matches employee contributions to the 401(a) Plan dollar-for-dollar up to a fixed maximum of \$2,200. This matching contribution increases with tenure. Employees are able to direct the 401(a) funds to any investment options available under the 401(a) Plan.

Termination Benefits—The recession has been difficult and challenging, and accordingly, the Port proactively reduced costs by offering a Voluntary Separation Program ("VSP") to all employees in 2009 to limit the number of involuntary reductions in force ("RIF").

Employees who elected the VSP received six days of severance for every year of completed service. For any extended illness time accrued, 100% of the balance was cashed out at the time of termination. The Port also provided health insurance coverage for six months following the end of the employee's service period. Additionally, the Port provided up to six hours of transitional coaching services for employees who elected the VSP. Employees who were involuntarily terminated as a result of the RIF received five days of severance for every year of completed service. The Port also provided and paid for one month of COBRA insurance coverage following termination. Additionally, the Port also provided full outplacement services for all involuntarily terminated employees.

In total, 53 employees elected VSP, for an estimated termination benefit of \$3,534,000. A total of 27 employees were terminated involuntarily, providing an estimated termination benefit of \$309,000. As of December 31, 2009, termination benefit liabilities for VSP and RIF in the amount of \$2,099,000 and \$74,000, respectively, are included in current payroll and taxes payable on the statements of net assets. As of December 31, 2010, the Port has no termination benefit liability outstanding.

Investments and Cash Equivalents—All short-term investments with a maturity of three months or less at date of purchase are considered to be cash equivalents. Investments are carried at fair value plus accrued interest receivable. Fair values are determined based on quoted market rates. Gains or losses due to market valuation changes are recognized in the statements of revenues, expenses, and changes in net assets.

Accounts Receivable and Allowance for Doubtful Accounts—Accounts receivable are recorded for invoices issued to customers in accordance with the contractual arrangements. Unbilled receivables are recorded when revenues are recognized upon service delivery and invoicing occurs at a later date. Finance charges and late fees are recognized on accounts receivable in accordance with contractual arrangements. Interest income on finance charges and late fees are minimal. The Port's policy for delinquent receivable is 90 days or more past due. The allowance for doubtful accounts is based on specific identification of troubled accounts and delinquent receivables. Accrual of accounts receivable, related finance charge and late fees are suspended once the accounts receivable is sent to a third party collection agency, put in dispute, in litigation or the customer has filed for bankruptcy. Accounts receivable are written-off against the allowance when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received.

Environmental Remediation Liability—The Port's policy requires accrual of environmental remediation liability amounts when (a) one of the following specific obligating events is met and (b) the amount can be reasonably estimated. Obligating events include: imminent endangerment to the public; permit violation; named as party responsible for sharing costs; named in a lawsuit to compel participation in pollution remediation; or commenced or legally obligated to commence pollution remediation. Potential cost recoveries such as insurance proceeds, if any, are evaluated separately from the Port's environmental remediation liability. Costs incurred for environmental remediation liability are typically recorded as nonoperating environmental expenses unless the expenditures relate to the Port's principal ongoing operations, in which case they are recorded as operating expenses. Costs incurred for environmental remediation liability can be capitalized if they meet specific criteria. Capitalization criteria include: preparation of property in anticipation of a sale; preparation of property for use if the property was acquired with known or suspected pollution that was expected to be remediated; performance of pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; or acquisition of property, plant, and equipment that have a future alternative use not associated with pollution remediation efforts.

Debt Discount, Premium, and Issuance Costs—Debt discounts, premiums, and issuance costs relating to the issuance of bonds are amortized over the lives of the related bonds using the effective interest method.

Refunds of Debt—The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

It is the Port's practice when bonds are defeased that the proceeds of the new bonds are placed in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not recorded in the financial statements. As of December 31, 2010, there was no outstanding balance carried in the trust related to refunding of debt. The amount required to be held in trust as of December 31, 2009 related to refundings of debt is detailed below (in thousands):

	2009
Series 2000A General obligation bonds	\$ 7,300
Series 2000A Revenue bonds	130,690
Series 1999A Special facilities revenue bonds (T18 Project)	59,740
Series 1999B Special facilities revenue bonds (T18 Project)	3,350
Series 1999C Special facilities revenue bonds (T18 Project)	25,445
Total	<u>\$ 226,525</u>

Payments in Lieu of Taxes—The Port, on behalf of the State of Washington, collects applicable leasehold taxes from its tenants. The taxes are a pass-through to the State and are, therefore, not reflected as an expense or revenue by the Port.

Net Assets—As required by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, net assets (equity) have been classified on the statement of net assets into the following categories:

- Invested in capital assets—net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted: Net assets subject to externally imposed stipulations on their use.
- Unrestricted: All remaining net assets that do not meet the definition of "invested in capital assets—net of related debt" or "restricted."

When both restricted and unrestricted resources are available for the same purpose, restricted assets are considered to be used first over unrestricted assets.

Nonexchange Transactions—GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, establishes uniform revenue and expense recognition criteria and financial reporting standards regarding when (i.e., in which fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. When the Port receives value without directly giving equal value in return, these transactions, which include taxes, intergovernmental grants, entitlements, other financial assistance, and nongovernmental contractual agreements are reported as revenue. When the Port gives value without directly receiving equal value in return, these transactions, which include expenses for district schools and infrastructure improvements to the State and region in conjunction with other agencies, are reported as public expense.

Operating and Nonoperating Revenues—Fees for services, rents, and charges for the use of Port facilities, Airport landing fees, operating grants, and other revenues generated from operations are reported as operating revenue. Ad valorem tax levy revenues, nonoperating grants and contributions, PFCs, CFCs, and other revenues generated from nonoperating sources are classified as nonoperating.

Recently Issued Accounting Pronouncements—In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which provides comprehensive guidance on identifying, accounting for, and reporting intangible assets. This statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. This statement establishes a specified-conditions approach for recognizing internally generated intangible assets. It also provides guidance on recognizing internally generated computer software and establishes specific guidance for the amortization of intangible assets. This statement is effective for periods beginning after June 15, 2009. The Port has adopted this new pronouncement in the current year and the adoption of this statement does not have a material effect on the Port's financial statements.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by State and local governments. This statement is effective for periods beginning after June 15, 2009. The Port has adopted this new pronouncement in the current year and the adoption of this statement does not have a material effect on the Port's financial statements.

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*, which clarifies guidance in existing standards on the financial reporting of the following four areas, 2a7-like external investment pools; interest rate risk disclosures for debt investment pools; unallocated insurance contracts; and certain amendments to GASB Statement No. 53 on derivatives. This statement is effective for periods beginning after June 15, 2010. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The requirements of this statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for service concession arrangements ("SCA") for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement is effective for periods beginning after December 15, 2011; retrospective application is required for all prior periods presented. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statement No. 14 and No. 34*, which improves guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (i.e., blending) in certain circumstances. This statement also clarifies the reporting of equity interests in legally separate organizations. This statement is effective for financial statements for periods beginning after June 15, 2012. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements in this statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. This statement is effective for financial statements for periods beginning after December 15, 2011. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

Restatement—In 2008, beginning balance of net assets was restated due to adoption of GASB Statement No. 49 ("GASB 49"), *Accounting and Financial Reporting for Pollution Remediation Obligations*, which required the environmental remediation liability to be re-measured at the beginning of January 1, 2008 based on this new standard.

Reclassifications and Presentation—Certain reclassifications of prior years' balances have been made to conform with the current year presentations. Such reclassifications did not affect the total increase in net assets or total current or long-term assets or liabilities.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits—All deposits are either covered by the Federal Deposit Insurance Corporation ("FDIC") or the Public Deposit Protection Commission of the State of Washington ("PDPC"). The PDPC is a statutory authority under Chapter 39.58 RCW. It constitutes a multiple financial institution collateral pool that can make pro rata assessments from all qualified public depositories within the State. Per State statute, all public deposits in the State are either 100% collateralized or insured. Therefore, in accordance with GASB, *Codification of Governmental Accounting and Financial Reporting Standards*, Section 150.110, PDPC protection is of the nature of collateral, not of insurance. Pledged securities under the PDPC collateral pool are held by PDPC for the protection of the pool.

Investments—Statutes authorize the Port to invest in savings or time accounts in designated qualified public depositories or in certificates, notes, or bonds of the United States. The Port is also authorized to invest in other obligations of the United States or its agencies or of any corporation wholly owned by the government of the United States. Statutes also authorize the Port to invest in banker's acceptances purchased on the secondary market, in Federal Home Loan Bank notes and bonds, Federal Farm Credit Bank consolidated notes and bonds, Federal Home Loan Mortgage Corporation bonds and notes, and Federal National Mortgage Association notes, bonds, debentures and guaranteed certificates of participation or the obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System. The Port can also invest in commercial paper within the policies established by the State Investment Board, certificates of deposit with qualified public depositories, local and state general obligations, and revenue bonds issued by Washington State governments that are rated at least "A" by a nationally recognized rating agency. Additionally, the following mortgage backed securities of these agencies are allowed for purchase including: (1) collateralized mortgage pools having a stated final maturity not exceeding the maturity limits of the Port's investment policy and (2) planned amortization and sequential pay classes of collateralized mortgage obligations collateralized by 15-year agency-issued pooled mortgage securities and having a stated final maturity not exceeding the maturity limits of the Port's investment policy.

The Port's investment policy limits the maximum maturity of any security purchased to ten years. The Port's investment policy allows for 100% of the portfolio to be invested in United States Treasury bills, certificates, notes, and bonds. The Port's investment policy limits government agency securities to 60%, agency mortgage-backed securities to 10%, certificates of deposit to 15% but no more than 5% per issuer, banker's acceptances to 20% but no more than 5% per bank, commercial paper to 20% but no more than 3% per issuer, overnight repurchase agreements to 15%, term only repurchase agreements to 25%, reverse repurchase agreements to 5% and agency discount notes to 20% of the portfolio. Banker's acceptances can only be purchased on the secondary market and are limited to the largest 50 world banks listed each July in the American Banker. These banks must meet tier one and tier two capital standards. Commercial paper must be rated no lower than A1/P1 and meet Washington State Investment Board Guidelines.

The Port's investment policy allows entering into repurchase and reverse repurchase agreements with maturities of 60 days or less. The Port's investment policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreement with investment terms of less than 30 days, and 105% for terms longer than 30 days, but not to exceed 60 days. Collateral must be "marked to market" on a daily basis. For reverse repurchase agreements, when used for yield enhancement rather than cash management purposes, only "matched book" transactions will be utilized. This means that the maturity date of the acquired security is identical to the end date of the reverse repurchase transaction. Reverse repurchase agreements will only be executed with Primary Government Bond Dealers.

As of December 31, 2010 and 2009, restricted investments—bond funds and other were \$425,865,000 and \$425,619,000, respectively, which generally represents unspent bond proceeds designated for capital improvements to the Port's facilities, including capitalized interest, and

satisfying debt service reserve fund requirement, along with cash receipts from PFCs, CFCs and security fund liability maintained under SLOA.

The tables below identify the type of investments, concentration of investments in any one issuer, and maturities of the Port Investment Pool as of December 31, 2010 and 2009 (in thousands). These tables do not address investments of debt proceeds held by bond trustees. As of December 31, 2010 and 2009, the Port's investment pool had 18.6% and 14.0% of the portfolio, respectively, invested in repurchase agreements collateralized with "AAA" rated agency securities and the remainder of the pool invested in "AAA" rated agency and treasury securities.

Investment Type	Fair Value	Maturities (in Years)			Percentage of Total Portfolio
		Less Than 1	1-3	More Than 3	
2010					
Repurchase Agreements *	\$ 178,619	\$ 178,619	\$	\$	18.6%
Federal Agencies Securities:					
Federal Farm Credit Banks	60,421			60,421	6.3
Federal Home Loan Bank	45,830			45,830	4.8
Federal Home Loan Mortgage Corporation	101,526		5,023	96,503	10.6
Federal National Mortgage Association	266,528		30,716	235,812	27.7
United States Treasury Notes	309,024	110,515	172,347	26,162	32.0
Total Portfolio	\$ 961,948	\$ 289,134	\$ 208,086	\$ 464,728	100.0 %
Accrued interest receivable	3,628				
Total cash, cash equivalents, and investments	\$ 965,576				
Percentage of Total Portfolio	100.0 %	30.1 %	21.6 %	48.3 %	
2009					
Repurchase Agreements *	\$ 126,639	\$ 126,639	\$	\$	14.0 %
Federal Agencies Securities:					
Federal Farm Credit Banks	139,178		10,042	129,136	15.4
Federal Home Loan Bank	79,435			79,435	8.8
Federal Home Loan Mortgage Corporation	116,219		41,789	74,430	12.9
Federal National Mortgage Association	171,834		30,267	141,567	19.0
United States Treasury Notes	270,418		245,237	25,181	29.9
Total Portfolio	\$ 903,723	\$ 126,639	\$ 327,335	\$ 449,749	100.0 %
Accrued interest receivable	5,737				
Total cash, cash equivalents, and investments	\$ 909,460				
Percentage of Total Portfolio	100.0 %	14.0 %	36.2 %	49.8 %	

* Includes cash and cash equivalents balances as well as cash collateral from securities lending.

Investment Authorized by Debt Agreements—Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements and subject to compliance with State law. During May 2003, the Port issued Fuel Hydrant Special Facility Revenue bonds in the amount of \$121,140,000 to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. The fuel hydrant facility financing is administered by Wells Fargo Bank Northwest, National Association ("Trustee").

The tables below identify the type of investments, concentration of investments in any one issuer, and maturities of the Fuel Hydrant Investment Pool as of December 31, 2010 and 2009 (in thousands). As of December 31, 2010 and 2009, 38.2% and 38.4%, respectively, of the Fuel Hydrant Investment Pool was invested in "AAA" rated government agency securities. The remaining amount was invested in 2a7 qualified Wells Fargo Government Institutional Money Market Fund with maturity limits no longer than 13 months. The Wells Fargo Government Institutional Money Market Fund holds securities authorized by the statutes, which means at least 80% of the investments are invested in United States Government obligations, including repurchase agreements collateralized by United States Government obligations. The remainder of the Wells Fargo Government Institutional Money Market Fund was invested in high-quality short-term money market instruments.

Investment Type	Fair Value	Maturities (in Years)			Percentage of Total Portfolio
		Less Than 1	1-3	More Than 3	
2010					
Wells Fargo Government Institutional	\$ 6,488	\$ 6,488	\$	\$	61.8 %
Federal Agencies Securities:					
Federal Farm Credit Banks	4,010			4,010	38.2
Total Portfolio	\$ 10,498	\$ 6,488	\$	\$ 4,010	100.0 %
Accrued interest receivable	49				
Total cash, cash equivalents, and investments	\$ 10,547				
Percentage of Total Portfolio	100.0 %	61.8 %	%	38.2 %	
2009					
Wells Fargo Government Institutional	\$ 6,423	\$ 6,423	\$	\$	61.6 %
Federal Agencies Securities:					
Federal Home Loan Mortgage Corporation	4,005		4,005		38.4
Total Portfolio	\$ 10,428	\$ 6,423	\$ 4,005	\$	100.0 %
Accrued interest receivable	34				
Total cash, cash equivalents, and investments	\$ 10,462				
Percentage of Total Portfolio	100.0 %	61.6 %	38.4 %	%	

Interest Rate Risk—Interest rate risk is the risk that an investment's fair value decreases as market interest rate increases. Through its investment policy, the Port manages its exposure to fair value losses arising from increasing interest rates by setting maturity and duration limits for the Port's Investment Pool. The portfolio is managed similar to a short-term fixed income fund. The "modified" duration of the portfolio, by policy, has a 2.0 target plus or minus 50 basis points (2.0 is an approximate average life of 27 months). For 2010, the "modified duration" of the portfolio ranged from 2.0–2.5. Securities in the portfolio cannot have a maturity longer than ten years. As of December 31, 2010 and 2009, the "effective" duration of the Port's Investment Pool portfolio was approximately 0.9 and 1.1, respectively.

The proceeds from the Fuel Hydrant bonds are held by the Trustee to make monthly debt service payments, to satisfy the debt service reserve fund requirement and to pay other fees associated with the bonds, including the Trustee fee. As of December 31, 2010, and 2009, the effective duration of the Fuel Hydrant Investment Pool was 1.5 and 0.8, respectively.

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. By the Port's policy, all security transactions, including repurchase agreements, are settled "delivery versus payment". This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the Port's safekeeping bank.

As of December 31, 2010 and 2009, the bank balance of \$6,488,000 and \$6,423,000, respectively, in the Fuel Hydrant Investment Pool was invested in the Wells Fargo Government Institutional Money Market Fund, was uninsured, and was registered in the name of the Trustee.

Securities Lending—State statutes permit the Port to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Port, which has contracted with a lending agent to lend securities owned by the Port, earns a fee for this activity. The lending agent lends securities and receives collateral, which can only be in the form of cash. The collateral, which must be valued at 102% of the fair value of the loaned securities, is priced daily and, if necessary action is taken to maintain the collateralization level at 102%. The cash is invested by the lending agent in securities, which comply with the Port's investment policy. The Port's investment parameters for the lending agent are more restrictive allowing the lending agent to reinvest in treasury or agency securities only. The securities underlying the cash collateral are held by the Port's custodian. Since the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. There are no restrictions on the amount of securities that can be lent. The Port investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the Port.

The Port reports securities lent (the underlying securities) as assets in the statement of net assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Cash collateral received resulting from these transactions is reported as liability in the statement of net assets.

No securities were lent as of December 31, 2010, therefore, no cash received as collateral on securities lending is reported as an asset and liability in the statement of net assets as of December 31, 2010. As of December 31, 2009, the fair value of underlying securities was \$75,124,000 in United States Treasury Notes and the value of cash collateral held was \$77,338,000.

During the fiscal year of 2010 and 2009, the Port had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the Port. Furthermore, the contract with the lending agent requires them to indemnify the Port, if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the Port for income distribution by the securities' issuers while the securities are on loan. There were no violations of legal or contractual provisions, nor any losses resulting from default of a borrower or lending agent during 2010 and 2009.

3. CAPITAL ASSETS

Capital assets consist of the following at December 31, 2010 and 2009 (in thousands):

	Beginning of Year	Additions	Retirements	End of Year
2010				
Capital assets, not being depreciated:				
Land and air rights	\$ 1,919,043	\$ 31,546	\$ (2,087)	\$ 1,948,502
Art collections and others	7,655	11	(15)	7,651
Total capital assets not being depreciated	<u>1,926,698</u>	<u>31,557</u>	<u>(2,102)</u>	<u>1,956,153</u>
Capital assets being depreciated:				
Facilities and improvements	4,310,959	24,661	(18,578)	4,317,042
Equipment, furniture, and fixtures	349,978	19,666	(11,246)	358,398
Total capital assets being depreciated	<u>4,660,937</u>	<u>44,327</u>	<u>(29,824)</u>	<u>4,675,440</u>
Total capital assets	<u>6,587,635</u>	<u>75,884</u>	<u>(31,926)</u>	<u>6,631,593</u>
Less accumulated depreciation for:				
Facilities and improvements	(1,161,913)	(138,436)	15,735	(1,284,614)
Equipment, furniture, and fixtures	(210,916)	(22,339)	10,564	(222,691)
Total accumulated depreciation	<u>(1,372,829)</u>	<u>(160,775)</u>	<u>26,299</u>	<u>(1,507,305)</u>
Construction work in progress	<u>214,705</u>	<u>198,499</u>	<u>(73,791)</u>	<u>339,413</u>
Total capital assets—net	<u>\$ 5,429,511</u>	<u>\$ 113,608</u>	<u>\$ (79,418)</u>	<u>\$ 5,463,701</u>
2009				
Capital assets, not being depreciated:				
Land and air rights	\$ 1,880,096	\$ 38,954	\$ (7)	\$ 1,919,043
Art collections and others	7,478	177		7,655
Total capital assets not being depreciated	<u>1,887,574</u>	<u>39,131</u>	<u>(7)</u>	<u>1,926,698</u>
Capital assets being depreciated:				
Facilities and improvements	4,092,060	252,971	(34,072)	4,310,959
Equipment, furniture, and fixtures	326,104	42,314	(18,440)	349,978
Total capital assets being depreciated	<u>4,418,164</u>	<u>295,285</u>	<u>(52,512)</u>	<u>4,660,937</u>
Total capital assets	<u>6,305,738</u>	<u>334,416</u>	<u>(52,519)</u>	<u>6,587,635</u>
Less accumulated depreciation for:				
Facilities and improvements	(1,048,960)	(134,561)	21,608	(1,161,913)
Equipment, furniture, and fixtures	(206,062)	(22,507)	17,653	(210,916)
Total accumulated depreciation	<u>(1,255,022)</u>	<u>(157,068)</u>	<u>39,261</u>	<u>(1,372,829)</u>
Construction work in progress	<u>294,635</u>	<u>251,942</u>	<u>(331,872)</u>	<u>214,705</u>
Total capital assets—net	<u>\$ 5,345,351</u>	<u>\$ 429,290</u>	<u>\$ (345,130)</u>	<u>\$ 5,429,511</u>

For the year ended December 31, 2010 and 2009, \$2,861,000 and \$7,018,000 was recorded in nonoperating other expense—net, respectively, related to demolition costs, impairments, and asset sales. For the Aviation Division, \$2,257,000 and \$5,325,000 relates to losses from demolition in 2010 and 2009, respectively. Most of the losses from demolition in 2010 were related to capital assets placed out of service and identified by the Port during its cyclical physical inventory of capital assets. The largest losses from demolition in 2009 were related to the replacement of runway exit lights with newer technology. For the Seaport Division, \$207,000 and \$1,338,000 relates to losses from demolition in 2010 and 2009, respectively. For the Real Estate Division, \$20,000 related to gain from sale of capital assets in 2010 and \$92,000 relates to losses from demolition in 2009.

The Port completed its acquisition of the 42 mile Eastside Rail Corridor from Burlington Northern Santa Fe ("BNSF") Railway in December 2009, as a key first step to preserve it in public ownership. To maximize the corridor's benefit to the entire region, the Port partnered with five local regional agencies, namely King County, Sound Transit, City of Redmond, Puget Sound Energy, and Cascade Water Alliance, to share the purchase and public ownership of this real property.

The original plan of sale of the Eastside Rail Corridor was extended beyond 2010 due to the number of regional agencies involved in the interest of public ownership of this real property. During 2010, a segment of the Eastside Rail Corridor was sold to the City of Redmond for \$10,000,000 and an easement was sold to Puget Sound Energy for \$13,753,000. No gain or loss was recorded on these sales. The Port continues to partner with the remaining regional agencies to complete the future transactions in 2011.

The remaining Eastside Rail Corridor asset held for sale is reported at the lower of its carrying amount or fair value less costs to sell. The assets had a fair value, less costs to sell, of approximately \$50,380,000 and \$74,133,000 as of December 31, 2010, and 2009, respectively. As the Port acquired the Eastside Rail Corridor in December 2009, the real estate market was at its bottom in the recession, and the active market for this real property is very limited, the fair value of the asset is essentially the same as its carrying amount. As such, no impairment loss was recorded during the years ended December 31, 2010 and 2009.

4. ACCOUNTING FOR LEASES

The Port enters into operating leases with tenants for the use of properties at various locations, including Seaport Division terminal land, facilities, and equipment; Aviation Division space and land rentals with minimum annual guarantees; and Real Estate Division commercial and industrial properties, industrial fishing terminals as well as recreational marinas. As the leased properties involved are in part used by internal Port operations, it is not reasonably determinable to segregate the value of the assets associated with producing minimum rental income from the value of the assets associated with an entire facility.

Minimum future rental income on noncancelable operating leases on Seaport terminals, Airport facilities and Real Estate properties are as follows (in thousands):

Years Ending December 31	
2011	\$ 77,828
2012	67,460
2013	72,581
2014	68,613
2015	65,542
Thereafter	<u>1,056,688</u>
Total	<u>\$ 1,408,712</u>

Effective June 2003, the Port entered into a lease agreement with SeaTac Fuel Facilities LLC in a fuel system lease whereby the members are some of the commercial air carriers currently operating at the Airport. The lessee payments of facilities rent are made directly to a trustee in the amounts and at the times required to pay the principal and premium, if any, and interest on the Special Facility Revenue bonds issued to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. The fuel system is intended to be the exclusive system for storage and delivery to commercial air carriers of jet aircraft fuel at the Airport. The lease, which represents an unconditional obligation of the lessee, extends until the later of July 31, 2033, or the repayment of the 2003 bonds. SeaTac Fuel Facilities LLC was created by the consortium of airlines operating at the Airport for the purpose of entering the lease and managing the fuel hydrant system. The future rental income is based on debt service requirements which are as follows: \$7,993,000 for 2011, \$7,993,000 for 2012, \$7,994,000 for 2013, \$7,996,000 for 2014, \$7,995,000 for 2015, and \$135,154,000 for the years thereafter; these amounts are not included in the schedule above. All special facility lease revenues are restricted and are to be used solely for debt service on the bonds and not for Port operations.

5. LONG-TERM DEBT

The Port's long-term debt consists primarily of tax-exempt bonds. The majority of the Port's outstanding bonds are revenue bonds, which are secured by a pledge of net operating revenues of the Port. PFC revenue bonds are secured by a lien pledge of the revenues generated from the PFCs imposed by the Airport. The GO bonds and interest thereon are payable from ad valorem taxes. In connection with the issuance of the tax-exempt bonds, the Port agreed to certain covenants as defined in the resolutions. Outstanding long-term debt as of December 31, 2010, consists of the following (in thousands):

Bond Type (by Bond Issue)	Rates (%)	Maturity Dates	Beginning Balance	Principal Payments and Refundings	Issuance	Ending Balance
Revenue bonds:						
First lien:						
Series 1998 A	5.25	2010	\$ 27,350	\$ 27,350	\$	\$
Series 2000 B	6.0	2011-2015	183,015	136,060		46,955
Series 2000 D	6.0	2011	6,765	3,290		3,475
Series 2001 A	5.0	2031	176,105			176,105
Series 2001 B	5.1-5.625	2011-2024	217,785	9,620		208,165
Series 2001 C	5.5-5.625	2012-2014	12,205			12,205
Series 2001 D	5.75	2011-2017	45,445	4,575		40,870
Series 2003 A	5.0-5.25	2011-2033	188,190	7,360		180,830
Series 2003 B	4.25-5.5	2013-2029	146,900			146,900
Series 2004	5.1-5.75	2011-2017	17,500	2,330		15,170
Series 2007 A	3.75-5.0	2016-2019	27,880			27,880
Series 2007 B	3.85-5.0	2011-2032	193,115	5,345		187,770
Series 2009 A	5.25	2027-2028	20,705			20,705
Series 2009 B-1	5.74-7.0	2019-2036	274,255			274,255
Series 2009 B-2	7.4	2025-2031	83,600			83,600
Total			<u>1,620,815</u>	<u>195,930</u>		<u>1,424,885</u>
Intermediate lien:						
Series 2005 A	5.0-5.25	2011-2035	390,975	10,500		380,475
Series 2005 C	5.0	2011-2017	35,730	4,050		31,680
Series 2006 A	4.75-5.0	2025-2030	124,625			124,625
Series 2010 A	3.0-5.0	2011-2017			25,200	25,200
Series 2010 B	4.0-5.0	2014-2040			221,315	221,315
Series 2010 C	3.0-5.0	2011-2024			128,140	128,140
Total			<u>551,330</u>	<u>14,550</u>	<u>374,655</u>	<u>911,435</u>
Subordinate lien:						
Series 1997	0.34 *	2022	108,830			108,830
Series 1998	5.0-5.375	2011-2017	14,150	1,475		12,675
Series 1999 A	4.75-5.5	2016-2024	121,840			121,840
Series 1999 B	5.5	2011-2016	66,515	8,420		58,095
Series 2005	0.29 *	2010	62,925	62,925		
Series 2008	0.38 *	2033	200,715			200,715
Commercial paper	0.3-0.4	2011	156,800	63,300	805	94,305
Total			<u>731,775</u>	<u>136,120</u>	<u>805</u>	<u>596,460</u>
Revenue bond totals			<u>\$ 2,903,920</u>	<u>\$ 346,600</u>	<u>\$ 375,460</u>	<u>\$ 2,932,780</u>

(Continued)

Bond Type (by Bond Issue)	Rates (%)	Maturity Dates	Beginning Balance	Principal Payments and Refunding	Issuance	Ending Balance
General obligation bonds:						
Series 2000 A	5.1	2010	\$ 310	\$ 310	\$	\$
Series 2000 B	5.7-6.0	2011-2025	84,120	3,305		80,815
Series 2004	4.5-5.25	2011-2023	211,255	18,200		193,055
Series 2006	3.75-5.0	2011-2029	61,630			61,630
Total			<u>357,315</u>	<u>21,815</u>		<u>335,500</u>
Passenger facility charge revenue bonds:						
Series 1998 A	5.5	2019	118,490	87,470		31,020
Series 1998 B	5.25-5.375	2010	81,665	81,665		
Series 2010 A	5.0	2017-2023			79,770	79,770
Series 2010 B	1.5-5.0	2011-2016			66,695	66,695
Total			<u>200,155</u>	<u>169,135</u>	<u>146,465</u>	<u>177,485</u>
Fuel hydrant special facility bonds	4.5-5.5	2011-2033	107,950	2,485		105,465
Bond totals			<u>3,569,340</u>	<u>540,035</u>	<u>521,925</u>	<u>3,551,230</u>
Unamortized bond discounts - net of amortization			(34,252)			(8,921)
Total debt			3,535,088			3,542,309
Less current maturities of long-term debt			257,870			200,750
Long-term debt			<u>\$ 3,277,218</u>			<u>\$ 3,341,559</u>

* Variable interest rates as of December 31, 2010

(Concluded)

During August 2010, the Port issued \$374,655,000 in Series 2010ABC Intermediate Lien Revenue and Refunding Bonds. Series 2010A, \$25,200,000, was used to fully refund the Series 1998A First Lien Revenue Bonds. Series 2010B, \$221,315,000, was used to fully refund the Series 2005 Subordinate Lien Revenue Bonds, to pay for or reimburse costs of capital improvements to Airport facilities, and to capitalize a portion of the interest on the Series 2010B Bonds. Series 2010C, \$128,140,000, was used to partially refund Series 2000B First Lien Revenue Bonds. A portion of each bond Series was also used to pay the costs of issuing the bonds and to contribute to the Intermediate Lien Reserve Account. The bonds have coupon rates ranging from 3.0% to 5.0% with maturities ranging from 2011 to 2040. The interest on the Series 2010AB Intermediate Lien Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2010, and interest on the Series 2010C is payable on February 1 and August 1 of each year, commencing February 1, 2011. Series 2010A are not subject to optional redemption. Certain maturities of Series 2010B and 2010C are subject to optional redemption prior to their scheduled maturities, and certain maturities of Series 2010B are also subject to mandatory sinking fund redemption.

The total economic gain resulting from the Series 1998A and 2000B First Lien refunding transactions was \$14,617,000, while the Port also decreased its aggregate debt service payments by \$21,315,000 over the life of the bonds. The 2005 Subordinate Lien Revenue bonds were refunded due to unfavorable letter of credit market conditions rather than for economic purposes. Since the Series 2005 Subordinate Lien Revenue Bonds were issued at a variable interest rate, the actual cash flow required to service the old debt is estimated based on a long term projected interest rate of 2.9%, which is based on historical and current market conditions (the minimum rate is 0% and maximum rate is 15%). If the 2005 bonds continue to incur interest costs at the long term projected rate of 2.9% along with all the associated credit facility fee such as remarketing fee, draw fee, surveillance fee, letter of credit fee and fiscal agent fee, the refunding transaction would result in an

economic loss of \$8,453,000; however, the Port would decrease its aggregate debt service payments by \$428,000 over the life of the bonds. Nevertheless, it is possible that due to the uncertainty of the future debt service requirement of the old debt, the ultimate realized economic loss would be different.

During December 2010, the Port issued \$146,465,000 in Series 2010AB PFC Revenue Refunding Bonds. Series 2010A, \$79,770,000, partially refunded the Series 1998A PFC Revenue Bonds, while Series 2010B, \$66,695,000, fully refunded the 1998B PFC Revenue Bonds. A portion of each bond series was also used to pay the costs of issuing the Series 2010AB PFC Revenue Refunding Bonds. The bonds have coupon rates ranging from 1.5% to 5.0% with maturities ranging from 2011 to 2023. The interest on the Series 2010AB PFC Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2011. Certain maturities of Series 2010A PFC Bonds are subject to optional redemption prior to their scheduled maturities. Series 2010B PFC Bonds are not subject to redemption prior to maturity. The economic gain resulting from the refunding transaction was \$14,678,000, while the Port also decreased its aggregate debt service payments by \$18,652,000 over the life of the bonds.

During February 2011, the Port issued \$30,215,000 Limited Tax GO Bonds, and \$74,000,000 Limited Tax GO Refunding Bonds for the purposes of replenishing a portion of the funds expended for the acquisition of Eastside Rail Corridor in 2009, to fully refund Series 2000B GO Bonds, and to pay the costs of issuing the bonds. The bonds have coupon rates ranging from 2.25% to 5.75% with maturities ranging from 2011 to 2025. The interest on the bonds is payable on June 1 and December 1 of each year, commencing June 1, 2011. The Limited Tax GO bonds are subject to optional redemption prior to their scheduled maturities, and certain maturities of the Limited Tax GO Refunding bonds are subject to optional redemption prior to their scheduled maturities. The economic gain resulting from the refunding transaction was \$7,439,000, while the Port also decreased its aggregate debt service payments by \$11,131,000 over the life of the bonds.

During July 2009, the Port issued \$20,705,000 in Series 2009A Revenue Bonds, \$274,255,000 in Series 2009B-1 Taxable Revenue Bonds, and \$83,600,000 in Series 2009B-2 Taxable Capital Appreciation Revenue Bonds. The 2009 Series Revenue Bonds were issued to finance, or to reimburse the Port for financing, a portion of the costs of a consolidated rental car facility and related project elements, to fund debt service reserve funds for each series of the 2009 Bonds, to capitalize a portion of the interest on the Series 2009 Bonds, and to pay the costs of issuing the series of 2009 Bonds. The bonds have coupon rates ranging from 5.25% to 7.40% with maturities ranging from 2019 to 2036. Interest on the 2009A and 2009B-1 Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2009, and are subject to optional redemption prior to their scheduled maturities. Interest on the 2009B-2 Bonds will be compounded semiannually, but will be payable only upon maturity. The 2009B-2 bonds are not subject to optional redemption prior to their scheduled maturities.

As of December 31, 2010 and 2009, the accreted value of the Series 2009B-2 Taxable Capital Appreciation Revenue Bonds was \$24,463,000 and \$22,749,000, respectively, and the ultimate accreted value of \$83,600,000 will be reached at maturities during 2025 to 2031.

During May 2003, the Port issued Fuel Hydrant Special Facility Revenue bonds in the amount of \$121,140,000 to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. The Port undertook the development of the fuel system to lower the cost of fuel service at the Airport, improve Airport safety by reducing the need for fuel trucks to operate on the airfield, and address environmental concerns created by the current fuel system. The fuel facility is leased for 40 years (including two five-year option periods) to SeaTac Fuel Facilities LLC ("Lessee"), a limited liability company formed by a consortium of airlines for the purpose of providing jet fuel storage and distribution at the Airport. The Port owns the system and the Lessee will oversee day-to-day management. The Lessee is obligated to collect the fuel system fees and to make monthly rent payments including a base rent for the land to the Port and facilities rent to Wells Fargo Bank Northwest, National Association ("Trustee").

Facilities rent is established at an amount sufficient to pay monthly debt service, replenish any deficiency in the debt service reserve fund, and pay other fees associated with the bonds, including the Trustee fee. In addition, the Lessee has provided a guaranty and a security agreement to the Trustee, securing the Lessee's obligation to pay principal and interest on the bonds. Interest on the Fuel Hydrant Special Facility Revenue bonds is payable on June 1 and December 1 of each year, commencing December 1, 2003.

Proceeds from the bonds are held by the Trustee. The fuel hydrant facility was fully operational in 2006. During December 2008 and June 2009, the Port defeased \$4,030,000 and \$55,000, respectively, of Fuel Hydrant Special Facility Revenue bonds using a portion of the unspent bond proceeds held by the Trustee. At December 31, 2010 and 2009, there was \$10,498,000 and \$10,428,000, respectively, of Fuel Hydrant Special Facility Revenue bond proceeds and rent payments held for debt service reserve fund and debt service payments. For the year ending December 31, 2010, unspent bond proceeds were comprised of \$6,488,000 and \$4,010,000 in current restricted cash equivalents and long-term restricted investments, respectively. For the year ending December 31, 2009, unspent bond proceeds were comprised of \$6,423,000 and \$4,005,000 in current restricted cash equivalents and long-term restricted investments, respectively.

Fuel Hydrant Special Facility Revenue bonds in the amount of \$102,885,000 and \$105,465,000, respectively, are included in long-term debt as of December 31, 2010 and 2009.

The Commission authorized the sale of subordinate lien revenue notes (commercial paper) in an aggregate principal amount not to exceed \$250,000,000 for the purpose of financing and refinancing capital improvements within the Port, for working capital, and for paying maturing revenue notes of the same series and/or reimbursing the credit providers for advances made. Commercial paper advances outstanding totaled \$94,305,000 and \$156,800,000 at December 31, 2010 and 2009, respectively. Commercial paper advances are included in current maturities of long-term debt.

During 2009, the Commission authorized the sale of subordinate lien revenue bond anticipation notes, with the principal amount not to exceed \$100,000,000, in the form of a line of credit, for the purpose of paying a portion of the costs of the consolidated rental car facility project. There have been no borrowings against the line of credit and accordingly no debt outstanding at December 31, 2010 and 2009.

Included in long-term debt are two subordinate lien variable rate demand bond issues, Series 1997 and Series 2008. Demand bonds are securities that contain a "put" feature that allows bondholders to demand payment before the maturity of the debt upon proper notice to the Port's remarketing or paying agents.

In 1997, the Port issued \$108,830,000 in Series 1997 Subordinate Lien Revenue Bonds that have a final maturity date of September 1, 2022. The proceeds of the issuance were used to pay a portion of the costs of acquisitions of the Port's marine facilities and to pay costs of issuing the Series 1997 Bonds. The bonds bear interest at a weekly rate, and are subject to purchase on demand with seven days notice and delivery to the Port's remarketing agent, currently Morgan Stanley & Co., Inc.

On January 14, 2011, the Port entered into a letter of credit ("LOC") reimbursement agreement with Bank of America, replacing the prior agreement with PNB Paribas which expired on January 31, 2011. The LOC is in the amount of \$110,082,000 and expires on January 18, 2014.

If the remarketing agent is unable to resell any bonds that are "put" within six months of the "put" date and the Port has not replaced the LOC or converted the bonds, the Port has a take out agreement with Bank of America to convert the bonds to an installment loan payable in 10 equal installments payable semi-annually and bearing an interest rate no less than 8.5%.

The Port is required to pay a quarterly facility fee for the LOC in the amount of 1.15% per annum based on the size of the commitment. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, Moody's or Fitch is lowered, the facility fee may increase up to a maximum of 3.45% for credit ratings below Baa3/BBB-.

In addition, the remarketing agent receives an annual fee of 0.1% of the outstanding principal amount of the bonds.

In 2008, the Port issued \$200,715,000 in Series 2008 Subordinate Lien Revenue Refunding Bonds that has a final maturity date of July 1, 2033. The bonds are subject to mandatory tender for purchase and to optional redemption prior to their scheduled maturity. The proceeds of the issuance were used to fully refund Series 2003C Subordinate Lien Revenue Bonds and to pay the costs of issuing the Series 2008 Bonds. The bonds bear interest at a weekly rate, and are subject to purchase on demand with seven days notice and delivery to the Port's remarketing agent, currently Morgan Stanley & Co., Inc.

The Port entered into a LOC agreement in the amount of \$203,465,000 with Landesbank Hessen-Thüringen Girozentrale ("Helaba") concurrently with the issuance of the Bonds. The LOC is expires on June 17, 2013.

If the remarketing agent is unable to resell any bonds that are "put" within six months of the "put" date, the Port has a takeout agreement with Helaba to convert the bonds to an installment loan payable in 10 equal installments payable semi-annually and bearing an interest rate no less than the bank's prime rate.

The Port is required to pay a quarterly facility fee for the LOC in the amount of 0.27% per annum based on the size of the commitment. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, or Moody's is lowered, the facility fee may increase up to a maximum of 2.42% for credit ratings below Baa3/BBB-.

In addition, the remarketing agent receives an annual fee of 0.07% of the outstanding principal amount of the bonds.

There were no borrowings against both LOCs during 2010, and accordingly no debt outstanding at December 31, 2010.

The Port monitors the existence of any rebatable arbitrage interest income associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of the bond proceeds as compared to the interest expense associated with the respective bonds. Each outstanding bond issue has potential arbitrage rebatable earnings; however, management estimates indicate that no additional potential arbitrage rebate liability exists as of December 31, 2010.

Interest expense costs capitalized were \$4,040,000 and \$9,718,000 as of December 31, 2010 and 2009, respectively.

Aggregate annual payments on revenue bonds, GO bonds, PFC bonds, and Fuel hydrant special facility bonds as well as commercial paper outstanding at December 31, 2010 are as follows (in thousands):

	Principal	Interest	Total
2011	\$ 200,750	\$ 161,476	\$ 362,226
2012	116,600	156,164	272,764
2013	122,705	150,020	272,725
2014	132,130	143,459	275,589
2015	116,740	136,537	253,277
2016-2020	668,580	581,584	1,250,164
2021-2025	796,695	410,466	1,207,161
2026-2030	663,080	285,916	948,996
2031-2035	626,850	92,329	719,179
2036-2040	107,100	10,085	117,185
	<u>\$ 3,551,230</u>	<u>\$ 2,128,036</u>	<u>\$ 5,679,266</u>

The fair value of total debt was \$ 3,578,835,000 and \$ 3,594,914,000 as of December 31, 2010 and 2009, respectively. This fair value is estimated using quoted market prices.

6. CONDUIT DEBT

The Port has the following conduit debt obligations totaling \$206,620,000 and \$207,920,000 as of December 31, 2010 and 2009, respectively, which are not a liability or contingent liability of the Port under GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. The Port has not recorded these obligations, or the related assets, on the accompanying financial statements of the Port, as the Port has no obligation for the outstanding bonds beyond what is provided in the leasing arrangements.

In 1999, the Port issued special facility revenue bonds to pay, among other things, a portion of the costs of the expansion of Terminal 18. The Port has agreed to lease the site of Terminal 18 and the existing and future improvements thereon to Stevedoring Services of America, Inc., and its affiliate, SSA Terminals, LLC ("SSA"). The bonds are secured by lease payments paid by SSA to the trustee (Bank of New York). No tax funds or revenues of the Port (other than Terminal 18 lease revenue) are pledged to pay the debt service on the bonds, and no liens (other than the leasehold of the Terminal 18 properties) are pledged as collateral for the debt. In 2002, total facility completion triggered debt service payments from rental revenue on the special facility bonds. The Port records the property rental revenue net of debt service payments in its statements of revenues, expenses, and changes in net assets. The property rental revenue is \$12,388,000, \$12,149,000, and \$11,677,000 for 2010, 2009, and 2008, respectively. The special facility revenue bonds, Series 1999 B and C Special Facilities Revenue Bonds (Terminal 18 Project), conduit debt obligation outstanding amount is \$125,620,000 and \$126,920,000 at December 31, 2010 and 2009, respectively.

Since 1982, the Port, through its blended component unit, the IDC, has issued tax-exempt nonrecourse revenue bonds to finance industrial development for acquiring, constructing, and renovating transshipment and manufacturing facilities within the corporate boundaries of the Port. These revenue bonds are secured by revenues derived from the industrial development facilities funded by the revenue bonds and leased to the IDC. No tax funds or revenues of the Port (other than the IDC lease revenue) are pledged to pay the debt service on the bonds, and no liens (other than the IDC properties) are pledged as collateral for the debt. As of December 31, 2010 and 2009, industrial revenue bonds of \$81,000,000 were outstanding.

7. LONG-TERM LIABILITIES

The following is a summary of the environmental remediation liability, arbitrage rebate liability, accrued election expenses, deferred revenue, and other activities which make up the Port's long-term obligation balances for the years ended December 31, 2010 and 2009 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-Term Portion
2010						
Environmental remediation liability	\$37,547	\$48,226	\$ (29,049)	\$56,724	\$13,582	\$43,142
Accrued arbitrage rebate liability	2,066		(2,066)			
Accrued election expense	2,251	984	(2,087)	1,148		1,148
Deferred revenue	19,705	8,742	(9,172)	19,275	12,934	6,341
Others	867		(37)	830		830
Total	<u>\$62,436</u>	<u>\$57,952</u>	<u>\$ (42,411)</u>	<u>\$77,977</u>		
2009						
Environmental remediation liability	\$27,187	\$21,650	\$ (11,290)	\$37,547	\$9,332	\$28,215
Accrued arbitrage rebate liability	856	1,210		2,066	769	1,297
Accrued election expense	1,287	964		2,251	2,251	
Deferred revenue	8,913	17,533	(6,741)	19,705	9,172	10,533
Others	45	822		867		867
Total	<u>\$38,288</u>	<u>\$42,179</u>	<u>\$ (18,031)</u>	<u>\$62,436</u>		

8. ENTERPRISE FUND PENSION PLANS

Public Employees' Retirement System ("PERS")—Substantially, all of the Port's full-time and qualifying part-time employees, other than those covered under union plans, participate in PERS. This is a statewide local government retirement system administered by the Washington State Department of Retirement Systems ("DRS"), under cost-sharing, multiple-employer defined benefit public employee retirement plans. The PERS system includes three plans.

Participants who joined the system by September 30, 1977, are PERS Plan 1 members. Those joining thereafter are enrolled in PERS Plan 2. In March 2000, Governor Gary Locke signed into law a new retirement plan for members of the PERS Plan 2. The new plan, entitled PERS Plan 3, provides members with a defined benefit plan similar to PERS Plan 2 and the opportunity to invest their retirement contributions in a defined contribution plan.

PERS Plan 1 members are eligible for retirement at any age after 30 years of service, at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is 2% of the average final compensation per year of service, capped at 60%. The average final compensation is based on the greatest compensation earned during any 24 eligible consecutive compensation months.

PERS Plan 2 members may retire at age 65 with five years of service or at age 55 with 20 years of service. The annual pension is 2% of the average final compensation per year of service. PERS Plan 2 retirements prior to 65 are actuarially reduced. On July 1 of each year following the first full year of retirement service, the benefit will be adjusted by the percentage change in the Consumer Price Index ("CPI") of Seattle, capped at 3% annually.

PERS Plan 3 members may retire at age 65 with five years of service or at age 55 with 10 years of service for the defined benefit allowance. PERS Plan 3 retirements prior to 65 are actuarially reduced. PERS Plan 3 is structured as a dual benefit program that will provide members with the following benefits:

- A defined benefit allowance similar to PERS Plan 2 calculated as 1% of the average final compensation per year of service (versus a 2% formula) and funded entirely by employer contributions.
- A defined contribution account consisting of member contributions plus the full investment return on those contributions.

Each biennium, the State Pension Funding Council adopts PERS Plan 1 employer contribution rates and PERS Plan 2 employer and employee contribution rates. Employee contribution rates for PERS Plan 1 are established by statute at 6% and do not vary from year to year. The employer and employee contribution rates for PERS Plan 2 are set by the director of the Washington State DRS, based on recommendations by the Office of the State Actuary, to continue to fully fund PERS Plan 2. Unlike PERS Plan 2, which has a single contribution rate (which is currently 3.90%), with PERS Plan 3, the employee chooses how much to contribute from six contribution rate options. Once an option has been selected, the contribution rate choice is irrevocable unless the employee changes employers.

All employers are required to contribute at the level established by State law. The methods used to determine the contribution requirements are established under State statute in accordance with Chapters 41.40 and 41.26 RCW.

The Port's covered payroll for PERS for the year ended December 31, 2010, was \$76,132,000.

The Port's contribution rate during 2010 expressed as a percentage of covered payroll for employer was 5.15% for PERS Plan 1, PERS Plan 2, and PERS Plan 3. The employer rate does not include the employer administrative expense fee currently set at 0.16%. For employees, the rate was 6% for PERS Plan 1, 3.90% for PERS Plan 2, and PERS Plan 3 depends on the option the employee has chosen.

Both the Port and the employees made the required contributions. The Port's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2010	\$ 514,124	\$ 3,453,778	\$ 543,982
2009	364,621	4,361,076	634,677
2008	641,065	4,352,159	547,015

The pension obligation was calculated on a pension system basis and cannot be disclosed on a plan basis. PERS does not make separate measurements of assets and pension obligations for individual employees.

Law Enforcement Officers' and Fire Fighters' Retirement System ("LEOFF")—LEOFF is a cost-sharing multiple-employer defined benefit pension plan. Membership in the plan includes all full-time, fully compensated local law enforcement officers, and fire fighters. The LEOFF system includes two plans.

Participants who joined the system by September 30, 1977, are LEOFF Plan 1 members. Those joining thereafter are enrolled in LEOFF Plan 2. Retirement benefits are financed from employee and employer contributions, investment earnings, and State contributions. Retirement benefits in both LEOFF Plan 1 and LEOFF Plan 2 are vested after completion of five years of eligible service.

LEOFF Plan 1 members are eligible to retire with five years of service at age 50. The service retirement benefit is dependent upon the final average salary and service credit years at retirement. On April 1 of each year following the first full year of retirement service, the benefit will be adjusted by the percentage change in the CPI of Seattle.

Term of Service	Percent of Final Average
5-9 years	1.0 %
10-19 years	1.5
20 or more years	2.0

LEOFF Plan 2 members are eligible to retire at the age of 50 with 20 years of service or at age 53 with five years of service. Retirement benefits prior to age 53 are actuarially reduced at a rate of 3% per year. The benefit is 2% of the final average salary per year of service. The final average salary is determined as the 60 highest paid consecutive service months. There is no limit on the number of service credit years, which may be included in the benefit calculation. On July 1 of each year following the first full year of retirement service, the benefit will be adjusted by the percentage change in the CPI of Seattle, capped at 3% annually.

LEOFF Plan 1 employer and employee contribution rates are established by statute, and the State is responsible for the balance of the funding at rates set by the Pension Funding Council to fully amortize the total costs of the plan. Employer and employee rates for LEOFF Plan 2 are set by the director of the Washington State DRS, based on recommendations by the Office of the State Actuary, to continue to fully fund the plan. LEOFF Plan 2 employers and employees are required to contribute at the level required by State law. The methods used to determine the contribution rates are established under State statute in accordance with Chapters 41.26 and 41.45 RCW.

The Port's covered payroll for LEOFF for the year ended December 31, 2010, was \$17,880,000.

The Port's required contribution rates during 2010 expressed as a percentage of covered payroll for LEOFF Plan 1 was 0% for both employer and employee. For LEOFF Plan 2, the rate was 5.08% for employer and 8.46% for employees. The employer rates do not include the employer administrative expense fees currently set at 0.16% for LEOFF Plan 1 and LEOFF Plan 2.

Both the Port and the employees made the required contributions. The Port's required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2 (Firefighters)	LEOFF Plan 2 (Police Officers)
2010	\$ 14	\$ 379,715	\$ 918,386
2009	386	348,834	857,363
2008	378	340,537	906,652

Historical trend information regarding all of these plans is presented in Washington State DRS' annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
P.O. Box 48380
Olympia, WA 98504-8380

Internet Address: www.drs.wa.gov

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to pension benefits as described in Note 8, the Port provides other postemployment benefits ("OPEB").

Plan Descriptions—The Port administers and contributes to two single-employer defined benefit plans: (1) LEOFF Plan 1 Members' Medical Services Plan and (2) Retirees Life Insurance Plan. Under the Washington State DRS, the Port is required to pay for retired LEOFF Plan 1 members' medical services expenses. Under the Port's life insurance contract, eligible retired employees are provided with life insurance coverage for a death benefit up to \$25,000. The Port can establish and amend benefit provisions of the life insurance OPEB plan. There are no separate OPEB plan related financial reports issued. Since January 1, 2010, eligible retired employees and their dependents are no longer implicitly or explicitly subsidized under the Port's medical insurance group plan, based on the change to the substantive plan (the plan as understood by the employer and the plan members).

Funding Policy and Annual OPEB Costs—For the LEOFF Plan 1 Members' Medical Services Plan, the Washington State DRS establishes and may amend the contribution requirements of plan members and the Port. The contribution requirements of the Retirees Life Insurance Plan are established and may be amended by the Port. The Port's annual OPEB cost for the current year and the related information for each plan are as follows (in thousands):

	LEOFF Plan 1 Members' Medical Service Plan ^(a)	Retirees Life Insurance Plan
Contribution rates:		
Port	Pay-as-you-go	Pay-as-you-go
Plan members	N/A	N/A
Annual required contribution	\$ 241	\$ 557
Interest on net OPEB obligation	305	35
Adjustment to annual required contribution		(31)
Annual OPEB costs	546	561
Contribution made	(469)	(293)
Increase in net OPEB obligation	77	268
Net OPEB obligation beginning of year	7,183	831
Net OPEB obligation end of year	<u>\$ 7,260</u>	<u>\$ 1,099</u>

(a) As the LEOFF Plan 1 Members' Medical Service Plan has less than 100 plan members, the Port elected to use the Alternative Measurement Method to estimate the annual required contribution.

The schedule of employer contributions at December 31, 2010, 2009 and 2008 are as follows (in thousands):

Years Ended December 31	Annual OPEB Costs	Employer Contributions	Percentage Contributed	Net OPEB Obligation
LEOFF Plan 1 Members' Medical Service Plan				
2010	\$ 546	\$ 469	85.9 %	\$ 7,260
2009	700	436	62.3	7,183
2008	4,407	404	9.2	6,919
Retirees Medical Insurance Plan				
2010	\$	\$	%	\$
2009	(5,113)	511	(10.0)	
2008	3,405	546	16.0	5,624
Retirees Life Insurance Plan				
2010	\$ 561	\$ 293	52.2 %	\$ 1,099
2009	539	301	55.8	831
2008	518	296	57.1	593

Funding Status—As of December 31, 2010 and 2009, using the Alternative Measurement Method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was \$7,260,000 and \$7,183,000, respectively, all of which was unfunded.

For the other OPEB plans, as of January 1, 2009, the most recent actuarial valuation data and the preceding actuarial valuation data, funding progress were as follows (in thousands):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2009 Valuation						
Retirees Medical Insurance Plan	\$	\$ 511	%	\$ 511	\$ 65,218	0.8 %
Retirees Life Insurance Plan		7,480		7,480	78,331	9.5
November 1, 2006 Valuation						
Retirees Medical Insurance Plan	\$	\$ 31,107	%	\$ 31,107	\$ 56,054	55.5 %
Retirees Life Insurance Plan		7,007		7,007	67,296	10.4

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment rate of return, payroll growth rate and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the LEOFF Plan 1 Members' Medical Services Plan, the following simplifying assumptions were made when the Alternative Measurement Method was used:

- **Retirement age for active employees**—Based on the historical average retirement age for the covered group, active plan members were assumed to retire the year immediately following that in which the member would qualify for benefits.
- **Mortality**—Life expectancies were based on mortality tables from the U.S. Department of Health and Human Services. The 2006 United States Life Table for Males was used.
- **Healthcare cost trend rate**—The expected rate of increase in healthcare expenditure was based on projections of the Centers for Medicare and Medicaid Services. A rate of 5.2% was used initially, but was increased slightly to an ultimate rate of 6.4% after seven years.
- **Health insurance premiums**—2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
- **Investment rate of return**—a rate of 4.25% was used, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits.

Additionally, the unfunded actuarial accrued liability is not amortized as the LEOFF Plan 1 Members' Medical Services Plan is closed to new entrants and almost all of the plan members have retired.

For the Retirees Life Insurance Plan, as of January 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability is determined by the independent actuary using the Projected Unit Credit actuarial cost method. The actuarial assumptions included a 4.25% investment rate of return, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a 30-year open period, assuming payroll growth of 3.5% per year.

10. ENVIRONMENTAL REMEDIATION LIABILITIES

The Port has identified a number of contaminated sites on Aviation, Seaport, and Real Estate properties and facilities that must be investigated for the presence of hazardous substances and remediated in compliance with Federal and State environmental laws and regulations. Some Port facilities may require asbestos abatement, and some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments and/or groundwater. In some cases, the Port has been designated by the Federal government as a "Potentially Responsible Party", and/or by the State government as a "Potentially Liable Person" for the investigation and cleanup of properties owned by the Port or where the Port may have contributed to site contamination. Although the Port may not bear ultimate liability for the contamination, under Federal and State law, the Port is presumptively liable as the property owner, and it is often practically and financially beneficial for the Port to take initial responsibility to manage and pay for the cleanup.

As of December 31, 2010 and 2009, the Port's environmental remediation liability was \$56,724,000 and \$37,547,000, respectively, based on reasonable and supportable assumptions, measured at

current value using the expected cash flow technique. The Port's environmental remediation liability does not include cost components that are not yet reasonably measurable. The Port's environmental remediation liability will change over time due to changes in costs of goods and services, changes in remediation technology, and changes in governing laws and regulations.

In many cases, the Port has successfully recovered Port-incurred investigation and cleanup costs from other responsible parties. The Port will continue to seek appropriate recoveries in the future. As of December 31, 2010 and 2009, the environmental remediation liability was reduced by \$18,768,000 and \$14,732,000, respectively, for estimated unrealized recoveries.

11. CONTINGENCIES

The Port is a defendant in various legal actions and claims, including a class action lawsuit filed by the former warehouse employees, seeking continuing health and welfare benefits. Although certain lawsuits and claims are significant in amount, the final dispositions are not determinable, and in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or results of operations of the Port. In the case of the class action lawsuit, the Port has recorded adequate contingent liability for the former warehouse employees.

In 2010, the Port and the former warehouse employees have agreed on a settlement in the amount of \$9.0 million. Of this amount, approximately \$4.0 million represents past due amounts for the cost of medical coverage from 2003 to 2010. The remainder is the estimated cost of future medical benefits. The settlement agreement was approved by the King County Superior Court in April 2011 and the settlement payment is due in May 2011. As of December 31, 2010, the Port has fully accrued the \$9.0 million for the medical benefits.

Amounts received or receivable under grants-in-aid programs are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already received, may constitute a liability of the Port. The amount, if any, of expenditures that may be disallowed cannot be determined at this time, although the Port expects such amounts, if any, to be insignificant.

12. COMMITMENTS

As of December 31, 2010, the Port has made commitments for acquisition and construction as follows (in thousands):

	2010
Funds committed:	
Airport facilities	\$ 110,953
Seaport terminals	5,463
Real Estate properties	5,310
Corporate	469
Total	<u>\$ 122,195</u>

As of December 31, 2010, funds authorized by the Port, but not yet committed for all divisions amount to \$164,859,000.

13. BUSINESS INFORMATION

For the Enterprise Fund's three major business activities, operations consist of Seaport terminals, Airport facilities, and Real Estate properties. Indirect costs have been allocated to Seaport terminals, Airport facilities, and Real Estate properties using various methods based on estimated hours of work, revenue plus expenses, full-time equivalent positions, and other factors.

The Port's operating revenues are derived from various sources. The Seaport's operating revenues are principally derived from the leasing of Seaport terminal facilities. The Aviation's operating revenues are derived primarily from its airline agreements, concession agreements, and other business arrangements. The Real Estate's operating revenues are primarily derived from the leasing of commercial and industrial real estate, recreational marinas, and industrial fishing terminals.

Operating revenues, as reflected in the statements of revenues, expenses, and changes in net assets, from the Port's major sources for the years ended December 31, 2010, 2009 and 2008 are as follows (in thousands):

	2010	2009	2008
Seaport Division:			
Property rentals	\$ 77,878	\$ 71,330	\$ 68,828
Equipment rentals	9,036	8,758	8,944
Operating grant and contract revenues	1,791	2,292	1,316
Other	<u>9,145</u>	<u>8,311</u>	<u>7,165</u>
Total Seaport Division operating revenues	<u>\$ 97,850</u>	<u>\$ 90,691</u>	<u>\$ 86,253</u>
Aviation Division:			
Property rentals	\$ 205,537	\$ 200,520	\$ 208,577
Landing fees	56,647	50,847	65,770
Parking	52,336	51,995	61,313
Operating grant and contract revenues	771	395	144
Other	<u>26,882</u>	<u>24,484</u>	<u>21,438</u>
Total Aviation Division operating revenues	<u>\$ 342,173</u>	<u>\$ 328,241</u>	<u>\$ 357,242</u>
Real Estate Division:			
Property rentals	\$ 9,381	\$ 10,580	\$ 11,660
Conference centers	8,320	7,536	11,833
Berthage and moorage	9,901	9,794	9,073
Utilities	1,157	1,225	1,089
Operating grant and contract revenues		19	
Other	<u>1,061</u>	<u>978</u>	<u>1,142</u>
Total Real Estate Division operating revenues	<u>\$ 29,820</u>	<u>\$ 30,132</u>	<u>\$ 34,797</u>

One major customer represented 13.9%, 14.7% and 13.3% of total Port's operating revenue in 2010, 2009 and 2008, respectively. For Seaport Division, the revenues from its major customers accounted for 71.7%, 71.2% and 76.7% of total Seaport operating revenues in 2010, 2009 and 2008, respectively. For Aviation Division, the revenues from one major customer accounted for 19.1%, 20.1% and 17.9% of total Aviation operating revenues in 2010, 2009 and 2008, respectively. No single major customer represents more than 10% of Real Estate Division operating revenues in 2010, 2009 and 2008.

Operating revenues, as reflected in the statements of revenues, expenses, and changes in net assets, from the Port's major customers for the years ended December 31, 2010, 2009 and 2008 are as follows (in thousands):

	2010	2009	2008
Seaport Division:			
Revenues	\$ 70,142	\$ 64,562	\$ 66,167
Number of major customers	4	4	4
Aviation Division:			
Revenues	\$ 65,388	\$ 66,073	\$ 63,774
Number of major customers	1	1	1
Total:			
Revenues	\$ 135,530	\$ 130,635	\$ 129,941
Number of major customers	5	5	5

Operating expenses, as reflected in the statements of revenues, expenses, and changes in net assets, from the Port's major functions by division for the years ended December 31, 2010, 2009 and 2008 are as follows (in thousands):

	2010	2009	2008
Seaport Division:			
Operations and maintenance	\$ 26,556	\$ 28,116	\$ 27,153
Administration	10,173	10,224	9,967
Law enforcement	2,860	2,205	2,767
Total Seaport Division operating expenses	\$ 39,589	\$ 40,545	\$ 39,887
Aviation Division:			
Operations and maintenance	\$ 136,105	\$ 130,554	\$ 149,865
Administration	29,824	29,074	29,556
Law enforcement	15,213	15,026	15,762
Total Aviation Division operating expenses	\$ 181,142	\$ 174,654	\$ 195,183
Real Estate Division:			
Operations and maintenance	\$ 26,017	\$ 24,325	\$ 32,942
Administration	3,606	3,339	3,561
Law enforcement	1,876	1,905	1,692
Total Real Estate Division operating expenses	\$ 31,499	\$ 29,569	\$ 38,195

Statements of revenues, expenses, and changes in net assets by division for the years ended December 31, 2010, 2009 and 2008 is as follows (in thousands):

	2010	2009	2008
Seaport Division:			
Net operating income before depreciation	\$ 58,261	\$ 50,146	\$ 46,366
Depreciation	31,212	29,385	26,824
Operating income	27,049	20,761	19,542
Nonoperating income (expense):			
Ad valorem tax levy revenue	57,809	66,063	60,643
Noncapital grants and donations	10,301	1,424	8,853
Investment income—net	2,913	4,432	12,240
Revenue and capital appreciation bond interest expense	(10,767)	(10,552)	(13,545)
General obligation bond interest expense	(16,014)	(14,476)	(15,739)
Public expense	(15,503)	(13,521)	(2,808)
Environmental expense—net	(19,878)	(6,595)	(5,007)
Other expense—net	(7,660)	(5,244)	(2,694)
Total nonoperating income—net	1,201	21,531	41,943
Income before capital contributions	28,250	42,292	61,485
Capital contributions	468	2,340	2,919
Increase in net assets in Seaport Division	\$ 28,718	\$ 44,632	\$ 64,404
Aviation Division:			
Net operating income before depreciation	\$ 161,031	\$ 153,587	\$ 162,059
Depreciation	119,538	117,731	107,349
Operating income	41,493	35,856	54,710
Nonoperating income (expense):			
Ad valorem tax levy revenue	8,141	5,215	1,936
Passenger facility charges revenue	59,744	59,689	60,708
Customer facility charges revenue	23,243	21,866	22,947
Noncapital grants and donations	1,896	5,056	1,087
Investment income—net	10,109	12,560	26,570
Revenue and capital appreciation bond interest expense	(119,513)	(108,116)	(89,459)
PFC revenue bond interest expense	(10,187)	(10,956)	(11,412)
Public expense	(9,578)	(6,847)	(24,686)
Other income (expense)—net	750	(6,309)	(5,678)
Total nonoperating expense—net	(35,395)	(27,842)	(17,987)
Income before capital contributions	6,098	8,014	36,723
Capital contributions	30,040	74,323	49,460
Increase in net assets in Aviation Division	\$ 36,138	\$ 82,337	\$ 86,183

(Continued)

	2010	2009	2008
Real Estate Division:			
Net operating (loss) income before depreciation	\$ (1,678)	\$ 563	\$ (3,398)
Depreciation	10,025	9,949	10,033
Operating loss	(11,703)	(9,386)	(13,431)
Nonoperating income (expense):			
Ad valorem tax levy revenue	7,175	4,308	13,101
Noncapital grants and donations	131	156	109
Investment income—net	74	259	215
Revenue and capital appreciation bond			
interest expense	(2,959)	(2,480)	(2,513)
General obligation bond interest expense	(1,449)	(1,309)	(1,321)
Environmental expense—net	(2,853)	(8,081)	(652)
Other income—net	53	1,823	9,365
Total nonoperating income (expense)—net	172	(5,324)	18,304
(Loss) Income before capital contributions	(11,530)	(14,710)	4,873
Capital contributions	10	72	57
(Decrease) Increase in net assets in			
Real Estate Division	\$ (11,520)	\$ (14,638)	\$ 4,930

(Concluded)

Total assets and debt, as reflected in the statements of net assets, by division as of December 31, 2010, and 2009 is as follows (in thousands):

	2010	2009
Seaport Division:		
Current, long-term, and other assets	\$ 221,867	\$ 213,078
Land, facilities, and equipment—net	1,157,900	1,174,006
Construction work in progress	9,571	10,828
Total assets	\$ 1,389,338	\$ 1,397,912
Debt	\$ 650,120	\$ 682,005
Aviation Division:		
Current, long-term, and other assets	\$ 780,531	\$ 816,620
Land, facilities, and equipment—net	3,632,304	3,696,312
Construction work in progress	323,759	199,079
Total assets	\$ 4,736,594	\$ 4,712,011
Debt	\$ 2,764,489	\$ 2,712,345
Real Estate Division:		
Current, long-term, and other assets	\$ 102,314	\$ 127,423
Land, facilities, and equipment—net	295,295	303,794
Construction work in progress	2,775	927
Total assets	\$ 400,384	\$ 432,144
Debt	\$ 127,700	\$ 140,738

14. WAREHOUSEMEN'S PENSION TRUST FUND

In late 2002, the Port terminated all warehousing operations at Terminal 106 following the departure of the principal customer operating at the facility. Prior to closing the warehouse, the Port had provided pension and health benefits to represented employees under a Collective Bargaining Agreement with Local #9 of the International Longshore and Warehouse Union. The benefits were administered by two separate trusts, the Warehousemen's Pension Trust and the Local #9 Health & Welfare Trust. The Port made quarterly contributions to each trust in an amount sufficient to provide the required contractual benefits and the trusts were jointly administered by trustees appointed by both Local #9 and the Port.

Upon expiration of the contract with Local #9, the Port ceased making contributions to the Health & Welfare Trust and provided employees with the ability to maintain their health coverage by self-paying premiums through the Port's medical plan. The Port also ceased making contributions to the Warehousemen's Pension Trust.

On May 25, 2004, the Port became the sole administrator for the Warehousemen's Pension Plan (the "Plan") and Trust and commenced contributions to the Plan. A schedule of employer contributions is shown below. The Plan is a governmental plan maintained and operated solely by the Port.

Summary of Accounting Policies—The financial statements are prepared using the accrual basis of accounting. Port contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments policy—The Warehousemen's Pension Trust investment policy allows the Plan to invest in contracts with insurance companies that are rated no lower than A by at least two major rating agencies. The Plan is allowed to invest in commercial paper with A1/P1 rating. Certificates of deposit or banker's acceptances can only be purchased from domestic banks with net worth in excess of \$2 billion and which satisfy tier 1 and tier 2 capital requirements. Bank deposits or short-term investment accounts must be maintained by the Plan's custodian. Repurchase agreements can only be entered with Federal Reserve reporting dealers and maintained in accordance with Federal Reserve guidelines. Only United States registered mutual funds or ERISA-qualified commingled funds whose investment strategies and governing documents have been reviewed and approved by the Board of Trustees can be purchased. The Plan's investment policy allows for 60% plus or minus 5% of the portfolio to be invested in equities securities and 40% plus or minus 5% of the portfolio to be invested in fixed income securities.

Method Used to Value Investments—Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price on the last business day of the year.

As of December 31, 2010, and 2009, the Plan had the following investments (in thousands).

	2010	2009
Vanguard Total Stock Market Index Fund	\$ 3,195	\$ 3,489
Vanguard Total International Stock Index Fund	3,092	3,063
Vanguard Total Bond Market Index Fund	3,528	2,067
Western Asset Core Bond Fund		1,081
Total	\$ 9,815	\$ 9,700

Investments Concentration of Credit Risk—The Plan places no limit on the amount the Plan may invest in any one issuer. As of December 31, 2010, and 2009, the Plan had the following investments of more than 5% of the total Plan's investments:

	2010	2009
Vanguard Total Stock Market Index Fund	32.6 %	36.0 %
Vanguard Total International Stock Index Fund	31.5	31.6
Vanguard Total Bond Market Index Fund	35.9	21.3
Western Asset Core Bond Fund		11.1

Investments Credit Risk—As of December 31, 2010 and 2009, the Plan's investment in Vanguard Total Stock Market Index Fund Portfolio were rated "four stars" and "three stars", respectively. As of December 31, 2010 and 2009, the Plan's investment in Vanguard Total International Stock Index Fund Portfolio were rated "four stars". As of December 31, 2010 and 2009, the Plan's investment in Vanguard Total Bond Market Index Fund Portfolio were rated "three stars" and "four stars", respectively by Morningstar Inc. The Plan's investment in Western Asset Core Bond Fund was liquidated in May of 2010.

Plan Description and Contribution Information—Membership of the plan consisted of the following at January 1, 2010, and 2009, the date of the latest actuarial valuation:

	2010	2009
Retirees and beneficiaries receiving benefits	145	141
Terminated plan members entitled to but not yet receiving benefits	65	71
Total	210	212

Plan Description—The Plan is a single-employer defined benefit plan. The Plan provides that only service credited and compensation earned prior to April 1, 2004, shall be utilized to calculate benefits under the Plan, and the Port agrees to maintain the frozen Plan and to contribute funds to the Plan in such amounts that may be necessary to enable the Plan to pay vested accrued benefits as they become due and payable to participants and beneficiaries in the ordinary course of business. There is no separate financial statement of the Plan issued.

Actuarial Assumptions—The actuarial present value of accumulated plan benefits is determined by the independent actuary using the Individual Entry Age Normal actuarial cost method, and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation dates and the expected date of payment.

The significant actuarial assumptions used in the valuations as of January 1, 2010, the date of the latest actuarial valuation, remained unchanged from prior year, and were (a) life expectancy of participants (RP-2000 Blue Collar Mortality Table was used), (b) retirement age of 62 if service is less than 10 years or age 55 if service is 10 years or more, and (c) investment return. The valuations included an assumed average rate of return of investment of 7.0%, net of investment expenses. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a 20-year open period.

Annual Pension Cost and Net Pension Asset—The Port's annual pension costs and net pension asset to the Warehousemen's Pension Trust Fund for the current year were as follows (in thousands):

Annual required contribution	\$ 1,505
Interest on net pension asset	(39)
Adjustment to annual required contribution	53
Annual pension cost	1,519
Contributions made	(1,500)
Decrease in net pension asset	(19)
Net pension asset beginning of year	565
Net pension asset end of year	\$ 546

The net pension asset is included in prepayments and other current assets on the Enterprise Fund's statements of net assets.

Funding Status—The schedule of funding progress at December 31, 2010, the most recent actuarial valuation data, and the five preceding years are as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio
12/31/2010	\$ 10,392	\$ 24,428*	\$ 14,036	42.5 %
12/31/2009	10,139	24,424	14,285	41.5
12/31/2008	8,508	24,949	16,441	34.1
12/31/2007	13,102	25,633	12,531	51.1
12/31/2006	13,014	26,559	13,545	49.0
12/31/2005	12,335	26,991	14,656	45.7

This plan covers inactive participants. There are no related payroll costs.
*Estimated liabilities as of December 31, 2010 are based on January 1, 2010, data.

Schedule of Employer Contributions—The schedule of employer contributions at December 31, 2010, and the five preceding years are as follows (in thousands):

Years Ended December 31	Annual Required Contribution	Employer Contributions	Percentage Contributed	Net Pension Asset
2010	\$ 1,505	\$ 1,500	99.7 %	\$ 546
2009	1,659	1,500	90.4	565
2008	1,290	1,500	116.3	668
2007	1,325	1,500	113.2	395
2006	1,437	1,500	104.4	147
2005	1,456	1,000	68.7	7

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APPENDIX B

SUMMARY OF THE PORT'S TAXING POWER

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SUMMARY OF THE PORT'S TAXING POWER

Taxing Authority

The Port has statutory authority to levy property taxes (the "Tax Levy") within its boundaries (which are coterminous with the boundaries of the King County, Washington (the "County")) for general purposes of the Port, including the establishment of a capital improvement fund for future capital improvements, and the repayment of unlimited tax and limited tax general obligation bonds of the Port (the "Tax Levy"), to finance certain industrial development activities and to fund special projects. In the County, property taxes are collected by the County's Department of Finance (the "County Treasurer") and distributed to the various taxing districts (including the Port) that levy *ad valorem* taxes upon taxable property within the County. See "TAX LEVY RATES, RECORDS AND PROCEDURES" below.

Tax Levy

Pursuant to its statutory authority, the Port may impose the Tax Levy without a vote of the electors to pay debt service on its limited tax general obligation bonds and to fund general purposes of the Port, including capital expenditures and maintenance and operation expenses. For general purposes such as operating expenses and capital improvements, the Tax Levy may be imposed at a rate not to exceed \$0.45 per \$1,000 of assessed value of taxable property within the Port district, subject to the statutory limitations on annual increases in the dollar amount of the Tax Levy described below under "Levy Limits." and "TAX LEVY RATES, RECORDS AND PROCEDURES—Assessed Value Determinations." For the purpose of paying limited tax general obligation bonds (including the Bonds), the Tax Levy is not subject to the \$0.45 per \$1,000 rate limitation applicable to the general purpose portion of the Tax Levy, but is subject to the statutory limitations on annual increases in the dollar amount of the Tax Levy described below under "Levy Limits." The Commission determines the actual amount of the Tax Levy each year as part of the Port's business planning process described below.

Also as part of the Port's annual business planning process, the Commission provides guidance on and reviews the proposed uses of the Tax Levy. In addition to the payment of general obligation ("G.O.") bond debt service, the current guidelines recommend that the Tax Levy be used to fund expenditures that do not have a sufficient revenue source and that provide economic benefits to County residents. The Port expects the uses to include certain operating and capital costs of the Real Estate Division, certain environmental liabilities and regional transportation initiatives including funding all or a portion of the Port's contribution of up to \$300 million for the replacement of the Alaskan Way Viaduct (a portion of which is expected to be funded with future G.O. Bonds). See "CAPITAL PLAN FUNDING – Public Expense."

Levy Limits

Tax levies for port districts are subject to certain statutory limitations, but not to the State Constitutional tax levy limitations. The statutory limitation on annual increases in the dollar amount of regular property taxes is set forth in Revised Code of Washington ("RCW"), Chapter 84.55, which limits the total dollar amount of regular property taxes levied by an individual taxing district to the amount of such taxes levied in the highest of the three most recent years, multiplied by a limit factor, plus an adjustment to account for taxes on new construction at the previous year's rate. The limit factor is defined as the greater of (i) the lesser of 101 percent or 100 percent plus inflation (the implicit price deflator for personal consumption for the United States); or (ii) any percentage up to 101 percent, if approved by a majority vote plus one vote of the governing body of the taxing district, upon a finding of substantial need. Because the regular property tax increase limitation applies to the total dollar amount levied rather than to levy rates, increases in the assessed value of all property in the taxing district (excluding new construction) that exceed the growth in taxes allowed by the limit factor result in decreased regular tax levy rates, unless voters authorize a higher levy amount. Decreases in the assessed value of all property in the taxing district could require a higher regular tax levy rate to produce the same total dollar amount. Chapter 84.55 RCW permits any taxing district, including the Port, to seek approval from the electors for a tax increase in excess of the levy limitation. In addition, Chapter 84.55 RCW provides that, should the Port levy an amount less than the maximum allowed under the levy limitation in any year beginning in 1986, the Port may "bank" future levy capacity. If the Port banks levy capacity, the Port may levy taxes in any subsequent year in an amount up to the maximum that would have been allowed had it levied to the full extent of the levy limitation in each prior year. The Port's 2011 Tax Levy is

budgeted to be \$73.5 million (an estimated millage rate of \$0.2235) as shown on the table entitled “Port of Seattle Recent Port Tax Levy Activity 2002-2011.”

TAX LEVY RATES, RECORDS AND PROCEDURES

Assessed Value Determinations

The County Assessor (the “Assessor”) determines the value of all real property and certain personal property throughout the County that is subject to *ad valorem* taxation, with the exception of certain public service properties, such as utility and transportation properties, for which values are determined by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue.

For tax purposes, the assessed value of property is 100 percent of the property’s actual value. All real property is subject to revaluation at least every four years, although since 1995 the Assessor’s policy has been to revalue residential property every year. Personal property (generally only personal property used in the operation of a business) is listed by the Assessor on a roll at its currently assessed value (based in part upon reports provided by the property owners), and the roll is filed in the Assessor’s office. Not all property is subject to taxation. Washington statutes provide annual exemptions for property owned by numerous types of nonprofit entities and for farm and historical properties and provide exemptions or deferrals for certain retired or disabled persons whose incomes are below specified limits. In addition, certain improvements to real property are not taxed during the first three years after completion of the improvements. By October 15 of each year, the Assessor is required to file its annual revaluation report with the State Department of Revenue and by November is required to provide its assessed value report to each taxing district that levies *ad valorem* taxes on property within the County, including the Port. The Assessor’s determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, are subject to further revision by the State Board of Tax Appeals. See “Tax Collection Procedures.”

The following table shows the assessed valuation for taxable property within the Port district for purposes of the Port’s Tax Levy and the Port’s Maximum and Total Tax Levies in years 2002 through 2011.

**Port of Seattle
Recent Port Tax Levy Activity
2002 - 2011**

Tax Year	Port District Assessed Valuation ⁽¹⁾	Maximum Port Levy ⁽²⁾	Total Port Tax Levy ⁽¹⁾⁽³⁾	Total Port Tax Levy Rate ⁽¹⁾⁽⁴⁾	General Obligation Bond Debt Service
2011	\$ 330,414,998,614	\$ 88,727,622	\$ 73,512,887	0.22366%	\$ 39,089,161
2010	341,971,517,465	87,243,250	73,504,599	0.21494	40,425,845
2009	386,889,727,909	85,363,322	75,911,308	0.19621	40,422,078
2008	340,995,439,577	82,628,783	75,908,664	0.22267	40,434,296
2007	298,755,199,059	80,414,188	68,841,070	0.23043	40,428,896
2006	270,571,089,668	76,019,786	62,785,749	0.23205	40,137,281
2005	248,911,782,339	75,782,110	62,779,505	0.25222	37,771,348
2004	235,834,254,423	73,965,146	59,657,092	0.25296	38,284,771
2003	224,994,598,210	72,093,461	58,003,521	0.25780	24,313,767
2002	210,996,600,903	70,676,713	39,806,235	0.18866	24,163,147

(1) The amounts shown under “Port District Assessed Valuation,” “Total Port Tax Levy” and “Total Port Tax Levy Rate” are the amounts shown in the County’s Annual Reports for the purposes of the tax levy collected in the year identified in the column titled “Tax Year.” The amounts of Tax Levy receipts shown in the table entitled “Port of Seattle Tax Collection Record, 2006 - 2010” were derived from the King County Tax Receivables Summary but include supplements and cancellations and generally differ from the totals reported by the County by an immaterial amount.

(2) The maximum dollar amount shown in the County’s Certification of Assessed Valuation delivered to the Port as the maximum amount that would be permitted to be collected within the statutory levy limitation, taking into account the Port’s banked levy capacity.

(3) Tax Levy allocable for general purposes plus the Tax Levy allocable for limited tax general obligation bonds.

(4) Per \$1,000 of assessed valuation, based upon levy amounts reported in the King County Annual Report.

Sources: King County Assessor’s Office and Port of Seattle (as of 10/02/2011).

Tax Collection Procedures

The Commission levies property taxes in specific dollar amounts. The rates for all taxes levied for all taxing districts in the County are determined, calculated and fixed by the Assessor, based upon the assessed value of the taxable property within the various taxing districts in the County. The Assessor extends the tax levied within each taxing district upon a tax roll, which contains the total amounts of taxes levied and to be collected, and assigns a tax account number to each tax lot. The tax roll is delivered to the County Treasurer, who is responsible for the billing and collection of taxes due for each account. Tax bills are required to be sent in February. All taxes are due and payable on April 30 of each tax year, but if the amount due from a taxpayer exceeds \$50, one-half may be paid by April 30 and the balance no later than October 31 of that year. A penalty of three percent is assessed for taxes delinquent as of June 1 and a penalty of eight percent is assessed for taxes delinquent as of December 1. Interest, at a rate of 12 percent per annum, computed monthly on the full tax amount, is also assessed on delinquent tax bills.

The method of giving notice of payment of taxes due, accounting for the money collected, dividing the taxes collected among the various taxing districts (including the Port), and giving notice of delinquency and collection procedures are all determined by detailed statutes. The lien for personal property taxes that have been levied by the Commission prior to filing of federal tax liens is prior to such federal tax liens. In all other respects, the lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the County Treasurer may commence foreclosure of a tax lien on real property after three years have passed since the first delinquency, but may not sell property eligible for deferral of taxes.

Tax Collection Records

The following table shows the Port's Tax Levy for 2006 through 2010 and the amount and percentages of the tax collected in the year due and as of December 31, 2010.

**PORT OF SEATTLE
TAX COLLECTION RECORD⁽²⁾
2006 – 2010**

Year	Amount of Levy⁽¹⁾⁽²⁾	Amount Collected in Year Due	% Collected in Year Due	Collected as of 9/30/2011	% of Levy Collected as of 9/30/2011
2010	\$73,504,599	\$72,140,578	98.14%	\$72,999,663	99.31%
2009	75,911,308	74,383,606	97.99	75,649,921	99.66
2008	75,908,664	74,531,940	98.16	75,876,991	99.96
2007	68,863,091	67,703,167	98.32	68,850,306	99.98
2006	62,805,613	61,701,749	98.24	62,800,193	99.99

(1) The amount of the actual Tax Levy varies from the budgeted amount because of adjustments in assessed values and levy rates made by the County.

(2) The amounts of Tax Levy receipts were derived from the King County Tax Receivables Summary but include supplements and cancellations and generally differ from the totals reported by the County by an immaterial amount.

Source: Port of Seattle, from King County Tax Receivables Summary (as of 9/30/2011).

Principal Taxpayers

The following table lists the principal taxpayers in King County and the assessed value of their property for the purposes of the Tax Levy for collection in 2011.

**KING COUNTY
PRINCIPAL TAXPAYERS IN THE COUNTY
Tax Levy for Collection in 2011**

Taxpayer	Type of Business	Assessed Value	Percent of Total Assessed Value
Boeing	Aerospace	\$ 3,154,560,396	0.95%
Microsoft	Software	2,562,588,753	0.78
Puget Sound Energy/Gas/Electric	Gas & Electric Utility	1,581,646,687	0.48
Qwest Corporation	Telecommunications	838,896,985	0.25
AT&T Mobility LLC	Telecommunications	747,951,601	0.23
T-Mobile	Telecommunications	660,825,472	0.20
Alaska Airlines	Airline	622,026,924	0.19
W2007 Seattle (formerly Archon Group LP)	Real Estate	522,085,486	0.16
Union Square LLC	Property Management	427,548,222	0.13
Wright Runstad & Company	Property Management	353,747,057	0.11
Total		\$ 11,471,877,583	3.47

Source: King County Department of Assessments.

OTHER PORT TAXING AUTHORITY

Voted Tax Levy for Unlimited Tax General Obligation Bonds

If general obligation bonds are approved by a vote of the electors, the Port may impose an excess levy to produce funds equal to the amount required to make principal and interest payments on unlimited tax general obligation bonds. Such excess levy would not be subject to any current statutory limitations. The Port currently has no such unlimited tax general obligation bonds outstanding and none approved for issuance.

The Industrial Development Levy

For improvements within industrial development districts created by a port district, an additional \$0.45 per \$1,000 assessed value of taxable property within the Port district (the "Industrial Development Levy") may be levied for 12 years. The Port levied the Industrial Development Levy for six years, but has not levied this tax for the seventh through twelfth years. To levy the Industrial Development Levy for the remaining six years, the Port would be required to publish notice of intent to impose such a levy not later than June 1 of the first year of the levy. If at least eight percent of voters who voted in the last gubernatorial election protest the levy within a 90-day period, a special election must be held and a majority of the voters of the Port district voting on the levy must approve the levy.

The Port last levied the Industrial Development Levy in 1968 and has no current plans to levy all or any portion of the remaining Industrial Development Levy.

The Dredging Levy

With the approval of the majority of voters within the Port district, an additional \$0.45 per \$1,000 assessed value of taxable property within the Port district may be levied for dredging, canal construction, leveling, or filling (the "Dredging Levy"). The Port has never imposed the Dredging Levy.

DEBT INFORMATION

Port District General Obligation Debt Limitation

Under State law, the Port may incur general obligation indebtedness payable from *ad valorem* taxes in an amount not exceeding one-fourth of one percent of the value of the taxable property in the Port district without a vote of the electors. With the assent of three-fifths of the electors voting thereon, subject to a validation requirement, the Port may incur additional general obligation indebtedness, provided the total indebtedness of the Port at any time does not exceed three-fourths of one percent of the value of the taxable property in the Port district. The limit on incurring indebtedness does not apply to obligations payable from revenues (special funds) or assessments.

The following table reflects the estimated 2011 general obligation debt limit for the Port.

PORT OF SEATTLE ESTIMATED DEBT LIMIT ⁽¹⁾

Total Assessed Valuation (determined in 2010 for 2011 Tax Levy)	\$	328,630,628,411
Debt Limit, nonvoted debt, including limited tax general obligation bonds (.25% of Value of Taxable Property)		821,576,571
Less: Outstanding Limited Tax General Obligation Bonds (including capital leases)		(358,550,000)
Remaining Capacity Limited Tax General Obligation Debt	\$	<u>463,026,571</u>
Debt Limit, Total, voted and nonvoted debt, General Obligation Debt (.75% of Value of Taxable Property)	\$	2,464,729,713
Less: Total Outstanding Limited Tax General Obligation Bonds (including capital leases) ⁽²⁾		(358,550,000)
Less: Outstanding Unlimited Tax General Obligation Bonds		(0)
Remaining Capacity Total General Obligation Debt	\$	<u><u>2,106,179,713</u></u>

(1) Assessed value as of September, 2011.

Source: The Port and King County Assessor's Office.

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINIONS

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December 13, 2011

Port of Seattle
Seattle, Washington

Merrill Lynch, Pierce, Fenner & Smith Incorporated
New York, New York

Backstrom McCarley Berry & Co., LLC
San Francisco, CA

Barclays Capital Inc.
Seattle, WA

Drexel Hamilton, LLC
Philadelphia, PA

J.P. Morgan Securities LLC
New York, New York

Morgan Stanley & Co. LLC
New York, New York

Re: Port of Seattle Revenue Refunding Bonds, Series 2011A - \$11,380,000

Ladies and Gentlemen:

We have acted as bond counsel to the Port of Seattle (the “Port”) and have examined a certified transcript of the proceedings taken in the matter of the issuance by the Port of its Revenue Bonds, Series 2011A, in the aggregate principal amount of \$11,380,000 (the “Series 2011A Bonds”), issued pursuant to Resolution No. 3577 of the Port Commission (the “Master Resolution”) and Resolution No. 3653, of the Port Commission (the “Series Resolution” and, together with the Master Resolution, the “Resolution”) for the purpose of refunding certain outstanding obligations of the Port, making a contribution to the Common Reserve Fund and paying issuance costs. Capitalized terms used herein which are not otherwise defined shall have the meanings given such terms in the Resolution. Simultaneously with the issuance of the Series 2011A Bonds, the Port is issuing its Revenue Refunding Bonds, Series 2011B (the “Series 2011B Bonds”).

As provided in the Bond Purchase Agreement, the 2011A Bonds are not subject to optional redemption prior to maturity.

Regarding questions of fact material to our opinion, we have relied on representations of the Port in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Series 2011A Bonds have been legally issued and constitute valid and binding obligations of the Port, except to the extent that the enforcement of the rights and remedies of the owners of the Series 2011A Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases. Both principal of and interest on the Series 2011A Bonds are payable solely out of a special fund of the Port designated as the “Port of Seattle Revenue Bond Fund, Series 2011” (the “Series 2011 Bond Fund”) and the Common Reserve Fund.

2. The Port has obligated and bound itself to set aside and pay into the Series 2011 Bond Fund out of Net Revenues and the money in the Revenue Fund amounts sufficient to pay the principal of and interest on the Series 2011A Bonds as the same become due. The Port has further bound itself to pay into the Revenue Fund, as collected, all Gross Revenue.

3. The Port has further pledged in the Resolution that payments to be made out of Gross Revenue and moneys in the Revenue Fund into the Series 2011 Bond Fund and into the Common Reserve Fund shall be a prior lien and charge upon Gross Revenue and money in the Revenue Fund superior to all other charges of any kind or nature except for Operating Expenses and equal in rank to the lien and charge thereon for amounts pledged to pay and secure the payment of the Port's Revenue Refunding Bonds, Series 1998A issued under date of May 1, 1998; the Port's Revenue Bonds, Series 2000B; the Port's Revenue Bonds, Series 2001A and Series 2001B and Revenue Refunding Bonds, Series 2001C each issued under date of October 17, 2001 and the Port's Revenue Refunding Bonds, Series 2001D issued under date of August 7, 2002; the Port's Revenue Bonds, Series 2003A and Series 2003B issued under date of August 20, 2003; the Port's Revenue Bonds, Series 2004 issued under date of June 30, 2004; and the Port's Revenue Bonds, Series 2007A and 2007B, issued under date of March 20, 2007; and the Port's Revenue Bonds, Series 2009A and Revenue Bonds Series 2009B issued under date of July 16, 2009, the Port's Revenue Refunding Bonds, Series 2011B to be issued as of their date of delivery and any other revenue bonds hereafter issued on a parity therewith as provided in the Resolution. The Port has reserved the right to issue bonds in the future with a lien against the Net Revenues equivalent to the lien thereon of the Series 2011A Bonds.

4. Interest on the Series 2011A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2011A Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Port comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2011A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Port has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the Series 2011A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2011A Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the Series 2011A Bonds (except to the extent, if any, specifically addressed by separate opinion to the Underwriters), and we express no opinion relating thereto or relating to the undertaking of the Port to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

The Port has not designated the Series 2011A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Series 2011A Bonds. Owners of the Series 2011A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2011A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

December 13, 2011

Port of Seattle
Seattle, Washington

Merrill Lynch, Pierce, Fenner & Smith Incorporated
New York, New York

Backstrom McCarley Berry & Co., LLC
San Francisco, CA

Barclays Capital Inc.
Seattle, WA

Drexel Hamilton, LLC
Philadelphia, PA

J.P. Morgan Securities LLC
New York, New York

Morgan Stanley & Co. LLC
New York, New York

Re: Port of Seattle Revenue Refunding Bonds, Series 2011B - \$97,190,000

Ladies and Gentlemen:

We have acted as bond counsel to the Port of Seattle (the “Port”) and have examined a certified transcript of the proceedings taken in the matter of the issuance by the Port of its Revenue Bonds, Series 2011B, in the aggregate principal amount of \$97,190,000 (the “Series 2011B Bonds”), issued pursuant to Resolution No. 3577 of the Port Commission (the “Master Resolution”) and Resolution No. 3653, of the Port Commission (the “Series Resolution” and, together with the Master Resolution, the “Resolution”) for the purpose of refunding certain outstanding obligations of the Port, making a contribution to the Common Reserve Fund and paying issuance costs. Capitalized terms used herein which are not otherwise defined shall have the meanings given such terms in the Resolution. Simultaneously with the issuance of the Series 2011B Bonds, the Port is issuing its Revenue Refunding Bonds, Series 2011A (the “Series 2011A Bonds”).

The 2011B Bonds are subject to optional redemption prior to maturity as provided in the Bond Purchase Contract.

Regarding questions of fact material to our opinion, we have relied on representations of the Port in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Series 2011B Bonds have been legally issued and constitute valid and binding obligations of the Port, except to the extent that the enforcement of the rights and remedies of the owners of the Series 2011B Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases. Both principal of and interest on the Series 2011B Bonds are payable solely out of a special fund of the Port designated as the “Port of Seattle Revenue Bond Fund, Series 2011” (the “Series 2011 Bond Fund”) and the Common Reserve Fund.

2. The Port has obligated and bound itself to set aside and pay into the Series 2011 Bond Fund out of Net Revenues and the money in the Revenue Fund amounts sufficient to pay the principal of and interest on the Series 2011B Bonds as the same become due. The Port has further bound itself to pay into the Revenue Fund, as collected, all Gross Revenue.

3. The Port has further pledged in the Resolution that payments to be made out of Gross Revenue and moneys in the Revenue Fund into the Series 2011 Bond Fund and into the Common Reserve Fund shall be a prior lien and charge upon Gross Revenue and money in the Revenue Fund superior to all other charges of any kind or nature except for Operating Expenses and equal in rank to the lien and charge thereon for amounts pledged to pay and secure the payment of the Port's Revenue Refunding Bonds, Series 1998A issued under date of May 1, 1998; the Port's Revenue Bonds, Series 2000B; the Port's Revenue Bonds, Series 2001A and Series 2001B and Revenue Refunding Bonds, Series 2001C each issued under date of October 17, 2001 and the Port's Revenue Refunding Bonds, Series 2001D issued under date of August 7, 2002; the Port's Revenue Bonds, Series 2003A and Series 2003B issued under date of August 20, 2003; the Port's Revenue Bonds, Series 2004 issued under date of June 30, 2004; and the Port's Revenue Bonds, Series 2007A and 2007B, issued under date of March 20, 2007; and the Port's Revenue Bonds, Series 2009A and Revenue Bonds Series 2009B 2009B issued under date of July 16, 2009, the Port's Revenue Refunding Bonds, Series 2011A, to be issued as of their date of delivery and any other revenue bonds hereafter issued on a parity therewith as provided in the Resolution. The Port has reserved the right to issue bonds in the future with a lien against the Net Revenues equivalent to the lien thereon of the Series 2011B Bonds.

4. Interest on the Series 2011B Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series 2011B Bonds for any period during which such Series 2011B Bonds is held by a "substantial user" of the facilities financed by the Series 2011B Bonds, or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"); however, interest on the Series 2011B Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion set forth in this paragraph is subject to the condition that the Port comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Port has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2011B Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2011B Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the Series 2011B Bonds (except to the extent, if any, specifically addressed by separate opinion to the Underwriters), and we express no opinion relating thereto or relating to the undertaking of the Port to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

The Port has not designated the Series 2011B Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Series 2011B Bonds. Owners of the Series 2011B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2011B Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

APPENDIX D

DTC AND ITS BOOK-ENTRY SYSTEM

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DTC AND ITS BOOK-ENTRY ONLY SYSTEM

The following information has been provided by The Depository Trust Company, New York, New York (“DTC”). The Port makes no representation regarding the accuracy or completeness thereof. Each actual purchaser of a Series 2011 Bond (a “Beneficial Owner”) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011 Bond certificate will be issued for the aggregate principal amount of the Series 2011 Bonds, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Series 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2011 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2011 Bonds, except in the event that use of the book-entry system for the Series 2011 Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2011 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011 Bonds, such as redemptions, tenders, defaults, and

proposed amendments to the Series 2011 Bond documents. For example, Beneficial Owners of Series 2011 Bonds may wish to ascertain that the nominee holding the Series 2011 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2011 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Port as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Series 2011 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Port or the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar, or the Port, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Port or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2011 Bonds at any time by giving reasonable notice to the Port or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Series 2011 Bond certificates are required to be printed and delivered.

10. To the extent permitted by law, the Port may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2011 Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Port believes to be reliable, but the Port takes no responsibility for the accuracy thereof.

APPENDIX E

**COPIES OF THE MASTER RESOLUTION AND
THE SERIES RESOLUTION**

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CERTIFICATE

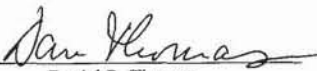
I, the undersigned, duly appointed Chief Financial Officer of the Port of Seattle (the "Port"), DO HEREBY CERTIFY:

1. That the attached Resolution No. 3577 (the "Resolution"), is a true and correct copy of a resolution of the Port as adopted at an open public meeting of the Port Commission held on the 27th day of February, 2007, and duly recorded in my office.

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

3. That the Resolution has not been amended, superseded or repealed since its adoption and remains in full and force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of July, 2009.


Daniel R. Thomas
Chief Financial Officer
Port of Seattle

**AMENDED AND RESTATED
MASTER RESOLUTION**

RESOLUTION NO. 3577

TABLE OF CONTENTS

	Page
Section 1. Definitions.....	2
Section 2. Priority of Use of Gross Revenue/Repair and Renewal Fund	8
Section 3. Authorization of Bonds.....	9
Section 4. Authorization of Series of Bonds.....	10
Section 5. Parity Bonds.....	12
Section 6. Refunding Bonds	13
Section 7. Specific Covenants.....	13
Section 8. Common Reserve Fund.....	15
Section 9. Adoption of Supplemental Resolutions and Purposes Thereof	17
Section 10. Call of Bondowners' Meetings	18
Section 11. Notice to Bondowners.....	19
Section 12. Proxies; Proof of Ownership of Bonds; Execution of Instruments by Bondowners	19
Section 13. Quorum at Bondowners Meetings	20
Section 14. Vote Required to Amend Resolution.....	20
Section 15. Obtaining Approval of Amendments at Bondowners Meetings.....	21
Section 16. Alternate Method of Obtaining Approval of Amendments	22
Section 17. Amendment of Resolution in any Respect by Approval of All Bondowners of a Series.....	22
Section 18. Endorsement of Amendment on Bonds	23
Section 19. Resolution and Laws a Contract with Bondowners	23
Section 20. Moneys Held by Paying Agents One Year After Due Date	24
Section 21. Defaults and Remedies	24
Section 22. Severability	26
SIGNATURES.....	27

E-2

AMENDED AND RESTATED MASTER RESOLUTION NO. 3577

A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF SEATTLE, WASHINGTON, AUTHORIZING REVENUE BONDS OF THE PORT DISTRICT TO BE ISSUED IN SERIES TO FINANCE ANY LEGAL PURPOSE OF THE PORT DISTRICT; CREATING AND ESTABLISHING A LIEN UPON NET REVENUES OF THE PORT DISTRICT FOR THE PAYMENT OF SUCH BONDS; AND MAKING COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING.

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

WHEREAS, the Port, on February 2, 1990, adopted Resolution No. 3059, as amended, (the "Original Master Resolution") establishing a new lien of revenue bonds for the Port ("Parity Bonds"); and

WHEREAS, the Original Master Resolution No. 3059 has been amended previously by Resolution No. 3214, adopted on March 26, 1996 (the "First Amendment"), Resolution No. 3241, adopted on April 8, 1997 (the "Second Amendment"), and Resolution No. 3436, adopted on July 11, 2000 (the "Third Amendment"); and

WHEREAS, Section 10 of Resolution No. 3059 permits supplements or amendments which add to the covenants for the benefit of Parity Bondholders without the consent of the owners of any such Parity Bond; and

WHEREAS, the Port has issued and there presently are outstanding Parity Bonds of the Port issued under the following dates and in the following principal amounts (as of January 30, 2007):

Resolution Number	Date of Issue		Original Principal Amt.	Currently Outstanding	Final Maturity Dates
3155	02/01/1994	(A)	\$27,135,000	\$1,845,000	12/1/2007
3215	04/01/1996	(B)	74,520,000	6,955,000	09/1/2017
3242	05/01/1997	(A)	120,375,000	4,595,000	10/1/2007
3275	05/01/1998	(A)	73,180,000	31,455,000	06/1/2017
3430	08/10/2000	(B)	221,590,000	203,900,000	02/1/2024
3430	09/06/2000	(D)	28,085,000	11,765,000	02/1/2011
3462/3467	10/17/2001	(A)	176,105,000	176,105,000	04/1/2031
3462/3467	10/17/2001	(B)	251,380,000	243,660,000	04/1/2024
3462/3467	10/17/2001	(C)	12,205,000	12,205,000	12/1/2014
3462/3467	08/07/2002	(D)	68,580,000	57,705,000	11/1/2017
3509	08/20/2003	(A)	190,470,000	188,190,000	07/1/2033
3509	08/20/2003	(B)	164,900,000	164,900,000	07/1/2029
3528	06/30/2004		24,710,000	22,045,000	06/1/2017

; and

WHEREAS, the Commission deems it advisable and in the best interest of the Port to provide for the establishment of a common debt service reserve fund for series of Parity Bonds identified in future series resolutions from time to time; and

WHEREAS, the Commission desires to amend and restate the Original Master Resolution as amended by the First Amendment, the Second Amendment, the Third Amendment and this Amended and Restated Master Resolution into a single document, consistent in all respects with the intent and principles set forth in the Original Master Resolution;

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

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

Accreted Value means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in the Series Resolution as the amount representing the initial principal amount of such Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Bonds plus the amount of discounted principal which has accreted

since the date of issue. In each case the Accreted Value shall be determined in accordance with the provisions of the Series Resolution authorizing the issuance of such Bonds.

Aggregate Annual Debt Service means Annual Debt Service for all Outstanding Bonds and all Bonds authorized but unissued under a Series Resolution unless such Bonds are authorized to provide permanent financing in connection with the issuance of short-term obligations.

Annual Debt Service means the total amount of Debt Service for any Bond or series of Bonds in any fiscal year or Base Period.

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

Base Period means any consecutive 12-month period selected by the Port out of the 30-month period next preceding the date of issuance of an additional series of Bonds.

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

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

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

Common Reserve Fund means the fund of that name created by Section 8 of this resolution.

Common Reserve Fund Requirement(s) a dollar amount equal to the lesser of (i) 50% of Maximum Annual Debt Service on all Outstanding Covered Bonds and (ii) the Tax Maximum for all Outstanding Covered Bonds, determined and calculated as of the date of issuance of each series of Covered Bonds (and recalculated upon the issuance of a subsequent series of Covered Bonds and also, at the Port's option, upon the payment of principal of Covered Bonds).

Consultant means at any time an independent consultant nationally recognized in marine or aviation matters or an engineer or engineering firm or other expert appointed by the Port to perform the duties of the Consultant as required by this resolution. For the purposes of delivering any certificate required by Section 5 hereof and making the calculation required by

Section 5 hereof, the term Consultant shall also include any independent national public accounting firm appointed by the Port to make such calculation or to provide such certificate or nationally recognized financial advisor appointed by the Port for purposes of making such calculation.

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

Coverage Requirement means Net Revenues equal to or greater than 135% of Aggregate Annual Debt Service.

Covered Bonds means those Bonds designated in the series resolution authorizing their issuance as Covered Bonds secured by the Common Reserve Fund.

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

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

Debt Service means, for any period of time,

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

(2) with respect to any Outstanding Fixed Rate Bonds, an amount equal to (A) the principal amount of such Bonds due or subject to mandatory redemption during such period and

for which no sinking fund installments have been established, (B) the amount of any payments required to be made during such period into any sinking fund established for the payment of any such Bonds, plus (C) all interest payable during such period on any such Bonds Outstanding and with respect to Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such Bonds on the date specified in the Series Resolution authorizing such Bonds; and

(3) with respect to all other series of Bonds Outstanding, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and Bonds bearing variable rates of interest, an amount for any period equal to the amount which would have been payable for principal and interest on such Bonds during such period computed on the assumption that the amount of Bonds Outstanding as of the date of such computation would be amortized (i) in accordance with the mandatory redemption provisions, if any, set forth in the Series Resolution authorizing the issuance of such Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance (ii) at an interest rate equal to the yield to maturity set forth in the 40-Bond Index published in the edition of *The Bond Buyer* (or comparable publication or such other similar index selected by the Port with the approval of the Consultant, if applicable) selected by the Port and published within ten days prior to the date of calculation or, if such calculation is being made in connection with the certificate required by Section 5 hereof, then within ten days of such certificate, (iii) to provide for essentially level annual debt service of principal and interest over such period.

With respect to any Bonds payable in other than U. S. Dollars, Debt Service shall be calculated as provided in the Series Resolution authorizing the issuance of such Bonds. Debt Service shall be net of any interest funded out of Bond proceeds. Debt Service shall include reimbursement obligations to providers of Credit Facilities to the extent authorized in a Series Resolution.

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

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

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

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

- (1) the proceeds of any borrowing by the Port and the earnings thereon (other than earnings on proceeds deposited in the Common Reserve Fund or any other reserve funds),
- (2) income and revenue which may not legally be pledged for revenue bond debt service,
- (3) passenger facility charges, head taxes, federal grants or substitutes therefor allocated to capital projects;
- (4) payments made under Credit Facilities issued to pay or secure the payment of a particular series of Bonds;
- (5) proceeds of insurance or condemnation proceeds other than business interruption insurance;
- (6) income and revenue of the Port separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds of the Port issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, provided that nothing in this subparagraph (6) shall permit the withdrawal from Gross Revenue of any income or revenue derived or to be derived by the Port from any income producing facility which shall have been contributing to Gross Revenue prior to the issuance of such Special Revenue Bonds; and
- (7) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the Port.

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

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

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

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

Outstanding means, as of any date, any Bonds theretofore issued except such Bonds deemed to be no longer Outstanding as provided in the resolution authorizing the issuance thereof.

Parity Bonds means any Bonds issued in the future under a Series Resolution which provides that such Bonds shall be on a parity of lien with other series of Bonds, as provided in Section 5 hereof.

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

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

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

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

Rate Covenant has the meaning given such term in Section 7(a) of this resolution.

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

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

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

Repair and Renewal Fund means the special fund authorized to be created pursuant to Section 2(b) of this resolution.

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

Series Resolution means a resolution authorizing the issuance of a series of Bonds, as such resolution may thereafter be amended or supplemented. Each Series Resolution shall be supplemental to this resolution.

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

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

Tax Maximum means the maximum dollar amount permitted by the Internal Revenue Code of 1986, as amended, including applicable regulations thereunder, to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield.

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

Section 2. Priority of Use of Gross Revenue; Repair and Renewal Fund. (a) The Port's Gross Revenue shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate and apart from all other funds and accounts of the Port, and the Gross Revenue deposited therein shall be used only for the following purposes and in the following order of priority:

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

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

Third, to make all payments required to be made into the Common Reserve Fund and all other reserve account(s) to secure the payment of any Bonds;

Fourth, to make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of

the Port having a lien upon the Net Revenues and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of and interest on any Bonds;

Fifth, to make all payments required to be made into the Repair and Renewal Fund to maintain any required balance therein; and

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

(b) There is hereby authorized to be created and the Treasurer of the Port is directed to create a separate fund of the Port to be designated as the "Repair and Renewal Fund." The Port hereby covenants and agrees that it will make deposits into the Repair and Renewal Fund from the Gross Revenue, after making provision for the payments provided in paragraphs **First** through **Fourth** of subsection (a) of this Section 2 sufficient to maintain a balance therein at least equal to \$5,000,000. Money in the Repair and Renewal Fund may be used by the Port to pay extraordinary operating and maintenance expenses, make capital replacements, additions, expansions, additions, repairs and renewals of the Facilities of the Port. If withdrawals are made from the Repair and Renewal Fund such that the remaining balance therein is less than \$5,000,000, the Port will restore said balance within the next 36-month period.

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

The Bonds and the lien thereof created and established hereunder shall be obligations only of the special fund(s) established in the Series Resolution authorizing their issuance and, for Covered Bonds, the Common Reserve Fund. The Bonds shall be payable solely from and secured solely by Net Revenues available after providing for the payments specified in paragraph **First** of Section 2(a) of this resolution; provided, however, that any series of Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that series of Bonds.

From and after the time of issuance and delivery of the Bonds of each series and so long thereafter as any of the same remain Outstanding, the Port hereby irrevocably obligates and binds itself to set aside and pay into the special funds created for the payment of each series of Bonds out of Net Revenues, on or prior to the date on which the interest on or principal of and interest on the Bonds shall become due, the amount necessary to pay such interest or principal and interest coming due on the Bonds of such series.

Said amounts so pledged to be paid into such special funds are hereby declared to be a prior lien and charge upon the Gross Revenue superior to all other charges of any kind or nature whatsoever except for Operating Expenses and except for charges equal in rank that may be made thereon to pay and secure the payment of the principal of and interest on Bonds issued under authority of a Series Resolution in accordance with the provisions of Sections 4 and 5 of this Master Resolution.

The Bonds shall not in any manner or to any extent constitute general obligations of the Port or of the State of Washington, or of any political subdivision of the State of Washington.

Section 4. Authorization of Series of Bonds. The Port may issue hereunder from time to time one or more series of Bonds by means of a Series Resolution for any purpose of the Port now or hereafter permitted by law, provided that the Port shall comply with the terms and conditions for the issuance of Bonds hereinafter set forth in this Section 4 and in Section 5 hereof.

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

- (a) the authorized maximum principal amount, designation and series of such Bonds;
- (b) the general purpose or purposes for which such series of Bonds is being issued, and the deposit, disbursement and application of the proceeds of the sale of the Bonds of such series;
- (c) the date or dates, and the maturity date or dates, of the Bonds of such series, and the principal amount maturing on each maturity date; provided that the Series Resolution may authorize the Executive Director of the Port to fix the maturity date or dates of the Bonds of such series, and the principal amount maturing on each maturity date under such terms and conditions approved by resolution of the Commission;
- (d) the interest rate or rates on the Bonds of such series (which may be a rate of zero) and the interest payment date or dates therefor, and whether such interest rate or rates shall be fixed, variable or a combination of both and, if necessary, the manner of determining such rate or rates; provided that the Series Resolution may authorize the Executive Director of the Port to fix the interest rate or rates on the Bonds of such series (which may be a rate of zero) and the interest payment date or dates therefore under such terms and conditions approved by resolution of the Commission;
- (e) the circumstances, if any, under which the Bonds of such series will be deemed to be no longer Outstanding;
- (f) the currency or currencies in which the Bonds of such series are payable;
- (g) the denominations of, and the manner of dating, numbering, and, if necessary, authenticating, the Bonds of such series;

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

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

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

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

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

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

(n) the terms and conditions, if any, for the redemption of the Bonds of such series prior to maturity, including the redemption date or dates, the redemption price or prices and other applicable redemption terms; provided that the Series Resolution may authorize the Executive Director of the Port to fix the terms and conditions for the redemption of the Bonds of such series prior to maturity, including the redemption date or dates, the redemption price or prices and other applicable redemption terms under such terms and conditions approved by resolution of the Commission;

(o) the terms and conditions, if any, for the purchase of the Bonds of such series upon any optional or mandatory tender for purchase prior to maturity, including the tender date or dates, the purchase date or dates, the purchase price or prices and other applicable terms; provided that the Series Resolution may authorize the Executive Director of the Port to fix the terms and conditions for the tender of the Bonds of such series prior to maturity, including the tender date or dates, the purchase date or dates, the purchase price or prices and other applicable terms under such terms and conditions approved by resolution of the Commission;

(p) the manner of sale of the Bonds of such series, with or without a premium or a discount, including the sale of Original Issue Discount Bonds; provided that the Series Resolution may authorize the Executive Director of the Port to establish the issue price of the Bonds, including a premium or a discount, under such terms and conditions approved by resolution of the Commission;

(q) if so determined by the Port, the authorization of and any terms and conditions with respect to credit or liquidity support for the Bonds of such series and the pledge or provision

of moneys, assets or security other than Net Revenues to or for the payment of the Bonds of such series or any portion thereof;

(r) a special fund or account to provide for the payment of the Bonds of such series and, if so determined by the Port, any other special funds or accounts, including, without limitation, reserve funds or accounts for Bonds other than Covered Bonds, for the Bonds of such series and the application of moneys or security therein;

(s) if so determined by the Port, the designation of such series of Bonds as Covered Bonds secured by the Common Reserve Fund; and

(t) any other provisions which the Port deems necessary or desirable in connection with the Bonds of such series.

Section 5. Parity Bonds. All Bonds authorized to be issued under Series Resolutions shall be Parity Bonds, having an equal lien and charge upon the Net Revenues of the Port upon fulfillment of the conditions of this resolution, whether at the time of authorization or issuance of such Bonds. Except as provided in subsection (a) below, the Port shall not issue any series of Bonds or incur any additional indebtedness with a parity lien or charge on Net Revenues (on a parity of lien with Bonds at the time Outstanding) unless (i) the Port shall not have been in default of its covenant under Section 7(a) of this resolution for the immediately preceding fiscal year, and (ii) there shall have been filed a certificate (prepared as described in subsection (b) or (c) below) demonstrating fulfillment of the Coverage Requirement, commencing with the first full fiscal year following the earlier of (1) the Date of Commercial Operation of the Facilities to be financed with the proceeds of the Bonds or (2) the date on which any portion of interest on the series of Bonds then being issued no longer will be paid from the proceeds of such series of Bonds and for the following two fiscal years.

(a) **No Certificate Required.** A certificate shall not be required as a condition to the issuance of Bonds:

(1) if the Bonds being issued are for the purpose of refunding Outstanding Bonds upon compliance with the provisions of Section 6 of this resolution; or

(2) if the Bonds are being issued to pay Costs of Construction of Facilities for which Bonds have been issued previously and the principal amount of such Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of Bonds theretofore issued for such Facilities and reasonably allocable to the Facilities to be completed as shown in a written certificate of the Designated Port Representative, and there is delivered a Consultant's certificate stating that the nature and purpose of such Facilities has not materially changed.

(b) **Certificate of the Port Without A Consultant.** A certificate may be delivered by the Port without a Consultant if the Net Revenues, based upon the financial statements of the Port for the Base Period, corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor's office of the State of Washington, or any successor to the

duties thereof, or by an independent certified public accounting firm for the Base Period, demonstrate that the Coverage Requirement will be fulfilled commencing with the first full fiscal year following the earlier of (1) the date of Commercial Operation of the Facilities to be financed with the proceeds of the Bonds as reasonably estimated by the Port, or (2) the date on which any portion of interest on the series of Bonds then being issued will not be paid from the proceeds of such series of Bonds and for the following two fiscal years.

(c) **Certificate of a Consultant.** Except as provided in subsections (a) and (b), compliance with the coverage requirements of this Section 5 shall be demonstrated conclusively by a certificate of a Consultant.

In making the computations of Net Revenues for the purpose of certifying compliance with the Coverage Requirement of this Section 5, the Consultant shall use as a basis the Net Revenues for the Base Period. In making such computations the Consultant shall make such adjustments as he/she/it deems reasonable.

Section 6. Refunding Bonds. The Port, by means of a Series Resolution adopted in compliance with the provisions of Section 4 hereof, may issue refunding Bonds hereunder as follows:

(a) Bonds may be issued at any time for the purpose of refunding (including by purchase) Bonds including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase) and the expenses of issuing the Bonds to purchase or refund the same and of effecting such refunding upon delivery of a certificate as provided in Section 5 hereof. Such refunding Bonds also may be issued without a certificate if the Maximum Annual Debt Service to be Outstanding after the issuance of the refunding Bonds shall not be greater than the Maximum Annual Debt Service were such refunding not to occur.

(b) Bonds may be issued at any time for the purpose of refunding (including by purchase) any other bonds of the Port, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption of such bonds (or purchase) and the expenses of issuing the Bonds to purchase or refund the same and of effecting such refunding; provided, however, that prior to the issuance of such Bonds the Port must provide a certificate if required by Section 5 hereof.

(c) Bonds may be issued for the purpose of refunding (including by purchase) at any time within one year prior to maturity, any Bonds for the payment of which sufficient Net Revenues or other moneys are not available, without the requirement of a certificate pursuant to Section 5 hereof.

Section 7. Specific Covenants. The Port hereby covenants and agrees with the owners and holders of each of the Bonds for as long as any of the same remain Outstanding as follows:

(a) That it will at all times establish, maintain and collect rentals, tariffs, rates, fees, and charges in the operation of all of its business for as long as any Bonds are Outstanding that

will produce Net Revenues in each fiscal year at least equal to the greater of (1) 135% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on Outstanding Bonds, or (2) amounts required to be deposited during such fiscal year from Net Revenues into bond funds and reserve funds established for Outstanding Bonds and into the Repair and Renewal Fund, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service (herein referred to as the "Rate Covenant").

The Port hereby covenants that it will not construct, operate or enter into any agreement permitting or facilitating the construction or operation of any facilities which will compete with the operations of the Port in a manner which will materially and adversely affect its ability to comply with the covenant set forth in this subsection (a). Compliance with the covenant set forth in the preceding sentence may be demonstrated by a certificate based upon reasonable belief of the Designated Port Representative.

If the Net Revenues in any fiscal year are less than required to fulfill the Rate Covenant, then the Port will retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges; and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commission, on the basis of such recommendations and other available information, will establish rentals, tariffs, rates, fees and charges for services and operations which will be necessary to meet the Rate Covenant in the fiscal year during which such adjustments are made. If the Commission has taken the steps set forth in this paragraph and the Net Revenues in the fiscal year in which adjustments are made nevertheless are not sufficient to meet the Rate Covenant, there shall be no default under this Section 7(a) or Default under the provisions of Section 21(c) of this resolution during such fiscal year, unless the Port fails to meet the Rate Covenant for two consecutive fiscal years.

(b) That it will duly and punctually pay or cause to be paid out of the bond fund for each series of Bonds the principal of and interest on the Bonds at the times and places as provided in each Series Resolution and in said Bonds provided and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this resolution, the Series Resolution, as applicable, and in the Bonds.

(c) 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.

(d) 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 Bonds then Outstanding.

(e) 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 or the Designated Port Representative shall deem necessary for the protection of the Port and of the owners of Bonds then Outstanding.

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

(g) 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 generally accepted accounting principles as in effect from time to time. That on or before 120 days after each fiscal year it will prepare or cause to be prepared an operating statement of all of the business of the Port for such preceding fiscal year. Each such annual statement shall contain a statement in detail of the Gross Revenue, tax receipts, expenses of administration, expenses of normal operation, expenses of normal and extraordinary maintenance and repair, and expenditures for capital purposes of the Port for such fiscal year and shall contain a statement as of the end of such year showing the status of all funds and accounts of the Port pertaining to the operation of its business and the status of all of the funds and accounts created by various resolutions of the Commission authorizing the issuance of outstanding bonds and other obligations payable from the Gross Revenue. Copies of such statements shall be placed on file in the main office of the Port, and shall be open to inspection at any reasonable time by the owners of Bonds.

Section 8. Common Reserve Fund. The Common Reserve Fund is hereby authorized to be created for the purpose of securing the payment of the principal of, premium, if any, and interest on Covered Bonds. The Common Reserve Fund shall be maintained in an amount not less than the Common Reserve Fund Requirement, subject to permitted withdrawals of amounts in excess of the Common Reserve Fund Requirement, of amounts to pay debt service on Covered Bonds in the event of a deficiency in a bond fund for Covered Bonds, of amounts to pay the principal of, premium, if any, and interest on all Outstanding Covered Bonds, of amounts being replaced by Qualified Insurance or a Qualified Letter of Credit, and of amounts required to prevent any Bonds from becoming "arbitrage bonds, in each case as provided herein. The Common Reserve Fund Requirement shall be maintained by deposits of cash and/or qualified investments, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the extent that the Port obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the Common Reserve Fund, all or a portion of the money on hand in the Common Reserve Fund shall be transferred to the fund or account, specified by the Designated Port Representative within the limitations permitted by the tax covenants, if any, for the Covered Bonds. In computing the amount on hand in the Common Reserve Fund, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the lower of the face amount thereof and the amount available to be drawn thereunder, and all other obligations purchased as an investment of moneys therein shall be marked-to-market, at least once annually and at the time of any withdrawal from the Common Reserve Fund. As used herein, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand

deposits and certified or cashier's checks; and the deposit to the Common Reserve Fund may be satisfied by the transfer of qualified investments to such account. If a deficiency in the Common Reserve Fund shall exist as a result of the foregoing valuation, such deficiency shall be made up in equal monthly installments within a year thereafter.

If the balance on hand in the Common Reserve Fund is sufficient to satisfy the Common Reserve Fund Requirement, interest earnings thereon shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the bond funds for the Covered Bonds and the Common Reserve Fund to pay the principal of, premium, if any, and interest on all Outstanding Covered Bonds, the money in the Common Reserve Fund may be used to pay such principal and interest. So long as the money left remaining on deposit in the Common Reserve Fund is not less than the Common Reserve Fund Requirement, money in the Common Reserve Fund may be transferred to the fund or account specified in writing by the Designated Port Representative within the limitations permitted by the tax covenants for the Covered Bonds. The Port also may transfer out of the Common Reserve Fund any money required to prevent any Bonds from becoming "arbitrage bonds."

If a deficiency in any bond fund for a series of Covered Bonds shall occur immediately prior to an interest payment date, such deficiency shall be made up from the Common Reserve Fund by the withdrawal of cash therefrom for that purpose (including cash provided by the sale or redemption of obligations held in the Common Reserve Fund, in such amounts as will provide cash in the Common Reserve Fund sufficient to make up any such deficiency with respect to the Covered Bonds), and if a deficiency in any bond fund for a series of Covered Bonds still exists immediately prior to the interest payment date for such series of Covered Bonds and after the transfer of cash from the Common Reserve Fund to such bond fund, the Port shall then draw from any Qualified Letter of Credit or Qualified Insurance then credited to the Common Reserve Fund in sufficient amount to make up the deficiency. If the amount in the Common Reserve Fund is insufficient to make up all deficiencies in the bond fund(s) for all Covered Bonds coming due on a Covered Bond payment date, the deficiencies shall be made up on a pro rata basis based on the principal, if any, and interest payments coming due on Covered Bonds on such interest payment date. Any draw on a Qualified Letter of Credit or Qualified Insurance shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement may be made to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments required to be made in paragraphs First and Second of Section 2(a) of this resolution. If the Port shall have failed to make any payment required to be made under such reimbursement agreement for the Covered Bonds, the issuer shall be entitled to exercise all remedies available at law or under this resolution; provided, however, that no acceleration of the Bonds shall be permitted, and no remedies that adversely affect the beneficial owners of the Bonds shall be permitted. Any deficiency created in the Common Reserve Fund by reason of any such withdrawal shall be made up within one year, from Qualified Insurance or a Qualified Letter of Credit or out of Net Revenues (or out of any other moneys on hand legally available for such purpose), in 12 equal monthly installments, after first making necessary provision for all payments required to be made into the bond funds for Covered Bonds within such year.

In making the payments and credits to the Common Reserve Fund required by this Section 8, to the extent that the Port has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Common Reserve Fund such amounts then available to be drawn under such Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Common Reserve Fund by this Section 8 to the extent that such payments and credits to be made are to be made or insured by the issuer of such Qualified Insurance, or are to be made or guaranteed by a Qualified Letter of Credit. In the event of termination of a Qualified Letter of Credit, if the issuer of the Qualified Insurance or the Qualified Letter of Credit shall be insolvent or no longer in existence or if the letter of credit or insurance otherwise ceases to be a Qualified Letter of Credit or Qualified Insurance, respectively, the Common Reserve Fund Requirement shall be satisfied (a) within one year after the termination, insolvency or incapacity, with other Qualified Insurance or another Qualified Letter of Credit, or (b) within three years (in three equal annual installments) after the termination, insolvency or incapacity, out of Net Revenues (or out of other money on hand and legally available for such purpose) after first making necessary provisions for all payments required to be made into the bond funds for Bonds.

Section 9. Adoption of Supplemental Resolutions and Purposes Thereof. The Port may adopt at any time and from time to time and without the consent or concurrence of the owner of any Bond, a resolution or resolutions amendatory or supplemental to this resolution for any one or more of the following purposes:

- (a) To provide for the issuance of a series of Bonds pursuant to Section 4 hereof, and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;
- (b) To add covenants and agreements of the Port for the purpose of further securing the payment of the Bonds; provided that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Port contained in this resolution;
- (c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Port payable from the Net Revenues which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;
- (d) To surrender any right, power or privilege reserved to or conferred upon the Port by the terms of this resolution;
- (e) To confirm as further assurance any pledge or provision for payment of the Bonds under and the subjection to any lien, claim or pledge created or to be created by the provisions of this resolution of the Net Revenues or of any other moneys, securities or funds;
- (f) To cure any ambiguity or defect or inconsistent provision in this resolution or to insert such provisions clarifying matters or questions arising under this resolution as are necessary or desirable; provided that such modifications shall not materially and adversely affect the rights of any owners;

(g) To qualify this resolution under the Trust Indenture Act of 1939, as amended;

(h) To modify the provisions of this resolution to obtain from any Rating Agency a rating on any series of Bonds or any portion thereof which is higher than the rating which would be assigned without such modification so long as the rating on any other series of Bonds or portion thereof is not adversely affected; or

(i) To modify any of the provisions of this resolution in any other respects; provided that such modifications shall not materially and adversely affect the rights of any Bondowners. Notwithstanding anything in this Section 9 to the contrary, without the specific consent of the owner of each Bond, no such resolution amending or supplementing the provisions hereof or of any Series Resolution shall (1) permit the creation of a lien or charge on the Net Revenues superior or prior to the payment of the Bonds; (2) reduce the percentage of Bonds, the owners of which are required to consent to any such resolution amending or supplementing the provisions hereof; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby. No resolution amending or supplementing the provisions hereof or any Series Resolution shall change the date of payment of the principal of any Bond, or reduce the principal amount or Accreted Value of any Bond, or change the rate or extend the time of payment of interest thereof, or reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any Bond may first be called for redemption prior to its fixed maturity date (except as provided in the Series Resolution authorizing the issuance of such Bond) without the specific consent of the owner of that Bond; and no such amendment shall change or modify any of the rights or obligations of any Paying Agent or other agent for a series of Bonds without its written assent thereto.

The provisions of this resolution also may be modified at any time or from time to time by a resolution supplemental hereto, subject to the consent of Bondowners in accordance with and subject to the provisions of Sections 10 through 18 hereof.

Section 10. Call of Bondowners' Meetings. The Port or the owners of not less than 25% in principal amount or Accreted Value of the Bonds of any series then Outstanding or the owners of not less than 25% in principal amount or Accreted Value of all Bonds then Outstanding may at any time call a meeting of the owners of the Bonds of such series or of all Bonds, as the case may be. Every such meeting shall be held at such place as may be specified in the notice calling such meeting. Written notice of such meeting, stating the place and the time of the meeting and in general terms the business to be submitted, shall be mailed to the owners of each series of Bonds for which the meeting is to be held by the Port or the Bondowners calling such meeting not less than 30 nor more than 60 days before such meeting, and shall be published at least once a week for four successive fiscal weeks on any day of the week, the date of first publication to be not less than 30 days nor more than 60 days preceding the meeting; provided, however, that the mailing of such notice shall in no case be a condition precedent to the validity of any action taken at any such meeting. Any meeting of Bondowners shall, however, be valid without notice if the owners of all Bonds of the affected series then Outstanding are present in person or by proxy or if notice is waived before or within 30 days after the meeting by those not so present.

Section 11. Notice to Bondowners. Except as otherwise specifically provided in this resolution, any provision in this resolution for the mailing of a notice or other paper to owners of Bonds of any series shall be fully complied with if it is mailed by first class mail, postage prepaid, to each registered owner of any of the Bonds of that series then Outstanding at his address, if any, appearing upon the registration books maintained by or on behalf of the Port, and to each owner of any of the Bonds of that series payable to bearer who shall have filed with the Port an address for notices. Any provision in this resolution contained for publication of a notice or other matter shall require the publication thereof in a financial journal or daily newspaper printed in the English language and customarily published on each business day and of general circulation in each of the cities of Seattle, Washington and New York, New York. If, because of the temporary or permanent suspension of the publication or general circulation of any financial paper or newspaper in any particular city, the Port deems it impossible to publish any such notice in such city in the manner herein provided, then there shall be made in lieu thereof such publication as shall be decided upon by the Port, and the same shall constitute a sufficient publication of such notice.

Section 12. Proxies; Proof of Ownership of Bonds; Execution of Instruments by Bondowners. Attendance and voting by Bondowners at such meetings may be in person or by proxy. Owners of registered Bonds or coupon Bonds registered as to principal, may, by an instrument in writing under their hands, appoint any person or persons, with full power of substitution, as their proxy to vote at any meeting for them.

In order that owners of Bonds payable to bearer and their proxies may attend and vote without producing their Bonds, the Port may make and from time to time vary such regulations as it shall think proper for the deposit of Bonds with or exhibit of Bonds to any bank, bankers or trust companies, or other depositories, including firms and corporations which are members of The National Association of Securities Dealers, wherever situated, and for the issuance by them to the persons depositing or exhibiting such Bonds, of certificates in form approved by the Port, which shall constitute proof of ownership entitling the owners thereof to be present and vote at any such meeting in the same way and if the persons so present and voting, either personally or by proxy, were the actual bearers of the Bonds in respect of which such certificates shall have been issued, and any regulations so made shall be binding and effective. Copies of such regulations shall be kept on file by any Paying Agents, officers or nominees of the Port may be present or represented at such meeting and take part therein, but shall not be entitled to vote, except as such officers or nominees are Bondowners or proxies for Bondowners.

Any registered owner of Bonds and any owners of a certificate provided for in this Section 12 shall be entitled in person or by proxy to attend and vote at bondowners meetings as holder of the Bonds registered or certified in his name without producing such Bonds (unless the Bonds described in such certificate shall be registered in the name of, or be produced by, some other person at such meeting), and such persons and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting (appointed as hereinafter provided). All other persons seeking to attend or vote in such meeting must produce the Bonds claimed to be owned or represented at such meeting.

The vote at any such meeting of the owner of any Bond entitled to vote shall be binding upon such owner and upon every subsequent owner of such Bond (whether or not such subsequent owner has notice thereof).

Any request, direction, consent, revocation of consent, approval, objection or other instrument in writing required or permitted by this resolution to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondowners in person or by an agent duly appointed by an instrument in writing. Proof of the execution of any such instrument shall be sufficient for any purpose of this resolution, if made in the following manner: the fact and date of the examination by any person of any such instrument may be proved by either (A) an acknowledgment executed by a notary public or other officer empowered to take acknowledgments of deeds to be recorded in the particular jurisdiction, (B) an affidavit of a witness to such execution sworn to before such a notary public or other officer, or (C) a signature guarantee. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association, or partnership, such acknowledgment or affidavit shall also constitute sufficient proof of his authority.

The foregoing shall not be construed as limiting the Port to such proof, it being intended that the Port may accept any other evidence of the matters herein stated which to it may seem sufficient.

The right of a proxy for a Bondowner to act may be proved (subject to the Port's right to require additional proof) by a written proxy executed by such Bondowner as aforesaid.

Section 13. Quorum at Bondowners Meetings. The owners of not less than a majority in principal amount or Accreted Value of the Bonds of a series at a meeting of the owners of the Bonds of that series or the owners of not less than a majority in principal amount or Accreted Value of the Bonds of all series at a meeting of all Bondowners must be present at such meeting in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting; provided, however, that if such meeting is adjourned by less than a quorum for more than ten days, notice thereof shall be published by the Port at least five days prior to the adjourned date of the meeting.

Section 14. Vote Required to Amend Resolution. Any amendment of the provisions of this resolution or any Series Resolution in any particular, except the percentage of Bondowners whose approval is required to approve such amendment, may be made by a supplemental resolution of the Port and a resolution duly adopted either:

(a) at a duly convened and held meeting of the owners of Bonds whose contract with the Port will be altered by such amendment by an affirmative vote of the owners of not less than a majority in principal amount or Accreted Value of such Bonds whose owners are present at such meeting; or

(b) with written consent as hereinafter provided in Section 16 hereof, of the owners of not less than a majority in principal amount or Accreted Value of the Outstanding Bonds whose contract with the Port will be altered by such amendment;

provided, however, that, without the specific consent of the owner of each Bond, no such resolution amending or supplementing the provisions hereof or of any Series Resolution shall (1) permit the creation of a lien or charge on the Net Revenues superior or prior to the payment of the Bonds; (2) reduce the aforesaid percentage of Bonds, the owners of which are required to consent to any such resolution amending or supplementing the provisions hereof; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby and no such resolution amending or supplementing the provisions hereof or any Series Resolution shall change the date of payment of the principal of any Bond, or reduce the principal amount of any Bond, or change the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any Bond may first be called for redemption prior to its fixed maturity date (except as provided in the Series Resolution authorizing the issuance of such Bond) without the specific consent of the owner of that Bond; provided further, however, that no such amendment shall change or modify any of the rights or obligations of any Paying Agent or other agent for a series of Bonds without its written assent thereto. Nothing herein contained shall be construed as making necessary the approval by the owners of the Bonds of any series of the adoption of any supplemental resolution authorized by Section 9 of this resolution or authorized by any Series Resolution.

Section 15. Obtaining Approval of Amendments at Bondowners Meetings. The Port may at any time adopt a resolution amending the provisions of this resolution or any Series Resolution to the extent that such amendment is permitted by this resolution, to take effect when and as provided in this Section. Upon the adoption of such resolution, a copy thereof, certified by the Secretary of the Commission, shall be filed with the Trustee for the affected series of Bonds, if theretofore appointed. At any time thereafter such resolution may be submitted by the Port for approval to a meeting of the owners of each series of Bonds whose contract with the Port will be altered by such resolution, duly convened and held in accordance with the provisions of this resolution. Any record so signed and verified shall be proof of the matters therein stated. If the resolution of the Port making such amendment shall be approved by a resolution duly adopted at such meeting of Bondowners pursuant to the provisions of Section 14 hereof, a notice stating that a resolution approving such amendment has been so adopted and briefly summarizing such amendment shall be mailed by the Port to the owners of Bonds affected thereby (but failure so to mail copies of such resolution shall not affect the validity of such resolution), and shall be published twice in the manner provided in Section 11 hereof, with an interval of not less than seven days between such publications, the first publication to be made not more than 15 days after the date of the adoption of such resolution. Proof of such mailing and publication by the affidavit or affidavits of a person or persons having knowledge of the facts shall be filed with the Bondowners' Trustee, if theretofore appointed for that series, and with the Port. Such amendatory resolution shall be deemed conclusively to be binding upon the Port, the Paying Agents and other agents, if any, for that series, and the owners of all Bonds of that series and coupons, if any, appurtenant thereto, at the expiration of 30 days after the first publication of the notice provided for in this Section.

Section 16. Alternate Method of Obtaining Approval of Amendments. The Port may at any time adopt a resolution amending the provisions of this resolution or any Series Resolution to the extent that such amendment is permitted by this resolution, to take effect when and as provided in this Section. A copy of such resolution (or summary thereof) together with a request to owners of all Bonds whose contract with the Port will be altered by such resolution for their consent thereto shall be mailed by the Port to the owners of such series of Bonds, and notice thereof shall be published once in each fiscal week for four successive fiscal weeks on any day of the week in the manner provided in Section 11 hereof (but failure to mail copies of such resolution and request shall not affect the validity of the resolution when consented to as in this Section provided). Such resolution shall not be effective unless and until there shall have been filed with the Port the written consents of the owners of a majority in aggregate principal amount or Accreted Value of the Outstanding Bonds of the Series whose contract with the Port will be altered by such resolution and notice shall have been published as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds of the series for which such consent is given, which proof shall be such as is permitted by Section 12 hereof. Any such consent shall be binding upon the owner of the Bonds of the series giving such consent and on every subsequent owner of such Bonds (whether or not such subsequent owner has notice thereof). A notice, stating the substance of the resolution and stating that the resolution has been consented to by the owners of a majority in aggregate principal amount or Accreted Value of the Bonds of the series whose contract with the Port will be altered thereby and will be effective as provided in this Section, may be given to the owners of the Bonds of the affected series by mailing such notice to such Bondowners, and shall be given by publishing the same twice in the manner provided in Section 11 hereof, with an interval of not less than seven days between such publications, the first publication to be made not more than 15 days after the owners of a majority in aggregate principal amount or Accreted Value of the Bonds of the affected series shall have filed their consent to the resolution. A record, consisting of the papers required by this Section to be filed with the Port, shall be proof of the matters therein stated, and the resolution shall be deemed conclusively to be binding upon the Port the Paying Agents and other agents, if any, for that series and the owners of all Bonds of that series and coupons, if any, appurtenant thereto, at the expiration of 30 days after the first publication of the notice last provided for in this Section.

Section 17. Amendment of Resolution in any Respect by Approval of All Bondowners of a Series. Notwithstanding anything contained in the foregoing provisions of this Resolution, the rights and obligations of the Port and of the owners of the Bonds of any series and coupons, if any, appurtenant thereto, and the terms and provisions of the Bonds of any series and of this resolution and of any Series Resolution, may be amended in any respect with the consent of the Port by the affirmative vote of the owners of all of the Outstanding Bonds of the series whose contract with the Port will be altered by such amendment, at a meeting of Bondowners of that series called and held as hereinabove provided, or upon the adoption of a resolution by the Port and the consent of the owners of all of the Outstanding Bonds of the series whose contract with the Port will be altered by such amendment, such consent to be given as provided in Section 16, except that no notice to Bondowners either by mailing or publication shall be required, and the amendment shall be effective immediately upon such unanimous vote or written consent of all such owners of Bonds.

The issuer of any Credit Facility that is not solely a liquidity facility may be deemed in any Series Resolution authorizing Bonds to be the sole owner of any such Bonds issued on or after the effective date of this amended and restated resolution that are secured by such Credit Facility for the purpose of granting consents and exercising voting rights with respect thereto and for any other purpose identified and specified in the Series Resolution or applicable bond insurance commitment accepted by the Port as a condition of issuance of the Credit Facility, except for amendments that alter the interest rate on any such Bonds or their maturity date(s) or redemption terms or principal amounts.

Section 18. Endorsement of Amendment on Bonds. Bonds of any series delivered after the effective date of any action amending this resolution or the Series Resolution with respect to that series taken as hereinabove provided may bear a notation by endorsement or otherwise in form approved by the Port as to such action, and in that case, upon demand of the owner of any Outstanding Bond of that series at such effective date and presentation of his Bond for such purpose at the principal office of the Registrar therefor, suitable notation shall be made on such Bond by the Registrar as to any such action. If the Port shall so determine, new Bonds of such series, so modified as in the opinion of the Port and its counsel to conform to such Bondowners' action, shall be prepared, delivered and upon demand of the owner of any Bond of that series then Outstanding shall be exchanged without cost to such Bondowner for Bonds of that series then Outstanding hereunder, upon surrender of such Bonds with all unmatured coupons, if any, appurtenant thereto.

Section 19. Resolution and Laws a Contract with Bondowners. This resolution is adopted under the authority of and in full compliance with the Constitution and laws of the State of Washington, including Title 53 of the Revised Code of Washington, as amended and supplemented. In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of this resolution and of any Series Resolution and of said laws shall constitute a contract with the owner or owners of each Bond and the coupons, if any, appurtenant thereto, and the obligations of the Port and its Commission under said laws and under this resolution and under any Series Resolution shall be enforceable by any court of competent jurisdiction; and the covenants and agreements herein set forth to be performed on behalf of the Port shall be for the equal benefit, protection and security of the owners of any and all of the Bonds and the coupons, if any, appurtenant thereto.

Section 20. Moneys Held by Paying Agents One Year After Due Date. Unless otherwise provided in the Series Resolution authorizing a series of Bonds, moneys or securities held by the Paying Agents in trust for the payment and discharge or purchase of any of the Bonds or coupons of a series which remain unclaimed for one year after the date when such Bonds or coupons are purchased or shall have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by such Paying Agents at such date, or for one year after the date of deposit of such moneys if deposited with the Paying Agents after the date when such Bonds become due and payable, shall be repaid by the Paying Agents to the Port free from the trust created by this resolution and the Paying Agents shall thereupon be released and discharged with respect thereto, and the owners of the Bonds of the series payable

from such moneys shall look only to the Port for the payment of such Bonds and coupons or the purchase price thereof.

Section 21. Defaults and Remedies. The Port hereby finds and determines that the continuous operation of the Facilities and the collection, deposit and disbursement of Gross Revenue are essential to the payment and security of the Bonds and the failure or refusal of the Port or any of its officers to perform the covenants and obligations of this resolution will endanger the operation of the Facilities and the application of Gross Revenue and such other moneys, funds and securities to the purposes herein set forth. Accordingly, the provisions of this Section are specified and adopted for the additional protection of the owners from time to time of the Bonds. Any one or more of the following events shall constitute a "Default" under this resolution:

- (a) The Port shall fail to make payment of the principal of any Bonds when the same shall become due and payable whether by maturity or scheduled redemption prior to maturity;
- (b) The Port shall fail to make payments of any installment of interest on any Bonds when the same shall become due and payable;
- (c) The Port shall default in the observance or performance of any other covenants, conditions, or agreements on the part of the Port contained in this resolution, and such default shall have continued for a period of 90 days.

In such case, so long as such Default shall not have been remedied, a Bondowners' Trustee may be appointed for the Bonds of any series by the owners of 51% in principal amount or Accreted Value of the Bonds of such series by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized and delivered to such Trustee, notification thereof being given to the Port. Any Bondowners' Trustee appointment under the provisions of this Section shall be a bank or trust company organized under the laws of the State of Washington or the State of New York or a national banking association. The fees and expenses of a Bondowners' Trustee shall be borne by the Bondowners and not by the Port. The bank or trust company acting as a Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed by the owners of a majority in principal amount or Accreted Value of the Bonds Outstanding of the applicable series, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized.

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

A Bondowners' Trustee may upon the happening of a Default and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Bondowners to collect any amounts due and owing the Port, or to obtain other appropriate relief,

and may enforce the specific performance of any covenant, agreement or condition contained in this resolution.

Any action, suit or other proceedings instituted by a Bondowners' Trustee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Bonds or the provisions of this resolution or applicable Series Resolution may be enforced by a Bondowners' Trustee without the possession of any of said Bonds, and without the production of the same at any trial or proceedings relating thereto except where otherwise required by law, and the respective owners of said Bonds by taking and holding the same, shall be conclusively deemed irrevocably to appoint a Bondowners' Trustee the true and lawful trustee to the respective owners of said Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums that become distributable on account of said Bonds; to execute any paper or documents for the receipt of such moneys, and to do all acts with respect thereto that the Bondowner himself might have done in person. Nothing herein contained shall be deemed to authorize or empower any Bondowners' Trustee to consent to accept or adopt, on behalf of any owner of said Bonds or appurtenant coupons, any plan of reorganization or adjustment affecting the said Bonds or any right of any owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the Port shall be a party.

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

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

CERTIFICATE

Notwithstanding the foregoing, no default may be waived with respect to any series of Bonds or portion thereof secured or supported by a Credit Facility unless the Bondowners' Trustee with respect thereto has received written confirmation from the issuer thereof that such Credit Facility has been fully reinstated.

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

Section 22. Severability. If any one or more of the provisions of this resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provision or provisions shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of this resolution or of the Bonds issued pursuant to the terms hereof.

ADOPTED by the Port Commission of the Port of Seattle at a regular meeting thereof, held this 27th day of February, 2007, and duly authenticated in open session by the signatures of the Commissioners present and voting in favor thereof and the seal of the Port impressed thereon.

PORT OF SEATTLE, WASHINGTON

 **LLOYD HAR**

 **ALEC FISKE**

 **BOB EDWARDS**

 **PATRICIA DAVIS**


Commissioners

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

1. That the attached resolution numbered 3527 (the "Resolution"), is a true and correct copy of a resolution of the Port, as finally adopted at a meeting of the Commission held on the 27th day of February, 2007, and duly recorded in my office.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 27th day of February, 2007.

 **ALEC FISKEN**
Secretary

E-15

SERIES RESOLUTION
PORT OF SEATTLE

RESOLUTION NO. 3653

A RESOLUTION of the Port Commission of the Port of Seattle authorizing the issuance and sale of revenue refunding bonds in multiple series, in the aggregate principal amount of not to exceed \$140,000,000 for the purpose of refunding certain outstanding revenue bonds of the Port and paying costs of issuance; authorizing preliminary and final official statements; authorizing the Chief Executive Officer to approve the sale date or dates, final principal amounts, interest rates, payment dates, redemption provisions, maturity dates and principal maturities for the bonds; authorizing the Designated Port Representative to appoint an escrow agent and execute an escrow agreement; and providing for a negotiated sale of the bonds to Merrill Lynch, Pierce, Fenner & Smith Incorporated, Backstrom McCarley Berry & Co., LLC, Barclays Capital Inc., Drexel Hamilton, LLC, J.P. Morgan Securities LLC, and Morgan Stanley & Co. LLC.

ADOPTED: NOVEMBER 1, 2011

Prepared by:

K&L GATES LLP
Seattle, Washington

Port of Seattle
Resolution No. 3653,
Table of Contents*

	<u>Page</u>
Section 1. Definitions.....	5
Section 2. Plan of Finance	13
Section 3. Authorization of Series 2011 Bonds	13
Section 4. Bond Terms.....	13
Section 5. Redemption and Purchase.....	16
Section 6. Registration, Exchange and Payments.....	20
Section 7. Series 2011 Bond Funds and Series 2011 Reserve Requirements.....	26
Section 8. Defeasance	41
Section 9. Refunding Procedures	42
Section 10. Redemption of Refunded Bonds.....	44
Section 11. Tax Covenants	45
Section 12. Lost, Stolen, Mutilated or Destroyed Series 2011 Bonds.....	45
Section 13. Form of Series 2011 Bonds and Registration Certificate	46
Section 14. Execution	49
Section 15. Additional Covenant; Defaults and Remedies.....	50
Section 16. Designation of Refunded Bonds; Sale of Series 2011 Bonds.....	51
Section 17. Compliance with Parity Conditions.....	54
Section 18. Undertaking to Provide Ongoing Disclosure.....	55
Section 19. Bond Insurance	55
Section 20. Severability	55
Section 21. Effective Date	56
Exhibit A-1 Series A Refunding Candidates	
Exhibit A-2 Series B Refunding Candidates	
Exhibit B Form of Escrow Deposit Agreement	

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

RESOLUTION NO. 3653

A RESOLUTION of the Port Commission of the Port of Seattle authorizing the issuance and sale of revenue refunding bonds in multiple series, in the aggregate principal amount of not to exceed \$140,000,000 for the purpose of refunding certain outstanding revenue bonds of the Port and paying costs of issuance; authorizing preliminary and final official statements; authorizing the Chief Executive Officer to approve the sale date or dates, final principal amounts, interest rates, payment dates, redemption provisions, maturity dates and principal maturities for the bonds; authorizing the Designated Port Representative to appoint an escrow agent and execute an escrow agreement; and providing for a negotiated sale of the bonds to Merrill Lynch, Pierce, Fenner & Smith Incorporated, Backstrom McCarley Berry & Co., LLC, Barclays Capital Inc., Drexel Hamilton, LLC, J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC .

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

E-17

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

Authorizing Resolution Number	Date of Original Issue	Series	Original Principal Amount	Principal Amount Outstanding (10/02/2011)	Final Maturity Dates
3430	08/10/2000	(B)	\$221,590,000	\$ 38,655,000	02/01/2015
3462/3467	10/17/2001	(A)	176,105,000	176,105,000	04/01/2031
3462/3467	10/17/2001	(B)	251,380,000	198,000,000	04/01/2024
3462/3467	10/17/2001	(C)	12,205,000	12,205,000	12/01/2014
3462/3467	08/07/2002	(D)	68,580,000	40,870,000	11/01/2017
3509	08/20/2003	(A)	190,470,000	173,085,000	07/01/2033
3509	08/20/2003	(B)	164,900,000	146,900,000	07/01/2029
3528	06/30/2004		24,710,000	12,740,000	06/01/2017
3576	03/20/2007	(A)	27,880,000	27,880,000	10/01/2019
3576	03/20/2007	(B)	200,115,000	182,160,000	10/01/2032
3619	07/16/2009	(A)	20,705,000	20,705,000	05/01/2028
3619	07/16/2009	(B-1)	274,255,000	274,255,000	05/01/2036
3619	07/16/2009	(B-2)	22,000,325.95*	25,842,926*	05/01/2031

* Series 2009 B-2 Bonds are capital appreciation bonds; total debt outstanding includes accreted interest through October 2, 2011.

(the "Outstanding Parity Bonds"); and

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

WHEREAS, the Port has authorized the issuance of revenue bonds subordinate to the lien thereon of the Outstanding Parity Bonds in one or more series pursuant to Resolution No. 3540, as amended, adopted on June 14, 2005 (the "Intermediate Lien Master Resolution"); and

WHEREAS, the Port has issued and currently has outstanding six series of intermediate lien revenue bonds pursuant to the Intermediate Lien Master Resolution, as follows:

Authorizing Resolution Number	Date of Original Issue	Series	Original Principal Amount	Principal Amount Outstanding (10/02/11)	Final Maturity Dates
3541	07/20/2005	(A)	\$404,595,000	\$369,440,000	03/01/2035
3541	06/06/2006	(C)	40,120,000	27,425,000	09/01/2017
3563	06/28/2006		124,625,000	124,625,000	02/01/2030
3637	08/04/2010	(A)	25,200,000	23,030,000	06/01/2017
3637	08/04/2010	(B)	221,315,000	221,315,000	06/01/2040
3637	08/04/2010	(C)	128,140,000	127,820,000	02/01/2024

(the "Outstanding Intermediate Lien Bonds")

WHEREAS, the Master Resolution and the Intermediate Lien Master Resolution permit the Port to issue its revenue bonds having a lien on Net Revenues (as such term is defined in the Intermediate Lien Master Resolution) subordinate to the lien thereon of the Intermediate Lien Bonds; and

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

Authorizing Resolution Number	Date of Original Issue	Series	Original Principal Amount	Principal Amount Outstanding (10/02/2011)	Final Maturity Dates
3238	03/26/1997		\$ 108,830,000	\$ 108,830,000	09/01/2022
3276	05/01/1998		27,930,000	11,125,000	08/01/2017
3354	09/01/1999	(A)	127,140,000	121,840,000	09/01/2024
3354	09/01/1999	(B)	116,815,000	49,215,000	09/01/2016
3456	(CP)		250,000,000	22,655,000	06/01/2021
3598	06/17/2008		200,715,000	200,715,000	07/01/2033

(the "Outstanding Subordinate Lien Bonds"); and

WHEREAS, the Port has outstanding certain revenue bonds described on Exhibit A attached hereto (together, the "Refunding Candidates") that may be defeased and refunded by a portion of the proceeds of the Series 2011 Bonds authorized (and further defined) herein; and

WHEREAS, each of the resolutions authorizing the issuance of the Outstanding Parity Bonds permits the Port to issue its revenue bonds having a lien on Net Revenues (as such term is defined in the Master Resolution) on a parity with the lien thereon of the Outstanding Parity Bonds upon compliance with certain conditions; and

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

WHEREAS, pursuant to RCW 53.40.030, the Port Commission may delegate authority to the Chief Executive Officer of the Port to approve the designation of the bonds to be refunded, the interest rates, maturity dates, redemption rights, interest payment dates, and principal amounts under such terms and conditions as are approved by resolution; and

WHEREAS, it is necessary that the date, tax status, form, maximum aggregate principal amount for all bonds to be issued pursuant to this series resolution (hereinafter together defined as the "Series 2011 Bonds"), the Savings Target to be specified, that the determination of maturities, interest rates, redemption rights and principal amount of each series, and that the lien thereof on the Net Revenues of the Port be established as herein provided; and

WHEREAS, the Port has held a public hearing on the issuance of a series of the Series 2011 Bonds (hereinafter defined) as required by Section 147(f) of the Internal Revenue Code, as amended; and

WHEREAS, it is deemed necessary and desirable that the Series 2011 Bonds be sold pursuant to negotiated sale as herein provided;

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

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

Acquired Obligations means the Government Obligations acquired by the Port under the terms of this series resolution and the Escrow Agreement, if any, to effect the defeasance and refunding of the Refunded Bonds.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2011 Bonds (including persons holding Series 2011 Bonds through nominees, depositories or other intermediaries).

Bond Counsel means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by the Port for any purpose under this series resolution applicable to the use of that term.

Bond Insurance Commitment means the commitment(s) of the Bond Insurer, if any, to insure one or more series, or certain principal maturities thereof, of the Series 2011 Bonds.

Bond Insurance Policy means the policy(ies) of municipal bond insurance, if any, delivered by the Bond Insurer at the time of issuance and delivery of Series 2011 Bonds to be insured pursuant to the Bond Insurance Commitment.

Bond Insurer means the municipal bond insurer(s), if any, that has committed to insure one or more series, or certain principal maturities thereof, of Series 2011 Bonds pursuant to the Bond Insurance Commitment.

Bond Purchase Contract means the Bond Purchase Contract for the Series 2011 Bonds, providing for the purchase of the Series 2011 Bonds by the Underwriters and setting forth certain terms authorized to be approved by the Designated Port Representative as provided in Section 16 of this series resolution.

Bond Register means the registration records for the Series 2011 Bonds maintained by the Registrar.

Chief Executive Officer means the Chief Executive Officer of the Port, or any successor to the functions of his office.

Code means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations or revenue rulings issued or amended with respect thereto by the U.S. Treasury Department or the Internal Revenue Service, to the extent applicable to the Series 2011 Bonds.

Continuing Disclosure Certificate means the undertaking for ongoing disclosure executed by the Port pursuant to Section 18 of this series resolution.

Default has the meaning given such term in Section 15(b) of this series resolution.

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

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Series 2011 Bonds pursuant to Section 6 hereof.

E-19

Escrow Agent means the Escrow Agent for the Refunded Bonds appointed by the Designated Port Representative pursuant to this resolution if the Designated Port Representative determines that an escrow will be necessary or required to carry out the plan of refunding.

Escrow Agreement means the Escrow Deposit Agreement, if any, dated as of the date of the closing and delivery of the Refunding Bonds between the Port and the Escrow Agent to be executed in connection with the refunding of the Refunded Bonds, substantially in the form attached hereto as Exhibit B.

Federal Tax Certificate means the certificate(s) of that name executed and delivered by the Designated Port Representative at the time of issuance and delivery of the Series 2011 Bonds that are issued on a tax-exempt basis.

Future Parity Bonds means those revenue bonds or other revenue obligations that are issued by the Port in the future as Parity Bonds.

Government Obligations has the meaning given to such term in RCW Chapter 39.53, as amended.

Letter of Representations means the blanket issuer letter of representations from the Port to DTC, dated August 28, 1995.

Master Resolution means Resolution No. 3059, as amended, of the Commission adopted on February 2, 1990, as amended by Resolution No. 3214, adopted on March 26, 1996, Resolution No. 3241, adopted on April 8, 1997, and Resolution No. 3436, adopted on July 11, 2000 and as amended and restated by Resolution No. 3577 of the Commission adopted on February 27, 2007.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions. Until otherwise designated by the MSRB or the Commission, any information, reports

or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org.

Outstanding Parity Bonds means, collectively, the Port's outstanding Revenue Bonds, Series 2000B issued pursuant to Resolution No. 3430, as amended; Revenue Bonds, Series 2001A and Series 2001B and Revenue Refunding Bonds, Series 2001C and Series 2001D issued pursuant to Resolution No. 3462, as amended and Resolution No. 3467, as amended; Revenue Bonds, Series 2003A and Series 2003B issued pursuant to Resolution No. 3509, as amended; Revenue Bonds, Series 2004 issued pursuant to Resolution No. 3528, as amended, Revenue Bonds, Series 2007A and Series 2007B issued pursuant to Resolution No. 3576, as amended; and Revenue Bonds, Series 2009A, Series 2009B-1 and Series 2009B-2 issued pursuant to Resolution No. 3619, as amended.

Parity Bonds means and includes the Outstanding Parity Bonds, the Series 2011 Bonds and any Future Parity Bonds and has the meaning ascribed to "Bonds" in the Master Resolution.

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

Refunded Bonds means the Series A Refunding Candidates and Series B Refunding Candidates as described on Exhibit A that are designated by the Chief Executive Officer pursuant to Section 16 of this series resolution.

Registered Owner means the person named as the registered owner of a Series 2011 Bond in the Bond Register.

Registrar means the fiscal agency of the State of Washington, appointed by the Designated Port Representative for the purposes of registering and authenticating the Series 2011 Bonds, maintaining the Bond Register and effecting transfer of ownership of the Series 2011 Bonds. The term **Registrar** shall include any successor to the fiscal agency, if any, hereinafter appointed by the Designated Port Representative.

Rule means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time.

Savings Target means a dollar amount at least equal to three and 75/100 percent (3.75%) of the principal amount of the Refunded Bonds.

Series A Refunding Candidates means the outstanding revenue bonds of the Port as described on Exhibit A-1.

Series B Refunding Candidates means the outstanding revenue bonds of the Port as described on Exhibit A-2.

Series 2011 Bonds means, collectively, the Series 2011A Bonds, the Series 2011B Bonds and the Series 2011C Bonds.

Series 2011A Bond Fund means the Port of Seattle Revenue Bond Fund, Series 2011A created in the office of the Treasurer by Section 7(a)(1) of this series resolution.

Series 2011A Bonds means the Port of Seattle Revenue Refunding Bonds, Series 2011A, authorized to be issued by Section 3(a) of this series resolution.

Series 2011A Debt Service Reserve Fund means the fund of that name that may be created pursuant to the authority of Section 7(b)(1) of this series resolution.

Series 2011A Debt Service Reserve Requirement, if any, means the dollar amount or formula set forth in the Bond Purchase Contract. The Series 2011A Debt Service Reserve

Requirement may be a contribution to the Common Reserve Fund. If separately provided for as a formula, the Series 2011A Debt Service Reserve Requirement shall be adjusted accordingly and remain in effect until a payment of principal of Series 2011A Bonds when the Series 2011A Debt Service Reserve Requirement shall be re-calculated.

Series 2011B Bond Fund means the Port of Seattle Revenue Bond Fund, Series 2011B created in the office of the Treasurer by Section 7(a)(2) of this series resolution.

Series 2011B Bonds means the Port of Seattle Revenue Refunding Bonds, Series 2011B, authorized to be issued by Section 3(b) of this series resolution.

Series 2011B Debt Service Reserve Fund means the fund of that name that may be created pursuant to the authority of Section 7(b)(2) of this series resolution.

Series 2011B Debt Service Reserve Requirement, if any, means the dollar amount or formula set forth in the Bond Purchase Contract. The Series 2011B Debt Service Reserve Requirement may be a contribution to the Common Reserve Fund. If separately provided for as a formula, the Series 2011B Debt Service Reserve Requirement shall be adjusted accordingly and remain in effect until a payment of principal of Series 2011B Bonds when the Series 2011B Debt Service Reserve Requirement shall be re-calculated.

Series 2011C Bond Fund means the Port of Seattle Revenue Bond Fund, Series 2011C created in the office of the Treasurer by Section 7(a)(2) of this series resolution.

Series 2011C Bonds means the Port of Seattle Revenue Refunding Bonds, Series 2011C, authorized to be issued by Section 3(b) of this series resolution.

Series 2011C Debt Service Reserve Fund means the fund of that name that may be created pursuant to the authority of Section 7(b)(2) of this series resolution.

Series 2011C Debt Service Reserve Requirement, if any, means the dollar amount or formula set forth in the Bond Purchase Contract. The Series 2011C Debt Service Reserve Requirement may be a contribution to the Common Reserve Fund. If separately provided for as a formula, the Series 2011C Debt Service Reserve Requirement shall be adjusted accordingly and remain in effect until a payment of principal of Series 2011C Bonds when the Series 2011C Debt Service Reserve Requirement shall be re-calculated.

Subordinate Lien Bond Resolutions means, collectively, Resolution No. 3238, as amended, Resolution No. 3276, as amended; Resolution No. 3354, as amended; Resolution No. 3456, as amended; Resolution No. 3544, as amended and Resolution No. 3598, as amended.

Surety Bond means one or more of the surety bond(s), if any, issued by the Surety Bond Issuer on the date of issuance of the Series 2011 Bonds of any series for the purpose of satisfying all or a portion of the Common Reserve Fund Requirement and/or the Series 2011A Debt Service Reserve Requirement and/or the Series 2011B Debt Service Reserve Requirement and/or the Series 2011C Debt Service Reserve Requirement; provided that in each case the Surety Bond meets the requirements for "Qualified Insurance" at the time of issuance of the Surety Bond. There may be more than one Surety Bond.

Surety Bond Agreement means any Agreement between the Port and the Surety Bond Issuer with respect to the Surety Bond.

Surety Bond Issuer or Surety Bond Issuers means the surety bond issuer(s), if any, issuing a surety bond for the purpose of satisfying all or a portion of the Series 2011A Debt Service Reserve Requirement and/or the Series 2011B Debt Service Reserve Requirement and/or the Series 2011C Debt Service Reserve Requirement. There may be more than one Surety Bond Issuer.

Underwriters mean, collectively, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Backstrom McCarley Berry & Co., LLC and Drexel Hamilton, I.L.C.

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

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

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

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

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

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

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

Section 2. Plan of Finance. The Refunding Candidates are callable in whole or in part prior to their scheduled maturities and may be selected for refunding depending upon market conditions. The final selection of the maturities, if any, within each series of the Refunding Candidates designated as Refunded Bonds to be refunded by the Series 2011 Bonds shall be made by the Chief Executive Officer pursuant to the authority granted in Section 16 of this series resolution.

Section 3. Authorization of Series 2011 Bonds. The Port shall issue the Series 2011A Bonds as a series for the purpose of refunding the Series A Refunding Candidates and the Series 2011B Bonds and the Series 2011C Bonds, if any, as a second and optional third series for the purpose of refunding the Series B Refunding Candidates. The proceeds of the Series 2011 Bonds shall be used for the purposes of providing the funds necessary to refund the Refunded Bonds, to make a deposit to the Common Reserve Fund, or to make deposits to Series 2011A Debt Service Reserve Fund and/or the Series 2011B Debt Service Reserve Fund and/or the Series 2011C Debt Service Reserve Fund, or to purchase one or more Surety Bonds and to pay all or a portion of the costs incidental to the foregoing and to the issuance of the Series 2011 Bonds.

The aggregate principal amount of the Series 2011 Bonds to be issued under this series resolution shall not exceed \$140,000,000 and shall be determined by the Chief Executive Officer, pursuant to the authority granted in Section 16 of this series resolution.

Section 4. Bond Terms.

(a) *Series 2011A.* The Series 2011A Bonds shall be designated as “Port of Seattle Revenue Refunding Bonds, Series 2011A,” shall be registered as to both principal and interest, shall be issued in the aggregate principal amount set forth in the Bond Purchase Contract, and

shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated their date of delivery to the Underwriters, shall be in the denomination of \$5,000 each or any integral multiple of \$5,000 within a maturity, bearing interest as and at the rates set forth in the Bond Purchase Contract and as approved by the Chief Executive Officer pursuant to Section 16. The Series 2011A Bonds shall bear interest from their date of delivery to the Underwriters until the Series 2011A Bonds bearing such interest have been paid or their payment duly provided for, payable semiannually on the dates set forth in the Bond Purchase Contract and shall mature on the dates and in the principal amounts set forth in the Bond Purchase Contract and as approved by the Chief Executive Officer pursuant to Section 16.

The Series 2011A Bonds shall be obligations only of the Series 2011A Bond Fund and the Common Reserve Fund or the Series 2011A Debt Service Reserve Fund, as applicable, and shall be payable and secured as provided herein. The Series 2011A Bonds do not constitute an indebtedness of the Port within the meaning of the constitutional provisions and limitations of the State of Washington.

(b) *Series 2011B.* The Series 2011B Bonds shall be designated as “Port of Seattle Revenue Refunding Bonds, Series 2011B,” shall be registered as to both principal and interest, shall be issued in the aggregate principal amount set forth in the Bond Purchase Contract, and shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated their date of delivery to the Underwriters, shall be in the denomination of \$5,000 each or any integral multiple of \$5,000 within a maturity, bearing interest as and at the rates set forth in the Bond Purchase Contract and as approved by the Chief Executive Officer pursuant to Section 16. The Series 2011B Bonds

shall bear interest from their date of delivery to the Underwriters until the Series 2011B Bonds bearing such interest have been paid or their payment duly provided for, payable on the dates set forth in the Bond Purchase Contract and shall mature on the dates and in the years and in the principal amounts set forth in the Bond Purchase Contract and as approved by Chief Executive Officer pursuant to Section 16.

The Series 2011B Bonds shall be obligations only of the Series 2011B Bond Fund and the Common Reserve Fund or the Series 2011B Debt Service Reserve Fund, as applicable, and shall be payable and secured as provided herein. The Series 2011B Bonds do not constitute an indebtedness of the Port within the meaning of the constitutional provisions and limitations of the State of Washington.

(c) *Series 2011C.* If the Port determines to issue taxable bonds in order to refund a portion of the Series B Refunding Candidates, the third series shall be designated as "Port of Seattle Revenue Refunding Bonds, Series 2011C," shall be registered as to both principal and interest, shall be issued in the aggregate principal amount set forth in the Bond Purchase Contract, and shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated their date of delivery to the Underwriters, shall be in the denomination of \$5,000 each or any integral multiple of \$5,000 within a maturity, bearing interest as and at the rates set forth in the Bond Purchase Contract and as approved by the Chief Executive Officer pursuant to Section 16. The Series 2011C Bonds shall bear interest from their date of delivery to the Underwriters until the Series 2011C Bonds bearing such interest have been paid or their payment duly provided for, payable on the dates set forth in the Bond Purchase Contract and shall mature on the dates and in

the years and in the principal amounts set forth in the Bond Purchase Contract and as approved by Chief Executive Officer pursuant to Section 16.

The Series 2011C Bonds shall be obligations only of the Series 2011C Bond Fund and the Common Reserve Fund or the Series 2011C Debt Service Reserve Fund, as applicable, and shall be payable and secured as provided herein. The Series 2011C Bonds do not constitute an indebtedness of the Port within the meaning of the constitutional provisions and limitations of the State of Washington.

Section 5. Redemption and Purchase.

(a) *Optional Redemption.* One or more series of Series 2011 Bonds may be subject to optional redemption on the dates, at the prices and under the terms set forth in the Bond Purchase Contract all as approved by the Chief Executive Officer pursuant to Section 16.

(b) *Mandatory Redemption.* One or more series of Series 2011 Bonds may be subject to mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract all as approved by the Chief Executive Officer pursuant to Section 16.

(c) *Purchase of Series 2011 Bonds for Retirement.* The Port reserves the right to use at any time any surplus Gross Revenue available after providing for the payments required by paragraph First through Fifth of Section 2(a) of the Master Resolution, including the payments required by paragraph First through Seventh of the priority for use of Gross Revenue set forth in the Subordinate Lien Bond Resolutions, to purchase for retirement any of the Series 2011 Bonds offered to the Port at any price deemed reasonable to the Designated Port Representative.

(d) *Selection of Series 2011A Bonds and Series 2011B Bonds for Redemption.* If Series 2011A Bonds and/or Series 2011B Bonds are called for optional redemption, the series and maturities of Series 2011 Bonds to be redeemed shall be selected by the Port. If any

Series 2011A Bonds and/or Series 2011B Bonds to be redeemed (optional or mandatory) then are held in book-entry-only form, the selection of Series 2011A Bonds and/or Series 2011B Bonds to be redeemed within a maturity shall be made in accordance with the operational arrangements then in effect at DTC (or at a substitute depository, if applicable). If the Series 2011A Bonds and/or Series 2011B Bonds to be redeemed are no longer held in book-entry-only form, the selection of such Series 2011A Bonds and/or Series 2011B Bonds to be redeemed shall be made in the following manner. If the Port redeems at any one time fewer than all of the Series 2011A Bonds and/or Series 2011B Bonds having the same maturity date, the particular Series 2011A Bonds and/or Series 2011B Bonds or portions of Series 2011A Bonds and/or Series 2011B Bonds and maturity to be redeemed shall be selected by lot (or in such other random manner determined by the Registrar) in increments of \$5,000. In the case of a Series 2011A Bonds and/or Series 2011B Bonds and maturity of a denomination greater than \$5,000, the Port and Registrar shall treat each Series 2011A Bonds and/or Series 2011B Bonds of the applicable series and maturity as representing such number of separate Series 2011A Bonds and/or Series 2011B Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Series 2011A Bonds and/or Series 2011B Bonds of the applicable series and maturity by \$5,000. In the event that only a portion of the principal amount of a Series 2011A Bond and/or Series 2011B Bond is redeemed, upon surrender of such Series 2011A Bond and/or Series 2011B Bond at the principal office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then-unredeemed balance of the principal amount thereof a Series 2011A Bond and/or Series 2011B Bond or, at the option of the Registered Owner, a Series 2011 Bond of like series, maturity and interest rate in any of the denominations herein authorized.

(e) *Selection of Series 2011C Bonds for Redemption.* The manner of selection of Series 2011C Bonds shall be as set forth in the Bond Purchase Contract and as approved by Chief Executive Officer pursuant to Section 16.

(f) *Notice of Redemption.* Written notice of any redemption of Series 2011 Bonds prior to maturity shall be given by the Registrar on behalf of the Port by first class mail, postage prepaid, not less than 20 days nor more than 60 days before the date fixed for redemption to the Registered Owners of Series 2011 Bonds that are to be redeemed at their last addresses shown on the Bond Register. This requirement shall be deemed complied with when notice is mailed to the Registered Owners at their last addresses shown on the Bond Register, whether or not such notice is actually received by the Registered Owners.

So long as the Series 2011 Bonds are in book-entry only form, notice of redemption shall be given to Beneficial Owners of Series 2011 Bonds to be redeemed in accordance with the operational arrangements then in effect at DTC, and neither the Port nor the Registrar shall be obligated or responsible to confirm that any notice of redemption is, in fact, provided to Beneficial Owners.

Each notice of redemption (which notice may be conditional) prepared and given by the Registrar to Registered Owners of Series 2011 Bonds shall contain the following information: (1) the date fixed for redemption, (2) the redemption price, (3) if fewer than all outstanding Series 2011 Bonds of a series are to be redeemed, the identification by maturity and series (and, in the case of partial redemption, the principal amounts) of the Series 2011 Bonds to be redeemed, (4) whether the notice of redemption is conditional and, if conditional, the conditions to redemption, (5) that (unless the notice of optional redemption is a conditional notice, in which case the notice shall state that such Series 2011 Bonds will become due and payable and interest

shall cease to accrue from the date fixed for redemption if and to the extent in each case funds have been provided to the Registrar for the redemption of such Series 2011 Bonds) on the date fixed for redemption the redemption price will become due and payable upon each Series 2011 Bond or portion called for redemption, and that interest shall cease to accrue from the date fixed for redemption, (6) that the Series 2011 Bonds are to be surrendered for payment at the principal office of the Registrar, (7) the CUSIP numbers of all Series 2011 Bonds being redeemed, (8) the dated date of the Series 2011 Bonds being redeemed, (9) the rate of interest for each Series 2011 Bond being redeemed, (10) the date of the notice, and (11) any other information deemed necessary by the Registrar to identify the Series 2011 Bonds being redeemed.

Upon the payment of the redemption price of Series 2011 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Series 2011 Bonds being redeemed with the proceeds of such check or other transfer.

(g) *Effect of Redemption.* Unless the Port has revoked a notice of optional redemption (or unless the Port provided a conditional notice of optional redemption and the conditions for redemption set forth therein are not satisfied), the Port shall transfer to the Registrar amounts that, in addition to other money, if any, held by the Registrar for such purpose, will be sufficient to redeem, on the date fixed for redemption, all the Series 2011 Bonds to be redeemed. If and to the extent that funds have been provided to the Registrar for the redemption of Series 2011 Bonds then from and after the date fixed for redemption for such Series 2011 Bond or portion thereof, interest on each such Series 2011 Bond shall cease to accrue and such Series 2011 Bond or portion thereof shall cease to be Outstanding.

(h) *Amendment of Notice Provisions.* The foregoing notice provisions of this section, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6. Registration, Exchange and Payments.

(a) *Registrar/Bond Register.* The Port hereby adopts the system of registration approved by the Washington State Finance Committee, which utilizes the fiscal agencies of the State of Washington, for the purposes of registering and authenticating the Series 2011 Bonds, maintaining the Bond Register and effecting transfer of ownership of the Series 2011 Bonds (collectively, the "Registrar"). The Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Series 2011 Bonds (the "Bond Register"), which shall be open to inspection by the Port. The Registrar may be removed at any time at the option of the Designated Port Representative upon prior notice to the Registrar, DTC (or its successor or alternate depository), each party entitled to receive notice pursuant to the Continuing Disclosure Undertaking and a successor Registrar appointed by the Designated Port Representative. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder. The Registrar is authorized, on behalf of the Port, to authenticate and deliver Series 2011 Bonds transferred or exchanged in accordance with the provisions of such Series 2011 Bonds and this series resolution and to carry out all of the Registrar's powers and duties under this series resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Series 2011 Bonds.

(b) *Registered Ownership.* Except as provided in Section 6(c) or the Continuing Disclosure Certificate authorized pursuant to Section 18, the Port and the Registrar may deem and treat the Registered Owner of each Series 2011 Bond as the absolute owner for all purposes, and neither the Port nor the Registrar shall be affected by any notice to the contrary. Payment of any such Series 2011 Bond shall be made only as described in subsection (h) hereof, but the transfer of such Series 2011 Bond may be registered as herein provided. All such payments made as described in subsection (h) shall be valid and shall satisfy the liability of the Port upon such Series 2011 Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* The Series 2011 Bonds shall initially be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Series 2011 Bonds as eligible for deposit at DTC, the Port has heretofore executed and delivered to DTC the Letter of Representations.

Neither the Port nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Series 2011 Bonds for the accuracy of any records maintained by DTC (or any successor or alternate depository) or any DTC participant, the payment by DTC (or any successor or alternate depository) or any DTC participant of any amount in respect of the principal of or interest on Series 2011 Bonds, any notice that is permitted or required to be given to Registered Owners under this series resolution (except such notices as shall be required to be given by the Port to the Registrar or, by the Registrar, to DTC (or any successor or alternate depository)), the selection by DTC or by any DTC participant of any person to receive payment in the event of a partial redemption of the Series 2011 Bonds, or any consent given or other action taken by DTC (or any successor or alternate depository) as the Registered Owner. So long as any Series 2011 Bonds are held in

fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the owner and Registered Owner for all purposes, and all references in this series resolution to the Registered Owners shall mean DTC (or any successor or alternate depository) or its nominee and shall not mean the owners of any beneficial interest in any Series 2011 Bonds. Notwithstanding the foregoing, if a Bond Insurance Policy is issued for any series or maturity of the Series 2011 Bonds and so long as the Bond Insurer is not in default under its Policy, the Bond Insurer shall be deemed to be the owner, Registered Owner, and holder of all bonds of that series or maturity for the purpose of granting consents and exercising voting rights with respect thereto and for any other purpose identified and specified in the Bond Insurance Commitment accepted by the Port as a condition of issuance of the Bond Insurance Policy.

(d) *Use of Depository.*

(1) The Series 2011 Bonds shall be registered initially in the name of CEDE & Co., as nominee of DTC, with a single Series 2011 Bond for each series and maturity in a denomination equal to the total principal amount of such series and maturity. Registered ownership of such immobilized Series 2011 Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, or to any other nominee requested by an authorized representative of DTC, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Port pursuant to subsection (2) below or such substitute depository's successor or nominee; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Port to discontinue the

system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Port may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Registrar shall, upon receipt of all outstanding Series 2011 Bonds, together with a written request on behalf of the Port, issue a single new Series 2011 Bond for each series and maturity then outstanding, registered in the name of such successor or substitute depository, or its nominee, all as specified in such written request of the Port.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Port determines that it is in the best interest of the Beneficial Owners of the Series 2011 Bonds of any series that the Series 2011 Bonds of that series be provided in certificated form, the ownership of such Series 2011 Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. The Port shall deliver a written request to the Registrar, together with a supply of definitive Series 2011 Bonds (of the appropriate series and maturities) in certificated form, to issue Series 2011 Bonds in any authorized denominations. Upon receipt by the Registrar of all then outstanding Series 2011 Bonds (of the appropriate series), together with a written request on behalf of the Port to the Registrar, new Series 2011 Bonds of such series shall be issued in the appropriate denominations and registered in the names of such persons as are provided in such written request.

(e) *Registration of the Transfer of Ownership or the Exchange of Series 2011 Bonds; Change in Denominations.* The transfer of any Series 2011 Bond may be registered and any

Series 2011 Bond may be exchanged, but no transfer of any Series 2011 Bond shall be valid unless the Series 2011 Bond is surrendered to the Registrar with the assignment form appearing on such Series 2011 Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Series 2011 Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee, a new Series 2011 Bond (or Series 2011 Bonds at the option of the Registered Owner) of the same date, series, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, as and naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Series 2011 Bond, in exchange for such surrendered and canceled Series 2011 Bond. Any Series 2011 Bond may be surrendered to the Registrar, together with the assignment form appearing on such Series 2011 Bond duly executed, and exchanged, without charge, for an equal aggregate principal amount of Series 2011 Bonds of the same date, series, maturity and interest rate, in any authorized denomination. The Registrar shall not be obligated to register the transfer or exchange of any Series 2011 Bond during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on such interest payment date, or, in the case of any proposed redemption of the Series 2011 Bonds, after the mailing of notice of the call of such Series 2011 Bonds for redemption.

(f) *Registrar's Ownership of Series 2011 Bonds.* The Registrar may become the Registered Owner of any Series 2011 Bond with the same rights it would have if it were not the Registrar, and to the extent permitted by law, may act as depository for and permit any of its

officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the rights of the Registered Owners of the Series 2011 Bonds.

(g) *Registration Covenant.* The Port covenants that, until all Series 2011 Bonds issued on a tax-exempt basis have been surrendered and canceled, it will maintain a system for recording the ownership of each Series 2011 Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* The principal of, premium, if any, and interest on the Series 2011 Bonds shall be payable in lawful money of the United States of America. For so long as all Series 2011 Bonds are in fully immobilized form, payments of principal, premium, if any, and interest shall be made as provided in accordance with the operational arrangements of DTC described in the Letter of Representations. In the event that the Series 2011 Bonds are no longer in fully immobilized form, interest on the Series 2011 Bonds shall be paid by check mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal and premium, if any, of the Series 2011 Bonds shall be payable by check upon presentation and surrender of such Series 2011 Bonds by the Registered Owners at the principal office of the Registrar; provided, however, that if so requested in writing prior to the opening of business on the 15th day of the month preceding any interest payment date by the Registered Owner of at least \$1,000,000 aggregate principal amount of Series 2011 Bonds, interest will be paid thereafter by wire transfer on the date due to an account with a bank located within the United States.

Section 7. Series 2011 Bond Funds and Series 2011 Reserve Requirements.

(a) *Series 2011 Bond Funds.*

(1) Series 2011A Bond Fund. A special fund of the Port designated the “Port of Seattle Revenue Bond Fund, Series 2011A” (the “Series 2011A Bond Fund”) is hereby authorized to be created in the office of the Treasurer for the purpose of paying and securing the payment of the Series 2011A Bonds. The Series 2011A Bond Fund shall be held separate and apart from all other funds and accounts of the Port and shall be a trust fund for the owners of the Series 2011A Bonds.

The Series 2011A Bonds shall be obligations only of the Series 2011A Bond Fund and the Series 2011A Debt Service Reserve Fund or the Common Reserve Fund, as applicable, and shall be payable and secured as provided herein. The Series 2011A Bonds do not constitute an indebtedness of the Port within the meaning of the constitutional and statutory provisions and limitations of the laws of the State of Washington.

The Port hereby irrevocably obligates and binds itself for so long as any Series 2011A Bonds remain Outstanding to set aside and pay into the Series 2011A Bond Fund from Net Revenues or money in the Revenue Fund, on or prior to the respective dates on which the same become due:

(A) such amounts as are required to pay the interest scheduled to become due and redemption premium, if any, on Outstanding Series 2011A Bonds; and

(B) such amounts as are required to pay maturing principal or principal being redeemed of Outstanding Series 2011A Bonds.

(2) Series 2011B Bond Fund. A special fund of the Port designated the "Port of Seattle Revenue Bond Fund, Series 2011B" (the "Series 2011B Bond Fund") is hereby authorized to be created in the office of the Treasurer for the purpose of paying and securing the payment of the Series 2011B Bonds. The Series 2011B Bond Fund shall be held separate and apart from all other funds and accounts of the Port and shall be a trust fund for the owners of the Series 2011B Bonds.

The Series 2011B Bonds shall be obligations only of the Series 2011B Bond Fund and the Series 2011B Debt Service Reserve Fund or the Common Reserve Fund, as applicable, and shall be payable and secured as provided herein. The Series 2011B Bonds do not constitute an indebtedness of the Port within the meaning of the constitutional and statutory provisions and limitations of the laws of the State of Washington.

The Port hereby irrevocably obligates and binds itself for so long as any Series 2011B Bonds remain Outstanding to set aside and pay into the Series 2011B Bond Fund from Net Revenues or money in the Revenue Fund, on or prior to the respective dates on which the same become due:

- (A) such amounts as are required to pay the interest scheduled to become due and redemption premium, if any, on Outstanding Series 2011B Bonds; and
- (B) such amounts as are required to pay maturing principal or principal being redeemed of Outstanding Series 2011B Bonds.

(3) Series 2011C Bond Fund. If the Series 2011C Bonds are issued, a special fund of the Port designated the "Port of Seattle Revenue Bond Fund, Series 2011C" (the "Series 2011C Bond Fund") is hereby authorized to be created in the office of the Treasurer for the purpose of paying and securing the payment of the Series 2011C Bonds. The Series 2011C Bond Fund shall be held separate and apart from all other funds and accounts of the Port and shall be a trust fund for the owners of the Series 2011C Bonds.

The Series 2011C Bonds shall be obligations only of the Series 2011C Bond Fund and the Series 2011C Debt Service Reserve Fund or the Common Reserve Fund, as applicable, and shall be payable and secured as provided herein. The Series 2011C Bonds do not constitute an indebtedness of the Port within the meaning of the constitutional and statutory provisions and limitations of the laws of the State of Washington.

The Port hereby irrevocably obligates and binds itself for so long as any Series 2011C Bonds remain Outstanding to set aside and pay into the Series 2011C Bond Fund from Net Revenues or money in the Revenue Fund, on or prior to the respective dates on which the same become due:

- (A) such amounts as are required to pay the interest scheduled to become due and redemption premium, if any, on Outstanding Series 2011C Bonds; and
- (B) such amounts as are required to pay maturing principal or principal being redeemed of Outstanding Series 2011C Bonds.

(b) Series 2011 Debt Service Reserve Funds.

(1) Series 2011A Debt Service Reserve Fund. The Bond Purchase Contract may provide that the Series 2011A Bonds will be secured by the Common Reserve Fund. Pursuant to the authority of this series resolution, the Chief Executive Officer is hereby

authorized to designate the Series 2011A Bonds as Covered Bonds in the Bond Purchase Contract approved pursuant to Section 16. In the alternative, if, pursuant to the Bond Purchase Contract, a separate reserve will be established for the Series 2011A Bonds, a Series 2011A Debt Service Reserve Fund (the "Series 2011A Debt Service Reserve Fund") is hereby authorized to be created for the purpose of securing the payment of the principal of, premium, if any, and interest on the Series 2011A Bonds. Unless otherwise specified in the Bond Purchase Contract, the Series 2011A Debt Service Reserve Requirement shall be fully funded on the date of issuance of the Series 2011A Bonds.

The Designated Port Representative may decide to utilize a Surety Bond to satisfy the Series 2011A Debt Service Reserve Requirement; provided that the Surety Bond meets the qualifications for Qualified Insurance at the time it is issued. Upon such election, the Designated Port Representative is hereby authorized to execute and deliver a Surety Bond Agreement with a Surety Bond Issuer to effect the delivery of the Surety Bond.

The Series 2011A Debt Service Reserve Requirement shall be maintained by deposits of cash and/or qualified investments, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the extent that the Port obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the Series 2011A Debt Service Reserve Fund, all or a portion of the money on hand in the Series 2011A Debt Service Reserve Fund shall be transferred to the fund or account, specified by the Designated Port Representative within the limitations permitted by the Federal Tax Certificate. In computing the amount on hand in the Series 2011A Debt Service Reserve Fund, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the lower of the face amount thereof and the amount available to be drawn thereunder, and all other obligations purchased as an investment of moneys therein

shall be valued on a marked to market basis, valued at least once annually. As used herein, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check; and the deposit to the Series 2011A Debt Service Reserve Fund may be satisfied by the transfer of qualified investments to such account. If a deficiency in the Series 2011A Debt Service Reserve Requirement shall exist as a result of the foregoing valuation, such deficiency shall be made up within a year after the date of such valuation.

If the balance on hand in the Series 2011A Debt Service Reserve Fund is sufficient to satisfy the Series 2011A Debt Service Reserve Requirement, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the Series 2011 Bond Fund and the Series 2011A Debt Service Reserve Fund to pay the principal of, premium, if any, and interest on all Outstanding Series 2011A Bonds, the money in the Series 2011A Debt Service Reserve Fund may be used to pay such principal and interest. So long as the money left remaining on deposit in the Series 2011A Debt Service Reserve Fund is equal to the Series 2011A Debt Service Reserve Requirement, money in the Series 2011A Debt Service Reserve Fund may be transferred to the fund or account specified in writing by the Designated Port Representative within the limitations permitted by the Federal Tax Certificate. The Port also may transfer out of the Series 2011A Debt Service Reserve Fund any money required to prevent any Series 2011A Bonds from becoming "arbitrage bonds" under the Code.

If the Series 2011A Bonds are designated as Covered Bonds, the procedures for drawing on the Common Reserve Fund are set forth in the Master Resolution. If a deficiency in the Series 2011A Bond Fund shall occur, such deficiency shall be made up from the Series 2011A Debt Service Reserve Fund by the withdrawal of cash therefrom for that purpose and by the sale

or redemption of obligations held in the Series 2011A Debt Service Reserve Fund, in such amounts as will provide cash in the Series 2011A Debt Service Reserve Fund sufficient to make up any such deficiency with respect to the Series 2011A Bonds, and if a deficiency still exists immediately prior to an interest payment date and after the transfer of cash from the Series 2011A Debt Service Reserve Fund to the Series 2011A Bond Fund, the Port shall then draw from any Qualified Letter of Credit or Qualified Insurance then credited to the Series 2011A Debt Service Reserve Fund for the Series 2011A Bonds (up to the amount then available) in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement may be made to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments required to be made in paragraphs First and Second of Section 2(a) of the Master Resolution. If the Port shall have failed to make any payment required to be made under such reimbursement agreement for the Series 2011A Bonds, the issuer shall be entitled to exercise all remedies available at law or under this series resolution; provided, however, that no acceleration of the Series 2011A Bonds shall be permitted, and no remedies that adversely affect Registered Owners of the Series 2011A Bonds shall be permitted. Any deficiency created in the Series 2011A Debt Service Reserve Fund by reason of any such withdrawal shall be made up within one year after the date of such withdrawal from Qualified Insurance or a Qualified Letter of Credit or out of Net Revenues (or out of any other moneys on hand legally available for such purpose), in 12 equal monthly installments, after first making necessary provision for all payments required to be made into the Series 2011A Bond Fund within such year.

In making the payments and credits to the Series 2011A Debt Service Reserve Fund required by this Section 7(b)(1), to the extent that the Port has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Series 2011A Debt Service Reserve Fund such amounts then available to be drawn under such Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Series 2011A Debt Service Reserve Fund by this Section 7(b)(1) to the extent that such payments and credits to be made are to be made or insured by the issuer of such Qualified Insurance, or are to be made or guaranteed by a Qualified Letter of Credit. In the event of termination of a Qualified Letter of Credit, if the issuer of the Qualified Insurance or the Qualified Letter of Credit shall be insolvent or no longer in existence or if the letter of credit or insurance otherwise ceases to be a Qualified Letter of Credit or Qualified Insurance, respectively, the Series 2011A Debt Service Reserve Requirement shall be satisfied (A) within one year after the termination, insolvency or incapacity, with other Qualified Insurance or another Qualified Letter of Credit, or (B) within three years (in three equal annual installments) after the termination, insolvency or incapacity, out of Net Revenues (or out of other money on hand and legally available for such purpose) after first making necessary provisions for all payments required to be made into the Series 2011A Bond Fund.

(2) Series 2011B Debt Service Reserve Fund. The Bond Purchase Contract may provide that the Series 2011B Bonds will be secured by the Common Reserve Fund. Pursuant to the authority of this series resolution, the Chief Executive Officer is hereby authorized to designate the Series 2011B Bonds as Covered Bonds in the Bond Purchase Contract approved pursuant to Section 16. In the alternative, if, pursuant to the Bond Purchase Contract, a separate reserve will be established for the Series 2011B Bonds, a Series 2011B Debt

Service Reserve Fund (the "Series 2011B Debt Service Reserve Fund") is hereby authorized to be created for the purpose of securing the payment of the principal of, premium, if any, and interest on the Series 2011B Bonds. Unless otherwise specified in the Bond Purchase Contract, the Series 2011B Debt Service Reserve Requirement shall be fully funded on the date of issuance of the Series 2011B Bonds.

The Designated Port Representative may decide to utilize a Surety Bond to satisfy the Series 2011B Debt Service Reserve Requirement; provided that the Surety Bond meets the qualifications for Qualified Insurance at the time it is issued. Upon such election, the Designated Port Representative is hereby authorized to execute and deliver a Surety Bond Agreement with a Surety Bond Issuer to effect the delivery of the Surety Bond.

The Series 2011B Debt Service Reserve Requirement shall be maintained by deposits of cash and/or qualified investments, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the extent that the Port obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the Series 2011B Debt Service Reserve Fund, all or a portion of the money on hand in the Series 2011B Debt Service Reserve Fund shall be transferred to the fund or account, specified by the Designated Port Representative. In computing the amount on hand in the Series 2011B Debt Service Reserve Fund, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the lower of the face amount thereof and the amount available to be drawn thereunder, and all other obligations purchased as an investment of moneys therein shall be valued on a marked to market basis, valued at least once annually. As used herein, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check; and the deposit to the Series 2011B Debt Service Reserve Fund may be satisfied by the transfer of qualified

investments to such account. If a deficiency in the Series 2011B Debt Service Reserve Requirement shall exist as a result of the foregoing valuation, such deficiency shall be made up within a year thereof.

If the balance on hand in the Series 2011B Debt Service Reserve Fund is sufficient to satisfy the Series 2011B Debt Service Reserve Requirement, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the Series 2011 Bond Fund and the Series 2011B Debt Service Reserve Fund to pay the principal of, premium, if any, and interest on all Outstanding Series 2011B Bonds, the money in the Series 2011B Debt Service Reserve Fund may be used to pay such principal and interest. So long as the money left remaining on deposit in the Series 2011B Debt Service Reserve Fund is equal to the Series 2011B Debt Service Reserve Requirement, money in the Series 2011B Debt Service Reserve Fund may be transferred to the fund or account specified in writing by the Designated Port Representative.

If the Series 2011B Bonds are designated as Covered Bonds, the procedures for drawings on the Common Reserve Fund are set forth in the Master Resolution. If a deficiency in the Series 2011B Bond Fund shall occur, such deficiency shall be made up from the Series 2011B Debt Service Reserve Fund by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Series 2011B Debt Service Reserve Fund, in such amounts as will provide cash in the Series 2011B Debt Service Reserve Fund sufficient to make up any such deficiency with respect to the Series 2011B Bonds, and if a deficiency still exists immediately prior to an interest payment date and after the transfer of cash from the Series 2011B Debt Service Reserve Fund to the Series 2011B Bond Fund, the Port shall then draw from any Qualified Letter of Credit or Qualified Insurance then credited to the Series 2011B Debt

Service Reserve Fund for the Series 2011B Bonds (up to the amount then available) in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement may be made to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments required to be made in paragraphs First and Second of Section 2(a) of the Master Resolution. If the Port shall have failed to make any payment required to be made under such reimbursement agreement for the Series 2011B Bonds, the issuer shall be entitled to exercise all remedies available at law or under this series resolution; provided, however, that no acceleration of the Series 2011B Bonds shall be permitted, and no remedies that adversely affect Registered Owners of the Series 2011B Bonds shall be permitted. Any deficiency created in the Series 2011B Debt Service Reserve Fund by reason of any such withdrawal shall be made up within one year after the date of such withdrawal from Qualified Insurance or a Qualified Letter of Credit or out of Net Revenues (or out of any other moneys on hand legally available for such purpose), in 12 equal monthly installments, after first making necessary provision for all payments required to be made into the Series 2011B Bond Fund within such year.

In making the payments and credits to the Series 2011B Debt Service Reserve Fund required by this Section 7(b)(2), to the extent that the Port has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Series 2011B Debt Service Reserve Fund such amounts then available to be drawn under such Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Series 2011B Debt Service Reserve Fund by this Section 7(b)(2)

to the extent that such payments and credits to be made are to be made or insured by the issuer of such Qualified Insurance, or are to be made or guaranteed by a Qualified Letter of Credit. In the event of termination of a Qualified Letter of Credit, if the issuer of the Qualified Insurance or the Qualified Letter of Credit shall be insolvent or no longer in existence or if the letter of credit or insurance otherwise ceases to be a Qualified Letter of Credit or Qualified Insurance, respectively, the Series 2011B Debt Service Reserve Requirement shall be satisfied (A) within one year after the termination, insolvency or incapacity, with other Qualified Insurance or another Qualified Letter of Credit, or (B) within three years (in three equal annual installments) after the termination, insolvency or incapacity, out of Net Revenues (or out of other money on hand and legally available for such purpose) after first making necessary provisions for all payments required to be made into the Series 2011B Bond Fund.

(3) Series 2011C Debt Service Reserve Fund. The Bond Purchase Contract may provide that the Series 2011C Bonds, if issued, will be secured by the Common Reserve Fund. Pursuant to the authority of this series resolution, the Chief Executive Officer is hereby authorized to designate the Series 2011C Bonds as Covered Bonds in the Bond Purchase Contract approved pursuant to Section 16. In the alternative, if, pursuant to the Bond Purchase Contract, a separate reserve will be established for the Series 2011C Bonds, a Series 2011C Debt Service Reserve Fund (the "Series 2011C Debt Service Reserve Fund") is hereby authorized to be created for the purpose of securing the payment of the principal of, premium, if any, and interest on the Series 2011C Bonds. Unless otherwise specified in the Bond Purchase Contract, the Series 2011C Debt Service Reserve Requirement shall be fully funded on the date of issuance of the Series 2011C Bonds.

The Designated Port Representative may decide to utilize a Surety Bond to satisfy the Series 2011C Debt Service Reserve Requirement; provided that the Surety Bond meets the qualifications for Qualified Insurance at the time it is issued. Upon such election, the Designated Port Representative is hereby authorized to execute and deliver a Surety Bond Agreement with a Surety Bond Issuer to effect the delivery of the Surety Bond.

The Series 2011C Debt Service Reserve Requirement shall be maintained by deposits of cash and/or qualified investments, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the extent that the Port obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the Series 2011C Debt Service Reserve Fund, all or a portion of the money on hand in the Series 2011C Debt Service Reserve Fund shall be transferred to the fund or account, specified by the Designated Port Representative.

In computing the amount on hand in the Series 2011C Debt Service Reserve Fund, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the lower of the face amount thereof and the amount available to be drawn thereunder, and all other obligations purchased as an investment of moneys therein shall be valued on a marked to market basis, valued at least once annually. As used herein, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check; and the deposit to the Series 2011C Debt Service Reserve Fund may be satisfied by the transfer of qualified investments to such account. If a deficiency in the Series 2011C Debt Service Reserve Requirement shall exist as a result of the foregoing valuation, such deficiency shall be made up within a year thereof.

If the balance on hand in the Series 2011C Debt Service Reserve Fund is sufficient to satisfy the Series 2011C Debt Service Reserve Requirement, interest earnings shall be applied as

provided in the following sentences. Whenever there is a sufficient amount in the Series 2011C Bond Fund and the Series 2011C Debt Service Reserve Fund to pay the principal of, premium, if any, and interest on all Outstanding Series 2011C Bonds, the money in the Series 2011C Debt Service Reserve Fund may be used to pay such principal and interest. So long as the money left remaining on deposit in the Series 2011C Debt Service Reserve Fund is equal to the Series 2011C Debt Service Reserve Requirement, money in the Series 2011C Debt Service Reserve Fund may be transferred to the fund or account specified in writing by the Designated Port Representative.

If the Series 2011C Bonds are designated as Covered Bonds, the procedures for drawings on the Common Reserve Fund are set forth in the Master Resolution. If a deficiency in the Series 2011C Bond Fund shall occur, such deficiency shall be made up from the Series 2011C Debt Service Reserve Fund by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Series 2011C Debt Service Reserve Fund, in such amounts as will provide cash in the Series 2011C Debt Service Reserve Fund sufficient to make up any such deficiency with respect to the Series 2011C Bonds, and if a deficiency still exists immediately prior to an interest payment date and after the transfer of cash from the Series 2011C Debt Service Reserve Fund to the Series 2011C Bond Fund, the Port shall then draw from any Qualified Letter of Credit or Qualified Insurance then credited to the Series 2011C Debt Service Reserve Fund for the Series 2011C Bonds (up to the amount then available) in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement may be made to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after

making necessary provision for the payments required to be made in paragraphs First and Second of Section 2(a) of the Master Resolution. If the Port shall have failed to make any payment required to be made under such reimbursement agreement for the Series 2011C Bonds, the issuer shall be entitled to exercise all remedies available at law or under this series resolution; provided, however, that no acceleration of the Series 2011C Bonds shall be permitted, and no remedies that adversely affect Registered Owners of the Series 2011C Bonds shall be permitted. Any deficiency created in the Series 2011C Debt Service Reserve Fund by reason of any such withdrawal shall be made up within one year after the date of such withdrawal from Qualified Insurance or a Qualified Letter of Credit or out of Net Revenues (or out of any other moneys on hand legally available for such purpose), in 12 equal monthly installments, after first making necessary provision for all payments required to be made into the Series 2011C Bond Fund within such year.

In making the payments and credits to the Series 2011C Debt Service Reserve Fund required by this Section 7(b)(2), to the extent that the Port has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Series 2011C Debt Service Reserve Fund such amounts then available to be drawn under such Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Series 2011C Debt Service Reserve Fund by this Section 7(b)(2) to the extent that such payments and credits to be made are to be made or insured by the issuer of such Qualified Insurance, or are to be made or guaranteed by a Qualified Letter of Credit. In the event of termination of a Qualified Letter of Credit, if the issuer of the Qualified Insurance or the Qualified Letter of Credit shall be insolvent or no longer in existence or if the letter of credit or insurance otherwise ceases to be a Qualified Letter of Credit or Qualified Insurance,

respectively, the Series 2011C Debt Service Reserve Requirement shall be satisfied (A) within one year after the termination, insolvency or incapacity, with other Qualified Insurance or another Qualified Letter of Credit, or (B) within three years (in three equal annual installments) after the termination, insolvency or incapacity, out of Net Revenues (or out of other money on hand and legally available for such purpose) after first making necessary provisions for all payments required to be made into the Series 2011C Bond Fund.

(c) *Pledge and Lien.* The Port does hereby pledge and bind itself to set aside from Net Revenues, and to pay into the Series 2011A Bond Fund, the Series 2011B Bond Fund, the Series 2011C Bond Fund, the Common Reserve Fund or the Series 2011A Debt Service Reserve Fund, the Series 2011B Debt Service Reserve Fund and the Series 2011C Debt Service Reserve Fund, as applicable, the various amounts required herein to be paid into and maintained in said Funds, all within the times provided herein. Said amounts so pledged to be paid into the Series 2011A Bond Fund, the Series 2011B Bond Fund, the Series 2011C Bond Fund, the Common Reserve Fund or the Series 2011A Debt Service Reserve Fund, the Series 2011B Debt Service Reserve Fund and the Series 2011C Debt Service Reserve Fund, as applicable, are hereby declared to be an equal and prior lien and charge upon Gross Revenues superior to all other charges of any kind or nature whatsoever, except for Operating Expenses and except that the amounts so pledged are of equal lien to the lien and charge thereon of the Outstanding Parity Bonds, and to any lien and charge thereon which may hereafter be made to pay and secure the payment of the principal of, premium, if any, and interest on any Future Parity Bonds.

(d) *Use of Excess Money.* Money in the Series 2011A Bond Fund, the Series 2011B Bond Fund or the Series 2011C Bond Fund not needed to pay the interest or principal and interest next coming due on any Outstanding Series 2011 Bonds or to maintain required reserves

therefor may be used to purchase or redeem and retire Series 2011 Bonds within the limitations provided herein, subject to the further limitations set forth in the Federal Tax Certificate with respect to Series 2011 Bonds issued on a tax-exempt basis, and in Section 2 of the Master Resolution. Money in the Series 2011A Bond Fund, the Series 2011B Bond Fund and the Series 2011C Bond Fund, the Series 2011A Debt Service Reserve Fund (if any), the Series 2011B Debt Service Reserve Fund (if any), the Series 2011C Debt Service Reserve Fund (if any) and money in the Revenue Fund of the Port may be invested in any investments legal for port districts and, with respect to the Series 2011A Bond Fund, the Series 2011B Bond Fund, the Series 2011C Bond Fund, the Series 2011A Debt Service Reserve Fund, the Series 2011B Debt Service Reserve Fund, and the Series 2011C Debt Service Reserve Fund, subject to the further limitations set forth in the Federal Tax Certificate with respect to the Series 2011 Bonds issued on a tax-exempt basis.

(e) *Surety Bond Agreement.* The Designated Port Representative may solicit bids from surety bond issuers, and the Designated Port Representative is hereby authorized to select a proposal and to execute the Surety Bond Agreement(s), which may include such covenants and conditions as shall be approved by the Designated Port Representative.

Section 8. Defeasance. Except as otherwise set forth in the Bond Purchase Contract, one or more series of the Series 2011 Bonds shall be subject to defeasance as follows. In the event that money and/or noncallable Government Obligations maturing or having guaranteed redemption prices at the option of the owner thereof at such time or times and bearing interest to be earned thereon in amounts (together with such money, if any) sufficient to redeem and retire part or all of the Series 2011 Bonds of any series in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement,

and, if the Series 2011 Bonds (or portion thereof) of such series are to be redeemed prior to maturity, irrevocable notice, or irrevocable instructions to give notice of such redemption has been delivered to the Registrar, then no further payments need be made into the applicable Series 2011A Bond Fund, Series 2011B Bond Fund or Series 2011C Bond Fund or any account therein for the payment of the principal of, premium, if any, and interest on such Series 2011 Bonds (or portion thereof) so provided for and the Series 2011 Bonds of such series shall then cease to be entitled to any lien, benefit or security of the Master Resolution or this series resolution, except the right to receive the funds so set aside and pledged and such notices of redemption, if any, and such Series 2011 Bonds (or portion thereof) shall no longer be deemed to be Outstanding hereunder, under the Master Resolution or under any resolution authorizing the issuance of bonds or other indebtedness of the Port.

The Port shall provide notice of defeasance of Series 2011 Bonds to Registered Owners of Series 2011 Bonds being defeased, to the Bond Insurer, if any, and to each party entitled to receive notice under the Continuing Disclosure Certificate authorized pursuant to Section 18.

Section 9. Refunding Procedures.

(a) *Application of Series 2011 Bond Proceeds.* The net proceeds of the Series 2011 Bonds (exclusive of any amounts that may be designated by the Designated Port Representative in a closing certificate to be allocated to pay costs of issuance or any Bond Insurance Policy premium or to satisfy a portion of the Series 2011A Debt Service Reserve Requirement, the Series 2011B Debt Service Reserve Requirement and/or the Series 2011C Debt Service Reserve Requirement), together with other available funds of the Port in the amount specified by the Designated Port Representative, shall be utilized immediately upon receipt thereof to pay and redeem the Refunded Bonds or shall be paid at the direction of the Treasurer to the Escrow

Agent (if the Designated Port Representative has determined that an escrow would be necessary or desirable to effect the defeasance of all or a portion of the Refunded Bonds).

(b) *Defeasance of Refunded Bonds.* Subject to and in accordance with the resolutions authorizing the issuance of the Refunded Bonds, the net proceeds of the Series 2011 Bonds so deposited shall be utilized immediately upon receipt thereof to pay and redeem the Refunded Bonds or to purchase the Government Obligations specified by the Designated Port Representative (which obligations so purchased, are herein called “Acquired Obligations”) and to maintain such necessary beginning cash balance to defease the Refunded Bonds and to discharge the other obligations of the Port relating thereto under the resolutions authorizing their issuance, by providing for the payment of the interest on the Refunded Bonds to the dates fixed for redemption and the redemption price (the principal amount) on the redemption dates for the Refunded Bonds. And subject to compliance with all conditions set forth in the respective resolutions authorizing the issuance of the Refunded Bonds, when the final transfers have been made for the payment of such redemption price and interest on the Refunded Bonds, any balance then remaining shall be transferred to the account designated by the Port and used for the purposes specified by the Designated Port Representative.

(c) *Acquired Obligations.* The Acquired Obligations, if any, shall be payable in such amounts and at such times that, together with any necessary beginning cash balance, will be sufficient to provide for the payment of:

- (1) the interest on the Refunded Bonds as such becomes due on and before the dates fixed for redemption of the Refunded Bonds; and
- (2) the price of redemption of the Refunded Bonds on the dates fixed for redemption of the Refunded Bonds.

(d) *Authorizing Appointment of Escrow Agent.* The Commission hereby authorizes and directs the Designated Port Representative (if the Designated Port Representative determines that an escrow would be necessary or desirable to effect the defeasance of all or a portion of the Refunded Bonds) to select a financial institution to act as the escrow agent for all or a portion of the Refunded Bonds (the “Escrow Agent”).

Section 10. Redemption of Refunded Bonds. The Commission hereby calls the Refunded Bonds for redemption on the redemption dates specified by the Designated Port Representative in accordance with the provisions of the resolutions authorizing the issuance, redemption and retirement of the Refunded Bonds, respectively, prior to their fixed maturities.

The Designated Port Representative may cause to be disseminated a conditional notice of redemption prior to the closing and delivery of the Series 2011 Bonds.

Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the closing and delivery of the Series 2011 Bonds.

If so appointed, the Escrow Agent shall be authorized and directed to provide for the giving of irrevocable notice of the redemption of the Refunded Bonds in accordance with the terms of resolutions authorizing the issuance of the Refunded Bonds and as described in the Escrow Agreement. The Treasurer is authorized and directed to provide whatever assistance is necessary to accomplish such redemption and the giving of notice therefor. The costs of mailing of such notice shall be an expense of the Port.

The Port or the Escrow Agent on behalf of the Port shall be authorized and directed to pay to the fiscal agency or agencies of the State of Washington, sums sufficient to pay, when due, the payments specified in Section 9(c) of this series resolution. All such sums shall be paid

from the moneys and the Acquired Obligations pursuant to the previous section of this series resolution, and the income therefrom and proceeds thereof.

If an Escrow Agent is appointed, the Port will ascertain that all necessary and proper fees, compensation and expenses of the Escrow Agent for the Refunded Bonds shall be paid when due. If an Escrow Agent is appointed, the Designated Port Representative is authorized and directed to execute and deliver the Escrow Agreement to the Escrow Agent when the provisions thereof have been fixed and determined for closing and delivery of the Series 2011 Bonds. The Escrow Agreement, if any, shall be substantially in the form of Exhibit B attached to this series resolution and by this reference hereby made a part of this series resolution.

Section 11. Tax Covenants.

The Port covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2011 Bonds issued on a tax-exempt basis and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exclusion from gross income for federal income tax purposes of the interest on such Series 2011 Bonds. The Port shall comply with its covenants set forth in the Federal Tax Certificate.

Section 12. Lost, Stolen, Mutilated or Destroyed Series 2011 Bonds. In case any Series 2011 Bond shall be lost, stolen, mutilated or destroyed, the Registrar may execute and deliver a new Series 2011 Bond of like series, date, number and tenor to the Registered Owner thereof upon the owner's paying the expenses and charges of the Port in connection therewith and upon his/her filing with the Port evidence satisfactory to the Port that such Series 2011 Bond was actually lost, stolen or destroyed (including the presentation of a mutilated Series

2011 Bond) and of his/her ownership thereof, and upon furnishing the Port and the Registrar with indemnity satisfactory to both.

Section 13. Form of Series 2011 Bonds and Registration Certificate.

(a) *Series 2011 Bonds.* The Series 2011 Bonds shall be in substantially the following form with modifications to reflect a particular series:

[STATEMENT OF INSURANCE, if any]
[DTC LEGEND]

NO. _____ UNITED STATES OF AMERICA \$ _____
STATE OF WASHINGTON
PORT OF SEATTLE
REVENUE REFUNDING BOND, SERIES 2011[A/B/C]

Maturity Date: _____, _____ CUSIP No. _____
Interest Rate: _____
Registered Owner: Cede & Co.
Principal Amount: _____

THE PORT OF SEATTLE, a municipal corporation organized and existing under and by virtue of the laws of the State of Washington (the "Port"), promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, solely from the special fund of the Port known as the "Port of Seattle Revenue Bond Fund, Series 2011[A/B/C]" (the "Series 2011[A/B/C] Bond Fund") created by Resolution No. _____, as amended (together with Resolution No. 3059, as amended, and as amended and restated by Resolution No. 3577, hereinafter collectively referred to as the "Bond Resolution") the Principal Amount indicated above and to pay interest thereon from the Series 2011 Bond Fund[A/B/C] from the date of initial delivery, or the most recent date to which interest has been paid or duly provided for or until payment of this bond at the Interest Rate set forth above, payable semiannually on the first days of each _____ and _____ beginning on _____. Except as otherwise provided in the Bond Resolution], the principal of, premium, if any, and interest on this bond are payable in lawful money of the United States of America. Both principal and interest shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") by the Port to The Depository Trust Company ("DTC"). Capitalized terms used in this bond which are not specifically defined have the meanings given such terms in the Bond Resolution. The Treasurer of the Port has appointed the fiscal agent for the State of Washington as the initial registrar, authenticating and paying agent for the bonds of this series.

E-39

E-40

This bond is one of a series of bonds of the Port in the aggregate principal amount of \$ _____, of like date, tenor and effect, except as to number, amount, rate of interest and date of maturity, and is issued pursuant to the Bond Resolution to refund certain outstanding revenue bonds. Simultaneously herewith, the Port is issuing its Revenue Bonds, Series 2011[A/B/C] [AMT][Taxable] in the principal amount of \$ _____.

The bonds of this issue maturing on and prior to _____ are not subject to redemption in advance of their scheduled maturity. The bonds of this issue maturing on and after _____ are subject to redemption at the option of the Port on and after _____ in whole or in part on any date, and if in part, with maturities to be selected by the Port at the price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

[The bonds of this series are/are not private activity bonds.] The bonds of this series are not "qualified tax-exempt obligations" eligible for investment by financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. [The Port has taken no action to cause the interest on this bond to be tax-exempt.]

So long as this bond is held by DTC or its nominee, the manner of selection of bonds of this issue within a maturity for redemption and transfer of bonds and the provision of notice of redemption shall be governed by the Letter of Representations and DTC's operational arrangements. Except as provided in the Bond Resolution, the Port and Registrar shall deem the person in whose name this bond is registered to be the absolute owner hereof for the purpose of receiving payment of the principal of, premium, if any, and interest on the bond and for any and all other purposes whatsoever.

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

The Port does hereby pledge and bind itself to set aside from Gross Revenue after payment of Operating Expenses, and to pay into the Series 2011[A/][B][C] Bond Fund and the Series 2011[A][B][C] Reserve Fund the various amounts required by the Bond Resolution to be paid into and maintained in such Funds, all within the times provided by said Bond Resolution.

Said amounts so pledged to be paid out of Gross Revenue into the Series 2011[A][B][C] Bond Fund and [Series 2011[A][B][C] Debt Service Reserve Fund][Common Reserve Fund] are hereby declared to be a first and prior lien and charge upon the Gross Revenue, subject to payment of the Operating Expenses of the Port and equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the payment of the Outstanding Parity Bonds, the Series 2011[A][B][C] Bonds and any revenue bonds of the Port hereafter issued on a parity with the bonds of this issue.

The Port has further bound itself to maintain all of its properties and facilities that contribute in some measure to such Gross Revenue in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rentals, tariffs, rates and charges in the operation of all of its business for as long as any

bonds of this issue are outstanding that it will make available, for the payment of the principal thereof and interest thereon as the same shall become due, Net Revenues (as the same are defined in the Bond Resolution) in an amount equal to or greater than the Rate Covenant defined in the Master Resolution.

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

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

IN WITNESS WHEREOF, the Port of Seattle has caused this bond to be executed by the manual or facsimile signatures of the President and Secretary of the Port Commission, and the corporate seal of the Port to be impressed or a facsimile thereof imprinted or otherwise reproduced hereon as of the ____ day of _____, 2011.

PORT OF SEATTLE

By _____ /s/ _____
President, Port Commission

ATTEST:

_____/s/_____
Secretary, Port Commission

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the bonds described in the within mentioned Bond Resolution and is one of the Revenue Refunding Bonds, Series 2011[A/B/C] [AMT][Taxable] of the Port of Seattle, dated _____, 2011.

WASHINGTON STATE FISCAL AGENCY, as
Registrar

By _____
Authorized Signer

In the event any Series 2011 Bonds are no longer in fully immobilized form, the form of such Series 2011 Bonds may be modified to conform to printing requirements and the terms of this series resolution.

Section 14. Execution. The Series 2011 Bonds shall be executed on behalf of the Port with the manual or facsimile signature of the President of its Commission, shall be attested by the manual or facsimile signature of the Secretary thereof and shall have the seal of the Port impressed or a facsimile thereof imprinted or otherwise reproduced thereon.

Only such Series 2011 Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this series resolution. Such Certificate of Authentication shall be conclusive evidence that the Series 2011 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this series resolution.

In case either of the officers of the Port who shall have executed the Series 2011 Bonds shall cease to be such officer or officers of the Port before the Series 2011 Bonds so signed shall have been authenticated or delivered by the Registrar, or issued by the Port, such Series 2011 Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the Port as though those who signed the same had continued to be such officers of the Port. Any Series 2011 Bond may also be signed and attested on behalf of the Port by such persons as at the actual date of execution of such Series 2011 Bond shall be the proper officers of the Port although at the original date of such Series 2011 Bond any such person shall not have been such officer.

Section 15. Additional Covenant; Defaults and Remedies.

(a) *Disposal of Income Properties.* In the event of voluntary or involuntary sale, lease, or other conveyance, transfer or disposal of all or substantially all of the marine and aviation properties, assets or facilities, the Port shall require that contemporaneously with such disposition, there shall be paid into a special fund a sum which shall be sufficient to defease all Series 2011 Bonds then Outstanding; provided, however, that such defeasance will not be required so long as the Port maintains primary responsibility for the management and operation of the affected facilities and provided further that all Gross Revenue from such facilities continues to be pledged to all Series 2011 Bonds then Outstanding.

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

- (1) The Port shall fail to make payment of the principal of any Series 2011 Bond when the same shall become due and payable whether by maturity or scheduled redemption prior to maturity; or
- (2) The Port shall fail to make payments of any installment of interest on any Series 2011 Bond when the same shall become due and payable; or
- (3) The Port shall default in the observance or performance of any other covenants other than conditions, or agreements on the part of the Port contained in Section 17 of this series resolution, and such default shall have continued for a period of 90 days.

In determining whether a payment default has occurred or whether a payment on the Series 2011 Bonds has been made under this series resolution, no effect shall be given to payments made under the Bond Insurance Policy, if any. Upon the occurrence and continuation of any Default, the Registered Owners of the Series 2011 Bonds shall be entitled to exercise the remedies specified in Section 21 of the Master Resolution; but only with respect to the Series 2011 Bonds.

Section 16. Designation of Refunded Bonds; Sale of Series 2011 Bonds.

(a) *Designation of Refunded Bonds.* As outlined in Section 2 and Section 10 of this series resolution, the Refunding Candidates may be called for redemption prior to their scheduled maturities. All or some of the Refunding Candidates may be refunded with the proceeds of the Series 2011 Bonds authorized by this series resolution. The Chief Executive Officer may select some or all of the Refunding Candidates and designate those Refunding Candidates as the "Refunded Bonds" in the Bond Purchase Contract if and to the extent that the net present value aggregate savings with respect to all Refunded Bonds to be realized as a result of the refunding of the Refunded Bonds, after payment of all costs of issuance of the allocable Series 2011 Bonds, is at least equal to the Savings Target.

(b) *Series 2011 Bond Sale.* The Series 2011 Bonds shall be sold at negotiated sale to the Underwriters pursuant to the terms of the Bond Purchase Contract. The Chief Executive Officer is hereby authorized to negotiate terms for the purchase of the Series 2011 Bonds and to execute the Bond Purchase Contract, with such terms (including the designation of the Refunded Bonds) as are approved by the Designated Port Representative pursuant to this section and consistent with this series resolution and the Master Resolution. The Port Commission has been advised by the Port's financial advisor that market conditions are fluctuating and, as a result, the

most favorable market conditions may occur on a day other than a regular meeting date of the Commission. The Commission has determined that it would be in the best interest of the Port to delegate to the Chief Executive Officer for a limited time the authority to approve the number of series, final series designations, and with respect to each series, the final interest rates, maturity dates, aggregate principal amount, principal amounts and prices of each maturity, redemption rights, and other terms and conditions of the Series 2011 Bonds. The Chief Executive Officer is hereby authorized to approve the number of series, final series designations and with respect to each series, the final interest rates, maturity dates, aggregate principal amount, principal amounts of each maturity and redemption rights for the Series 2011 Bonds in the manner provided hereafter so long as the aggregate principal amount of the Series 2011 Bonds does not exceed the maximum principal amounts set forth in Section 3 and so long as the Savings Target is met (as described in subsection (a) of this Section 16).

In determining the number of series, final series designations, final interest rates, maturity dates, aggregate principal amount, principal maturities, redemption rights or provisions of the Series 2011 Bonds, the Designated Port Representative, in consultation with Port staff and the Port's financial advisor, shall take into account those factors that, in his judgment, will result in the lowest true interest cost on the Series 2011 Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Series 2011 Bonds. Subject to the terms and conditions set forth in this section, the Designated Port Representative is hereby authorized to execute the final form of the Bond Purchase Contract, upon the Chief Executive Officer's approval of the Refunded Bonds, number of series, final series designation, final interest rates, maturity dates, aggregate principal amount, principal maturities and redemption rights set forth therein. Following the execution of

the Bond Purchase Contract, the Chief Executive Officer shall provide a report to the Commission, describing the final terms of the Series 2011 Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Port Representative and the Chief Executive Officer by this section shall expire on April 25, 2012. If a Bond Purchase Contract for the Series 2011 Bonds has not been executed by April 25, 2012, the authorization for the issuance of the Series 2011 Bonds shall be rescinded, and the Series 2011 Bonds shall not be issued nor their sale approved unless the Series 2011 Bonds shall have been re-authorized by resolution of the Commission. The resolution reauthorizing the issuance and sale of the Series 2011 Bonds may be in the form of a new series resolution repealing this series resolution in whole or in part (only with respect to the Series 2011 Bonds not issued) or may be in the form of an amendatory resolution approving a bond purchase contract or establishing terms and conditions for the authority delegated under this section.

Upon the adoption of this series resolution, the proper officials of the Port including the Designated Port Representative, are authorized and directed to undertake all other actions necessary for the prompt execution and delivery of the Series 2011 Bonds to the Underwriters thereof and further to execute all closing certificates and documents required to effect the closing and delivery of the Series 2011 Bonds in accordance with the terms of the Bond Purchase Contract.

The Designated Port Representative is authorized to ratify and to approve for purposes of the Rule, on behalf of the Port, the Official Statement (and any Preliminary Official Statement) and any supplement thereto relating to the issuance and sale of the Series 2011 Bonds and the distribution of the Series 2011 Bonds pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate.

The Designated Port Representative and other Port officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Series 2011 Bonds to the Underwriters and for the proper application and use of the proceeds of sale of the Series 2011 Bonds. In furtherance of the foregoing, the Designated Port Representative is authorized to approve and enter into agreements for the payment of costs of issuance, including Underwriters' discount, the fees and expenses specified in the Bond Purchase Contract, including fees and expenses of Underwriters and other retained services, including Bond Counsel, rating agencies, fiscal agency, escrow agent, financial advisory services, escrow structuring services and other expenses customarily incurred in connection with issuance and sale of bonds.

The Designated Port Representative is authorized to ratify, executive, deliver and approve for purposes of the Rule, on behalf of the Port, the Official Statement (and to approve, deem final and deliver any Preliminary Official Statement) and any supplement thereto relating to the issuance and sale of the Series 2011 Bonds and the distribution of the Series 2011 Bonds pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate.

Section 17. Compliance with Parity Conditions. The Commission hereby finds and determines as required by Section 5 of the Master Resolution, as follows:

First: The Port is not and has not been in default of its covenant under Section 7 of the Master Resolution for the immediately preceding fiscal year (2010); and

Second: The Commission has been assured that prior to the issuance and delivery of the Series 2011 Bonds, the Port will be able to execute a certificate (prepared as prescribed by the Master Resolution) demonstrating fulfillment of the Coverage Requirement, commencing on the first full fiscal year following the earlier of (1) the Date of Commercial Operation of the

agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this series resolution and shall in no way affect the validity of the other provisions of this series resolution or of any Parity Bonds.

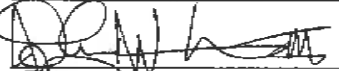

Section 21. Effective Date. This series resolution shall be effective immediately upon its adoption.


ADOPTED by the Port Commission of the Port of Seattle at a regular meeting thereof, held this 1st day of November, 2011, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission duly affixed.

PORT OF SEATTLE


ROB HOLLAND


GAEL TARLETON



JOHN CREIGHTON
TOM ALBRO


BILL BRYANT
Commissioners

Facilities to be financed with the proceeds of the Series 2011 Bonds as reasonably estimated by the Port or (2) the date on which any portion of interest on the Series 2011 Bonds will not be paid from the proceeds thereof and for the following two fiscal years.

The limitations contained in the conditions provided in Section 5 of the Master Resolution having been complied with, the payments required herein to be made out of the Net Revenues to pay and secure the payment of the principal of, premium, if any, and interest on the Series 2011 Bonds shall constitute a lien and charge upon such Net Revenues equal in rank to the lien and charge thereon of the Outstanding Parity Bonds.

Section 18. Undertaking to Provide Ongoing Disclosure. The Designated Port Representative is authorized to, in his or her discretion, execute and deliver a Continuing Disclosure Certificate providing for an undertaking by the Port to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Section 19. Bond Insurance. The payments of the principal of and interest on one or more series, or principal maturities within one or more series, of the Series 2011 Bonds may be insured by the issuance of the Bond Insurance Policy. The Designated Port Representative may solicit proposals from municipal bond insurance companies, and the Designated Port Representative, in consultation with the Port's financial advisor, is hereby authorized to select the proposal that is deemed to be the most cost effective and further to execute the Bond Insurance Commitment with the Bond Insurer, which may include such covenants and conditions as shall be approved by the Designated Port Representative.

Section 20. Severability. If any one or more of the covenants or agreements provided in this series resolution to be performed on the part of the Port shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or

E-44

EXHIBIT A-1

SERIES A REFUNDING CANDIDATES (NON-AMT)

**Port of Seattle
Subordinate Lien Revenue Refunding Bonds, 1998
Dated May 1, 1998**

<u>Maturity Dates (September 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2012	\$ 1,630,000	5.000%
2013	1,710,000	5.375
2014	1,805,000	5.375
2017	5,980,000	5.000

EXHIBIT A-2

SERIES B REFUNDING CANDIDATES (AMT)

**Port of Seattle
Special Facility Revenue Bonds (Terminal 18 Project), Series 1999B (AMT)
Dated October 28, 1999**

<u>Maturity Dates (September 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2012	\$ 1,145,000	5.65%
2013	1,295,000	5.75
2014	1,380,000	5.75
2015	1,780,000	6.00
2016	2,590,000	6.00
2020	18,225,000	6.00
2026	54,585,000	6.25

**Port of Seattle
Special Facility Revenue Bonds (Terminal 18 Project), Series 1999C (AMT)
Dated October 28, 1999**

<u>Maturity Dates (September 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2012	\$ 570,000	5.65%
2013	640,000	5.75
2014	685,000	5.75
2015	875,000	6.00
2016	1,260,000	6.00
2020	8,775,000	6.00
2029	30,190,000	6.00

**[TO BE APPROPRIATELY MODIFIED AT PRICING AND/OR IN THE EVENT OF
ISSUANCE OF MULTIPLE SERIES AT DIFFERENT DATES OF ISSUE]
EXHIBIT B**

**ESCROW DEPOSIT AGREEMENT
PORT OF SEATTLE
REVENUE REFUNDING BONDS, SERIES 2011A
AND
REVENUE REFUNDING BONDS, SERIES 2011B (AMT)**

THIS ESCROW DEPOSIT AGREEMENT, dated as of _____, 2011 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the Port of Seattle (herein called the "Port") and _____, as escrow agent (the "Escrow Agent"). The notice addresses of the Port and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

WITNESSETH:

WHEREAS, the Port heretofore has issued certain revenue bonds presently remaining outstanding as identified and described in Exhibit B (the "Refunded Bonds"); and

WHEREAS, pursuant to Resolution No. 3059, as amended, and as amended and restated by Resolution No. 3577 (the "Master Resolution") and Resolution No. _____, adopted on _____, 2011 (the "Series Resolution" and together with the Master Resolution, the "Bond Resolution"), the Port has determined to issue its Revenue Refunding Bonds, Series 2011A (the "Series 2011A Bonds") and Revenue Refunding Bonds, Series 2011B (AMT) (the "Series 2011B Bonds", collectively, with the Series 2011A Bonds, the "Series 2011 Bonds") in part for the purpose of providing funds to pay the costs of refunding the Refunded Bonds; and

WHEREAS, the proceeds of the Bonds are being used for the purpose of providing funds to pay the costs of refunding the Refunded Bonds; and

WHEREAS, [Verification Agent], Certified Public Accountants, of _____, have prepared a verification report which is dated _____, 2011 (the "Verification Report") relating to the source and use of funds available to accomplish the refunding of the Refunded Bonds, the investment of such funds and the adequacy of such funds and investments to provide for the payment of the debt service due on the Refunded Bonds; and

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

WHEREAS, when Escrowed Securities have been deposited with the Escrow Agent for the payment of all principal and interest of the Refunded Bonds when due, then the Refunded

Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

WHEREAS, the issuance, sale, and delivery of the Bonds have been duly authorized to be issued, sold, and delivered for the purpose of obtaining the funds required to provide for the payment of the principal of, interest on and redemption premium (if any) on the Refunded Bonds when due as shown on Exhibit C attached hereto;

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

Article 1. Definitions

Section 1.1. Definitions.

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

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

Escrowed Securities means the noncallable Government Obligations described in Exhibit D attached to this Agreement, or cash or other noncallable obligations substituted therefor pursuant to Section 4.2 of this Agreement.

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

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

Section 1.2. Other Definitions.

The terms "Agreement," "Port," "Escrow Agent," "Bond Resolution," "Refunded Bonds," and "Bonds" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.3. Interpretations.

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any

E-46

way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

Article 2. Deposit of Funds and Escrowed Securities

Section 2.1. Deposits in the Escrow Fund.

Concurrently with the sale and delivery of the Bonds the Port shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds (from the proceeds of the Bonds and a cash contribution by the Port) sufficient to purchase the Escrowed Securities, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Port in writing.

Article 3. Creation and Operation of Escrow Fund

Section 3.1. Escrow Fund.

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

Section 3.2. Payment of Principal and Interest.

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

Section 3.3. Sufficiency of Escrow Fund.

The Port represents that, based upon the information provided in the Verification Report, the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Bonds as such interest comes due and the principal of the Refunded

Bonds as the Refunded Bonds are paid on an optional redemption date prior to maturity, all as more fully set forth in Exhibit E attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2. hereof, the Port shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Port's failure to make additional deposits thereto.

Section 3.4. Trust Fund.

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

Article 4. Limitation on Investments

Section 4.1. Investments.

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

Section 4.2. Substitution of Securities.

At the written request of the Port, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Escrow Fund, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or Government Obligations which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a firm of certified public accountants that such transaction will not cause the amount of money and

securities in the Escrow Fund to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the Port in connection with such transaction; (b) the substituted securities have been received; and (c) the Escrow Agent shall have received the unqualified written legal opinion of its bond counsel or tax counsel to the effect that such transaction will not cause any of the Bonds or Refunded Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Section 2.1, 3.2 and 4.2 hereof, no withdrawals, transfers or reinvestment shall be made of cash balances in the Escrow Fund. Cash balances shall be held by the Escrow Agent as cash balances as shown on the books and records of the Escrow Agent and, except as provided herein, shall not be reinvested by the Escrow Agent.

Article 6. Redemption of Refunded Bonds

Section 6.1. Call for Redemption.

The Port hereby irrevocably calls the Refunded Bonds for redemption on their earliest redemption dates, as shown on Appendix A-1 and Appendix A-2 attached hereto.

Section 6.2. Notice of Redemption/Notice of Defeasance.

The Escrow Agent agrees to give a notice of defeasance and a notice of the redemption of the Refunded Bonds pursuant to the terms of the Refunded Bonds and in substantially the forms attached hereto as Appendices A-1 through B-2 attached hereto and as described on said Appendices A-1 through B-2 to the Paying Agent for distribution as described therein. The notice of defeasance shall be given immediately following the execution of this Agreement, and the notice of redemption shall be given in accordance with the resolutions authorizing the Refunded Bonds. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Refunded Bonds.

Article 7. Records and Reports

Section 7.1. Records.

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

Section 7.2. Reports.

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

Article 8. Concerning the Paying Agent and Escrow Agent

Section 8.1. Representations.

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

Section 8.2. Limitation on Liability.

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

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

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

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

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

E-48

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

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

Section 8.3. Compensation.

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

Section 8.4. Successor Escrow Agents.

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

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or the State of Washington, authorized under such laws to exercise corporate trust powers, having its principal office and place of business in the State of Washington, having a combined capital and surplus of at least \$100,000,000 and subject to the supervision or examination by federal or state authority.

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

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.4 are satisfied; (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement; and (c) all of the Escrowed Securities and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent.

Article 9. Miscellaneous

Section 9.1. Notice.

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

Section 9.2. Termination of Responsibilities.

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

Section 9.3. Binding Agreement.

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

Section 9.4. Severability.

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

Section 9.5. Washington Law Governs.

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

Section 9.6. Time of the Essence.

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

Section 9.7. Notice to Moody's and S&P and Fitch.

In the event that this Agreement or any provision thereof is severed, amended or revoked, the Port shall provide written notice of such severance, amendment or revocation to Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York, 10007, Attention: Public Finance Rating Desk/Refunded Bonds and to Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, Attention: Refunded Bonds Municipal Bond Department.

Section 9.8. Amendments.

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Bonds. No such amendment shall be made without first receiving written confirmation from the rating agencies (if any) which have rated the Refunded Bonds that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the Refunded Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the Refunded Bonds.

EXECUTED as of the date first written above.

PORT OF SEATTLE

Designated Port Representative

[ESCROW AGENT]

as Authorized Signer

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

E-50

**EXHIBIT A
ADDRESSES OF THE PORT AND ESCROW AGENT**

Port: Port of Seattle
2711 Alaskan Way
Pier 69
Seattle, WA 98121
Attention: Chief Financial and Administrative Officer

Escrow Agent: _____

Attention: _____

**EXHIBIT B
DESCRIPTION OF THE REFUNDED BONDS**

(the "Refunded Bonds")

**Port of Seattle
Subordinate Lien Revenue Refunding Bonds, 1998
Dated May 1, 1998**

Maturity Dates (September 1)	Principal Amounts	Interest Rates
2012	\$ 1,630,000	5.000%
2013	1,710,000	5.375
2014	1,805,000	5.375
2017	5,980,000	5.000

**Port of Seattle
Special Facility Revenue Bonds (Terminal 18 Project), Series 1999B (AMT)
Dated October 28, 1999**

Maturity Dates (September 1)	Principal Amounts	Interest Rates
2012	\$ 1,145,000	5.65%
2013	1,295,000	5.75
2014	1,380,000	5.75
2015	1,780,000	6.00
2016	2,590,000	6.00
2020	18,225,000	6.00
2026	54,585,000	6.25

**Port of Seattle
Special Facility Revenue Bonds (Terminal 18 Project), Series 1999C (AMT)
Dated October 28, 1999**

<u>Maturity Dates (September 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2012	\$ 570,000	5.65%
2013	640,000	5.75
2014	685,000	5.75
2015	875,000	6.00
2016	1,260,000	6.00
2020	8,775,000	6.00
2029	30,190,000	6.00

**EXHIBIT C
SCHEDULE OF DEBT SERVICE ON THE REFUNDED BONDS**

<u>Date</u>	<u>Interest</u>	<u>Principal/ Redemption Price</u>	<u>Total</u>
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**EXHIBIT D
ESCROW DEPOSIT**

- I. Cash \$ _____
- II. Other Obligations

<u>Description</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Total Cost</u>
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**EXHIBIT E
ESCROW FUND CASH FLOW**

<u>Date</u>	<u>Escrow Requirement</u>	<u>Escrow Receipts</u>	<u>Excess Receipts</u>	<u>Excess Balance</u>
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APPENDIX A
FORMS OF NOTICE OF REDEMPTION

APPENDIX B
FORMS OF NOTICE OF DEFEASANCE

E-54

APPENDIX C
Fee Schedule

E-55

B-C-1

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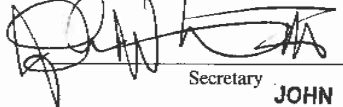
CERTIFICATE

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

1. That the attached resolution numbered 3653 (the "Resolution"), is a true and correct copy of a resolution of the Port, as finally adopted at a meeting of the Commission held on the 1st day of November, 2011, and duly recorded in my office.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of November, 2011.


Secretary
JOHN CREIGHTON

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APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Port of Seattle (the “Port”) in connection with the issuance of its \$108,570,000 Revenue Refunding Bonds, Series 2011 (the “Series 2011 Bonds”). The Port covenants and agrees as follows:

For purposes of the Port’s undertaking pursuant to the Rule (the “undertaking”), “beneficial owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2011 Bond, including persons holding Series 2011 Bonds through nominees or depositories or other intermediaries.

(a) Financial Statements/Operating Data.

(1) *Annual Disclosure Report.* The Port covenants and agrees that not later than six months after the end of each fiscal year (the “Submission Date”), commencing June 30, 2012 for the fiscal year ending December 31, 2011, the Port shall provide or cause to be provided to the Municipal Securities Rulemaking Board (“MSRB”), an annual report (the “Annual Disclosure Report”) that is consistent with the requirements of part (2) of this subsection (a). The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in part (2) of this subsection (a); provided that any audited annual financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such audited financial statements are not available by the Submission Date. If the Port’s fiscal year changes, the Port shall give notice of such change in the same manner as notice is to be given of the occurrence of an event listed in subsection (b), and if for any fiscal year the Port does not furnish an Annual Disclosure Report to the MSRB, by the Submission Date, the Port shall send to MSRB notice of its failure to furnish such report pursuant to subsection (c).

(2) *Content of Annual Disclosure Reports.* The Port’s Annual Disclosure Report shall contain or include by reference the following:

(A) *Audited financial statements.* Audited financial statements, except that if any audited financial statements are not available by the Submission Date, the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the Port, and the Port’s audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available.

(B) *Operating and Financial Information.* Annual financial information and operating data with respect to the Port, including historical financial information and operating data of the type provided in the final Official Statement for the Series 2011 Bonds dated December 2, 2011 under the headings “Aviation Division,” “Seaport Division,” “Real Estate Division,” “Port Financial Matters” and “Outstanding Port Indebtedness,” “Outstanding First Lien Bonds, Intermediate Lien Parity Bonds, and Subordinate Lien Parity Bonds,” Tables 16 and 17, in the two paragraphs following Table 17, and in Appendix B under the headings “Summary of the Port’s Taxing Power.”

Any or all of the listed items may be included by specific reference to other documents, including official statements of debt issues of the Port, or of any related entity, that have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Port shall identify clearly each document so included by reference.

(b) *Material Events.* The Port agrees to provide or cause to be provided to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Series 2011 Bonds:

1. Principal and interest payment delinquencies;
2. Non payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011 Bonds, or other material events affecting the tax status of the Series 2011 Bonds;
7. Modifications to the rights of Series 2011 Bond owners, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Series 2011 Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the District;
13. The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Solely for purposes of information, but without intending to modify the Port's undertaking, with respect to the notice regarding property securing the repayment of the Series 2011 Bonds, that there is no property securing the repayment of the Series 2011 Bonds.

(c) *Notice Upon Failure to Provide Financial Data.* The Port agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of its failure to provide the annual financial information described in subsection (a) above on or prior to the Submission Date.

(d) *Format for Filings with the MSRB.* All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(e) *Termination/Modification.* The Port's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance (if notice of such defeasance is given as provided above) or payment in full of all of the Series 2011 Bonds. The undertaking, or any provision hereof, shall be null and void if the Port (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the undertaking, or any such provision, have been repealed retroactively or otherwise do not apply to the Series 2011 Bonds; and (2) notifies the MSRB of such opinion and the cancellation of the undertaking. The Port may amend the undertaking and any provision of the undertaking may be waived, in accordance with the Rule; *provided that* (A) if the amendment or waiver relates to the provisions of subsections (a)(1), (a)(2) or (b) above, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2011 Bonds, or the type of business conducted; (B) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the

requirements of the Rule at the time of the original issuance of the Series 2011 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (C) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the beneficial owners of the Series 2011 Bonds.

In the event of any amendment of or waiver of a provision of the undertaking, the Port shall describe such amendment in the next Annual Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection (b), and (ii) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(f) *Registered Owner's and Beneficial Owners' Remedies Under the Undertaking.* A Registered Owner's and the beneficial owners' right to enforce the provisions of the undertaking shall be limited to a right to obtain specific enforcement of the Port's obligations under the undertaking, and any failure by the Port to comply with the provisions of the undertaking shall not be a default under the Resolution.

(g) *Additional Information.* Nothing in the undertaking shall be deemed to prevent the Port from disseminating any other information, using the means of dissemination set forth in the undertaking or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of an event, in addition to that which is required by the undertaking. If the Port chooses to include any information in any Annual Disclosure Report or notice of the occurrence of an event in addition to that specifically required by this undertaking, the Port shall have no obligation under the Resolution to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of an event.

PORT OF SEATTLE

By: _____
Designated Port Representative

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APPENDIX G

DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

King County is the largest county in the State of Washington (the “State”) in population, number of cities and employment, and the fourteenth most populated county in the United States. Of the State’s population, nearly 30% reside in King County, and of the County’s population, 32% live in the City of Seattle (“Seattle”). Seattle is the largest city in the Pacific Northwest, the County seat, and the center of the County’s economic activity. Bellevue is the State’s fifth largest city and the second largest in the County, and is the center of the County’s eastside business and residential area.

Population

Historical and current population figures for the State of Washington, the County, the two largest cities in the County, and the unincorporated areas of the County are given below.

POPULATION

Year	Washington	King County	Seattle	Bellevue	Unincorporated King County
1980 ⁽¹⁾	4,130,163	1,269,749	493,846	73,903	503,100
1990 ⁽¹⁾	4,866,692	1,507,319	516,259	86,874	NA
2000 ⁽¹⁾	5,894,121	1,137,034	563,374	109,827	349,773
2001 ⁽²⁾	5,974,900	1,758,300	568,100	111,500	353,579
2002 ⁽²⁾	6,041,700	1,774,300	570,800-	117,000	351,675
2003 ⁽²⁾	6,098,300	1,779,300	571,900	116,400	351,843
2004 ⁽²⁾	6,167,800	1,788,300	572,600	116,500	356,795
2005 ⁽²⁾	6,256,400	1,808,300	573,000	115,500	364,498
2006 ⁽²⁾	6,375,600	1,835,300	578,700	117,000	367,070
2007 ⁽²⁾	6,488,800	1,861,300	586,200	118,100	368,255
2008 ⁽²⁾	6,587,600	1,884,200	592,800	119,200	341,150
2009 ⁽²⁾	6,668,200	1,909,300	602,000	120,600	343,180
2010 ⁽²⁾	6,733,250	1,933,400	612,000	122,900	343,340

(1) *Source:* U.S. Department of Commerce, Bureau of Census.

(2) *Source:* State of Washington, Office of Financial Management.

Per Capita Income

The following table presents per capita personal income for the Seattle Primary Metropolitan Statistical Area (“PMSA”), the County, the State, and the United States.

PER CAPITA INCOME

	2004	2005	2006	2007	2008	2009
Seattle PMSA	\$ 45,829	\$ 45,918	\$ 50,161	\$ 53,248	\$ 53,999	\$ 53,369
King County	50,132	49,582	54,370	57,409	58,141	56,904
State of Washington	35,959	36,734	39,550	41,919	42,747	42,870
United States	33,881	35,424	37,698	39,392	40,166	39,635

Source: U.S. Bureau of Economic Analysis, U.S. Department of Commerce.

Construction

The table below lists the value of housing construction for which building permits have been issued by entities within King County. The value of public construction is not included in this table.

RESIDENTIAL BUILDING PERMIT VALUES

Year	New Single Family Units		New Multi Family Units		Total Value
	Number	Value	Number	Value	
2005	6,331	\$ 1,741,241,527	5,703	\$ 556,297,096	\$ 2,297,538,623
2006	5,770	1,622,174,594	8,305	1,023,922,267	2,646,096,861
2007	5,206	1,506,180,957	10,212	1,246,804,898	2,752,985,855
2008	3,029	866,565,304	7,427	1,009,669,531	1,876,234,835
2009	2,003	538,910,481	1,183	137,161,103	676,071,584
2010	2,532	694,969,240	3,425	325,068,029	1,020,037,269
2010*	941	248,041,745	854	67,750,423	315,792,168
2011*	904	247,632,574	580	99,265,038	346,897,612

* Through April

Source: U S. Bureau of the Census.

Retail Activity

The following table presents taxable retail sales in Seattle and King County.

THE CITY OF SEATTLE AND KING COUNTY TAXABLE RETAIL SALES (000)

Year	King County	Seattle
2005	\$ 40,498,328,830	\$ 14,236,200,469
2006	43,993,478,514	15,564,363,159
2007	47,766,338,768	17,030,512,254
2008	45,711,920,389	17,096,581,492
2009	39,594,903,520	15,101,407,742
2010	39,275,353,182	14,783,168,934

Source: Washington State Department of Revenue.

Industry and Employment

The following table presents State-wide employment data for certain major employers in the Puget Sound area.

**PUGET SOUND AREA
MAJOR EMPLOYERS**

Employer	Full-Time Employees in State*
The Boeing Company	72,400
Navy Region Northwest	54,100
Joint Base Lewis-McChord	49,800
Microsoft	39,800
University of Washington	27,900
Providence Health & Services	19,100
Wal-Mart Stores, Inc.	17,500
King County Government	14,000
U.S. Postal Service	13,300
Fred Meyer Stores	12,900
City of Seattle	10,200
Group Health Cooperative	9,400
MultiCare Health System	9,000
Franciscan Health System	8,100
Costco	8,000

* As of 2009.

Source: Puget Sound Book of Lists, 2011 (rounded).

**KING COUNTY RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT**

	Annual Average*				
	2006	2007	2008	2009	2010
Civilian Labor Force	1,047,740	1,070,870	1,090,620	1,110,860	1,111,470
Total Employment	1,005,240	1,031,700	1,040,550	1,020,470	1,014,100
Total Unemployment	42,500	39,170	50,070	90,380	97,370
Percent of Labor Force	4.1	3.7	4.6	8.1	8.8
NAICS INDUSTRY	2006	2007	2008	2009	2010
Total Nonfarm	1,176,683	1,200,233	1,216,692	1,153,425	1,128,492
Total Private	1,014,800	1,036,983	1,050,325	986,442	962,633
Goods Producing	183,108	188,433	186,458	161,292	148,143
Natural Resources and Mining	658	650	583	500	492
Construction	70,075	74,733	73,858	57,692	49,617
Manufacturing	112,367	113,058	112,017	103,092	98,083
Services Providing	993,583	1,011,800	1,030,242	992,150	980,308
Trade, Transportation, and Utilities	224,283	224,233	224,800	210,200	206,675
Information	72,500	75,742	79,750	79,917	79,408
Financial Activities	77,567	76,992	75,917	69,700	65,558
Professional and Business Services	182,233	190,417	194,242	176,950	176,558
Educational and Health Services	124,717	127,758	133,250	137,908	138,192
Leisure and Hospitality	108,575	111,717	113,358	108,275	107,550
Other Services	41,808	41,692	42,542	42,200	40,508
Government	161,892	5,163,258	166,383	166,975	165,858
Workers in Labor/Management Disputes	8	0	958	0	0
	June 2011				
Civilian Labor Force	1,102,330				
Total Employment	1,006,040				
Total Unemployment	96,920				
Percent of Labor Force.	8.7				

* Columns may not add to totals due to rounding.

Source: Washington State Employment Security Department.

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Port of Seattle

