NEW ISSUE, BOOK-ENTRY ONLY

STATE OF WASHINGTON

Ratings:
Moody's: Aa3
Standard & Poor's: AA
(See "BOND RATINGS.")

$294,675,000*

FEDERAL HIGHWAY GRANT ANTICIPATION REVENUE BONDS, SERIES 2014C (GARVEE) (SR 520 CORRIDOR PROGRAM)

Dated: Date of Initial Delivery **Due: September 1, as shown on page i hereof**

The State of Washington Federal Highway Grant Anticipation Revenue Bonds, Series 2014C (GARVEE) (SR 520 Corridor Program) (the "Series 2014C Bonds"), are grant anticipation revenue bonds of the State of Washington (the "state" or "Washington") being issued to finance a portion of the costs of constructing the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project and to pay costs of issuing the Series 2014C Bonds. See "SR 520 FLOATING BRIDGE AND EASTSIDE PLUS WEST APPROACH BRIDGE PROJECT."

Interest on the Series 2014C Bonds is payable semiannually on each March 1 and September 1, beginning March 1, 2014. The principal of the Series 2014C Bonds is payable in the stated maturity amounts on each September 1 as set forth on page i. The Series 2014C Bonds are subject to redemption prior to maturity at the times and prices set forth under "DESCRIPTION OF THE SERIES 2014C BONDS—Redemption Provisions."

The Series 2014C Bonds are issuable as fully registered bonds under a book-entry only system, initially registered in the name of Cede & Co. (the "Registered Owner"), as bond owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2014C Bonds. Individual purchases of the Series 2014C Bonds will be made in book-entry form only. The Series 2014C Bonds will be issued in the denomination of $5,000 each or any integral multiple thereof. Purchasers of the Series 2014C Bonds will not receive certificates representing their interest in the Series 2014C Bonds purchased. The principal of and interest on the Series 2014C Bonds are payable by the fiscal agency of the state, as paying agent, registrar, transfer agent, and authenticating agent (the "Bond Registrar") (currently The Bank of New York Mellon), to DTC, which in turn is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to Beneficial Owners of the Series 2014C Bonds, as described herein under "DESCRIPTION OF THE SERIES 2014C BONDS—Book-Entry System."

The Series 2014C Bonds are limited obligations of the state payable from and secured solely by the Pledged Federal Aid, which is all funds received by the state pursuant to its Obligation Authority under the Federal-Aid Highway Program ("FAHP") administered by the Federal Highway Administration ("FHWA"). Pledged Federal Aid includes FAHP Funds received as Direct GARVEE Reimbursements and as Reimbursements. The state, acting through the Washington State Department of Transportation ("WSDOT"), entered into a Memorandum of Understanding with FHWA that provides for the reimbursement to the state by FHWA for the debt service and costs incurred for the Series 2014C Bonds as provided in Title 23, Chapter 1, Section 122, United States Code. The Series 2014C Bonds are issued on a parity with the state's Federal Highway Grant Anticipation Revenue Bonds, Series 2012F (GARVEE) (SR 520 Corridor Program) (the "Series 2012F Bonds"). The state may issue Additional Bonds on a parity with the Series 2012F Bonds and the Series 2014C Bonds as provided in the Master Resolution. **The Series 2014C Bonds are not general obligations of the state to which the state's full faith and credit or taxing power is pledged and no state excise taxes on motor vehicle and special fuels are pledged to secure the Series 2014C Bonds. The Series 2014C Bonds are payable only from Pledged Federal Aid. Federal aid authorization expressly provides that no federal aid agreement can create any right in any party (other than the state) against FHWA and the agreement does not constitute a commitment, guaranty or obligation on the part of the United States to provide for the payment of debt service on the Series 2014C Bonds. Distribution of funds from the Federal-Aid Highway Program is subject to periodic authorization and annual appropriation by the United States Congress.** See "SECURITY FOR THE BONDS," Appendix A—"DEFINITIONS AND SUMMARY OF CERTAIN MASTER RESOLUTION PROVISIONS—Definitions," and "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS."

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Series 2014C Bonds, interest on the Series 2014C Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. While interest on the Series 2014C Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Series 2014C Bonds received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Series 2014C Bonds received by certain S corporations may be subject to tax, and interest on the Series 2014C Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Series 2014C Bonds may have other federal tax consequences for certain taxpayers. See "TAX MATTERS."

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. The Series 2014C Bonds are offered when, as and if issued, subject to receipt of the approving opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel to the state, and certain other conditions. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the state by Foster Pepper PLLC, Seattle, Washington, as Disclosure Counsel to the state. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP, Los Angeles, California, as counsel to the Underwriters. It is anticipated that the Series 2014C Bonds will be available for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer on or about September 30, 2013.

BofA Merrill Lynch **Citigroup** **J.P. Morgan**

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, revision and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

No dealer, broker, salesperson, or other person has been authorized by the state to give any information or to make any representations with respect to the Series 2014C Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon. 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 2014C Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from sources that are believed to be current and reliable. The state, however, makes no representation regarding the accuracy or completeness of the information in Appendix C—"DTC AND ITS BOOK-ENTRY SYSTEM," which was obtained from DTC's website, or other information provided by third parties. Estimates and opinions should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions and such summaries are qualified by references to the entire contents of the summarized documents. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made by use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the state since the date hereof.

In connection with the offering of the Series 2014C Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Series 2014C Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued or recommenced at any time.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information set forth in this Official Statement in accordance with, and as part of, their 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 presentation of certain information, including tables of receipts, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the state. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue to be repeated in the future.

This Official Statement contains forecasts, projections and estimates that are based upon expectations and assumptions that existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the state, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the state that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or as guarantees of results.

If and when included in this Official Statement, the words "plan," "expect," "forecast," "estimate," "budget," "project," "intends," "anticipates" and similar words are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the state. These forward-looking statements speak only as of the date they were prepared.

The Series 2014C Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon an exception contained in such act.

This Preliminary Official Statement has been "deemed final" as of its date by the state pursuant to Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended, except for the omission of material permitted to be omitted by such Rule.

STATE OF WASHINGTON
$294,675,000 [1]
FEDERAL HIGHWAY GRANT ANTICIPATION REVENUE BONDS,
SERIES 2014C (GARVEE)
(SR 520 CORRIDOR PROGRAM)

Due September 1	Principal Amounts[1]	Interest Rates	Yields	Prices	CUSIP[2]
2015	$ 23,410,000				
2016	24,580,000				
2017	25,805,000				
2018	27,100,000				
2019	28,450,000				
2020	29,875,000				
2021	31,370,000				
2022	32,935,000				
2023	34,665,000				
2024	36,485,000				
Total	$294,675,000				

(1) Preliminary, subject to change.
(2) The CUSIP data herein is provided by the CUSIP Global Services, managed on behalf of the American Bankers Association by Standard and Poor's. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the state and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Series 2014C Bonds. Neither the state nor the Underwriters take responsibility for the accuracy of the CUSIP numbers.

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OF THE

STATE OF WASHINGTON

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JAY INSLEE .....Governor and Member

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This Official Statement will be available upon request to the Office of the State Treasurer. This Official Statement is available via the Internet at the Office of the State Treasurer's Home Page:

http://www.tre.wa.gov/investors/investorinformation.shtml

The availability of this Official Statement via the Internet will not under any circumstances create any implication that there has been no change in the affairs of the state since the date hereof, or that the statements and information herein are current as of any date after the date hereof.

The website of the state or any state department or agency is not part of this Official Statement, and investors should not rely on information presented on the state's website, or on any other website referenced herein, in determining whether to purchase the Series 2014C Bonds. Information appearing on any such website is provided for the convenience of investors and is not incorporated by reference in this Official Statement.

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OFFICIAL STATEMENT

STATE OF WASHINGTON

$294,675,000*
FEDERAL HIGHWAY GRANT ANTICIPATION REVENUE BONDS,
SERIES 2014C (GARVEE)
(SR 520 CORRIDOR PROGRAM)

INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices, is to provide information in connection with the offering and sale by the State of Washington (the "state" or "Washington") of the above-captioned bonds (the "Series 2014C Bonds").

The Series 2014C Bonds are being issued to finance a portion of the costs of constructing the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project and to pay costs of issuing the Series 2014C Bonds. The Series 2014C Bonds are authorized pursuant to Chapter 498, Laws of 2009, and Chapter 377, Laws of 2011 (codified in Revised Code of Washington ("RCW") 47.10.879-.888) (the "Bond Act"); Chapter 39.42 RCW; and Resolution No. 1125 (the "Master Resolution") of the State Finance Committee (the "Committee") and Resolution No. ____ of the Committee acting by and through the Treasurer (the "Bond Sale Resolution" and, together with the Master Resolution, the "Series 2014C Bond Resolution"). Capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Master Resolution and definitions of certain capitalized terms used herein are defined in Appendix A—"DEFINITIONS AND SUMMARY OF CERTAIN MASTER RESOLUTION PROVISIONS."

The Series 2014C Bonds are limited obligations of the state payable from and secured solely by the Pledged Federal Aid, which is all funds received by the state pursuant to its Obligation Authority under the Federal-Aid Highway Program ("FAHP") administered by the Federal Highway Administration ("FHWA"). Pledged Federal Aid includes FAHP Funds received as Direct GARVEE Reimbursements and as Reimbursements. Direct GARVEE Reimbursements mean FHWA Funds received by the state pursuant to a Memorandum of Understanding providing for federal reimbursement of Annual Debt Service and related costs. Reimbursements means all FAHP Funds received by the state from FHWA, which represent federal reimbursement for projects or portions of projects not financed with Bond proceeds and which reimbursements are on deposit in the Motor Vehicle Fund or the GARVEE Bond Debt Service Subaccount. The state, acting through the Washington State Department of Transportation ("WSDOT"), entered into a Memorandum of Understanding with FHWA that provides for the reimbursement to the state by FHWA for the debt service and costs incurred for the Series 2014C Bonds as provided in Section 122 of Chapter 1 of Title 23, United States Code ("Title 23"). **The Series 2014C Bonds are not general obligations of the state to which the state's full faith and credit or taxing power is pledged and no state excise taxes on motor vehicle and special fuels are pledged to secure the Series 2014C Bonds.** See "SECURITY FOR THE BONDS" and Appendix A—"DEFINITIONS AND SUMMARY OF CERTAIN MASTER RESOLUTION PROVISIONS."

FAHP Funds are made available to WSDOT as federal highway construction assistance, which is paid to all states through the Federal-Aid Highway Program. The Federal-Aid Highway Program encompasses most of the federal programs providing highway funds to the states and is administered by the FHWA. The program is primarily funded from revenues collected by the United States Treasury from certain federal taxes on gasoline, tire sales and other items, which taxes are deposited into the federal Highway Trust Fund (the "Highway Trust Fund"). The authorization for the current Federal-Aid Highway Program is Moving Ahead for Progress in the 21st Century ("MAP-21"), which will terminate on September 30, 2014. The state has no assurance that the current authorization will be extended or that new authorizations will be approved. Moreover, in recent years, Congress has authorized Obligation Authority that has exceeded the revenues in the Highway Trust Fund available to fund the Federal-Aid

* Preliminary, subject to change.

Highway Program. Shortfalls in revenues have been made up from transfers from the federal General Fund and Leaking Underground Storage Tank Trust Fund, but there can be no assurance that adequate funding will remain available to pay debt service on the Series 2014C Bonds. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS."

Application of FAHP Funds to the payment of principal of and interest on the Federal Highway Grant Anticipation Revenue Bonds, Series 2012F (the "Series 2012F Bonds"), the Series 2014C Bonds and any Additional Bonds (collectively, the "Bonds") is permitted under federal law. **Federal aid authorization, however, expressly provides that no project agreement can create any right in any party (other than the state) against FHWA and the Federal Aid Agreements do not constitute a guaranty or obligation on the part of the United States to provide for the payment of debt service on the Series 2012F Bonds and Series 2014C Bonds.**

Subject to satisfaction of conditions specified in the Master Resolution, the state may issue Additional Bonds on a parity of lien with the Series 2012F Bonds and the Series 2014C Bonds. At this time, the state does not expect to issue any Additional Bonds for the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project. See "SECURITY FOR THE BONDS—Additional Bonds."

The references to and summaries of certain provisions of the Washington State Constitution (the "Constitution") and state and federal laws, the Federal Aid Agreements, and any other documents and agreements referred to herein do not purport to be complete and are qualified in their entirety by reference to the complete provisions thereof. The information regarding the Federal-Aid Highway Program has been taken or derived from information prepared by FHWA.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2014C Bonds.

DESCRIPTION OF THE SERIES 2014C BONDS

Authority and Purpose

The State of Washington Federal Highway Grant Anticipation Revenue Bonds, Series 2014C (GARVEE) (SR 520 Corridor Program) (the "Series 2014C Bonds"), in the principal amount of $294,675,000*, are being issued pursuant to the Bond Act, Chapter 39.42 RCW and the Series 2014C Bond Resolution. The Series 2014C Bonds are being issued to finance a portion of the costs of constructing the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project and to pay costs of issuing the Series 2014C Bonds. See "SR 520 FLOATING BRIDGE AND EASTSIDE PLUS WEST APPROACH BRIDGE PROJECT."

Description of the Series 2014C Bonds

The Series 2014C Bonds are dated the date of their initial delivery and will be issued as fully registered, book-entry only bonds in the denominations of $5,000 each or any integral multiple thereof within a single maturity.

Interest on the Series 2014C Bonds is calculated on the basis of a 360-day year and 12 30-day months. Interest on the Series 2014C Bonds will be payable semiannually on each March 1 and September 1, beginning March 1, 2014, at the rates shown on page i. Principal of the Series 2014C Bonds is payable on each September 1 in the years and amounts shown on page i.

Pursuant to authority granted in Chapter 43.80 RCW, the Committee appoints one or more fiscal agents for the state with the authority to act as paying agent, transfer agent, authenticating agent, and bond registrar for all obligations issued by the state and its political subdivisions. The fiscal agent appointed by the Committee from time to time is herein referred to as the Fiscal Agent or the Bond Registrar. The Committee is currently under contract with The Bank of New York Mellon to act as the fiscal agent for the state for a term that began February 1, 2007, and continues to January 31, 2015. Under the terms of the current fiscal agency contract, The Bank of New York Mellon

* Preliminary, subject to change.

will authenticate the Series 2014C Bonds for delivery to DTC and will remit payments received from the state as principal and interest to DTC. See "Book-Entry System."

Redemption Provisions

Optional Redemption. The state may redeem the Series 2014C Bonds maturing on or after September 1, 20__, as a whole or in part on any date on or after _____ 1, 20__ (with the maturities to be redeemed to be selected by the state and randomly within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date fixed for redemption.

Partial Redemption. If less than all of the Series 2014C Bonds are to be redeemed at the option of the state, the state may select the maturity or maturities to be redeemed. If less than all of any maturity of the Series 2014C Bonds are to be redeemed, those Bonds or portions thereof to be redeemed are to be selected in a random method by the Bond Registrar or DTC, as applicable, in accordance with their respective standard procedures. Any Bond in the principal amount of greater than $5,000 may be partially redeemed in any integral multiple of $5,000.

Notice of Redemption; Conditional Notice of Optional Redemption. Notice of redemption shall be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owners of the Series 2014C Bonds to be redeemed at the address appearing on the Bond Register maintained by the Bond Registrar; provided, however, so long as the Series 2014C Bonds are in book-entry only form, notice of redemption will be given in accordance with the operational arrangements then in effect at DTC. The state will not provide notice of redemption to any Beneficial Owners of the Series 2014C Bonds. In the case of an optional redemption, such redemption is to be conditioned on the receipt by the Bond Registrar of sufficient funds for such redemption. If the Bond Registrar does not receive funds sufficient to carry out an optional redemption, the redemption notice may be rescinded by further notice given to the Registered Owners of the affected Bonds. Such event will not constitute an Event of Default under the Master Resolution. A notice of optional redemption may state that the state retains the right to rescind the redemption notice and the related optional redemption of Bonds by giving a notice of rescission to the affected Registered Owners at any time prior to the scheduled redemption date.

Purchase of Bonds

The state has reserved the right to purchase any of the Series 2014C Bonds at any time and at any price.

Defeasance

The state may issue refunding bonds pursuant to the laws of the state or use money from any other lawful source to pay the principal of and interest on the Series 2014C Bonds, or that portion thereof included in a refunding or defeasance plan, as the same become due and payable and to redeem and retire, release, refund or defease all or a portion of such then-outstanding Series 2014C Bonds (the "defeased Series 2014C Bonds") and to pay the costs of the refunding or defeasance. The Master Resolution provides that if money and/or "Government Obligations" (as defined in Chapter 39.53 RCW, as now in existence or hereafter amended, and described below) maturing at such time(s) and bearing such interest to be earned thereon (without any reinvestment thereof) as will provide a series of payments which shall be sufficient, together with any money initially deposited, to provide for the payment of the principal of and interest on the defeased Series 2014C Bonds when due in accordance with their respective terms are set aside in a special fund (the "trust account") to effect such payment, and are pledged irrevocably in accordance with a refunding plan adopted by the state for the purpose of effecting such payment, then no further payments need be made into the GARVEE Bond Debt Service Subaccount in the Toll Facility Bond Retirement Account for the payment of principal of and interest on those defeased Series 2014C Bonds, the Registered Owners thereof shall cease to be entitled to any lien, benefit or security of the Series 2014C Bond Resolution, except the right to receive payment of the principal of and interest on those defeased Series 2014C Bonds when due in accordance with their respective terms from the money and the principal and interest proceeds on the Government Obligations set aside in the trust account, and such defeased Series 2014C Bonds shall no longer be deemed to be outstanding under the Series 2014C Bond Resolution.

If the refunding or defeasance plan provides for the defeased Series 2014C Bonds to be secured by money and/or Government Obligations pledged irrevocably for the redemption of the defeased Series 2014C Bonds, then only the debt service on the Series 2014C Bonds which are not defeased Series 2014C Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, will be included in the computation of Annual Debt Service.

Although as a matter of internal policy the state uses only direct obligations of the United States of America and obligations guaranteed by the United States of America in defeasance escrows, the Master Resolution permits the use of any Government Obligation. The term "Government Obligations" currently is defined as: (1) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and bank certificates of deposit secured by such obligations; (2) 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; (3) public housing bonds and project notes fully secured by contracts with the United States; and (4) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, to the extent insured or to the extent guaranteed as permitted under any other provision of state law.

Book-Entry System

When issued, the Series 2014C Bonds will be registered in the name of Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as nominee of DTC. DTC will act as securities depository for the Series 2014C Bonds. Individual purchases will be made in book-entry form only through DTC, and purchasers will not receive physical certificates representing their interests in the Series 2014C Bonds purchased. For information about DTC and its book-entry system, see Appendix C—"DTC AND ITS BOOK-ENTRY SYSTEM."

Termination of Book-Entry System

If DTC resigns as the securities depository and no substitute can be obtained, or if the state has determined that it is in the best interest of the Beneficial Owners of the Series 2014C Bonds that they be able to obtain bond certificates, the ownership of the Series 2014C Bonds may be transferred to any person as described in the Series 2014C Bond Resolution and the Series 2014C Bonds no longer will be held in fully immobilized form. New Series 2014C Bonds then will be issued in appropriate denominations and registered in the names of the Beneficial Owners. See Appendix C—"DTC AND ITS BOOK-ENTRY SYSTEM."

State and Bond Registrar Responsibilities

Neither the state nor the Bond Registrar will have any responsibility or any liability to the Beneficial Owners for any error, omission, action, or failure to act on the part of DTC or any Direct Participant or Indirect Participant of DTC with respect to the following: (1) proper recording of beneficial ownership interests of the Series 2014C Bonds or confirmation of their ownership interest; (2) proper transfers of such beneficial ownership interests; (3) the payment, when due, to the Beneficial Owners of principal of and premium, if any, or interest on the Series 2014C Bonds; (4) any notices to Beneficial Owners; (5) any consent given; or (6) any other DTC or Participant error, omission, action or failure to act pertaining to the Series 2014C Bonds.

Debt Service Requirements

The following table provides the debt service requirements for the Series 2012F Bonds and Series 2014C Bonds.

Table 1
GARVEE Bonds
Debt Service Requirements

Federal Fiscal Year Ending September 30	Series 2012F Bonds	Series 2014C Bonds[1]			Total Debt Service[1]
		Principal	Interest	Total	
2013	$24,836,000	–	–	–	$24,836,000
2014	24,836,000	–	$13,786,116	$13,786,116	38,622,116
2015	64,696,000	$23,410,000	14,993,963	38,403,963	103,099,963
2016	64,700,000	24,580,000	13,823,463	38,403,463	103,103,463
2017	64,695,500	25,805,000	12,594,463	38,399,463	103,094,963
2018	64,697,250	27,100,000	11,304,213	38,404,213	103,101,463
2019	64,695,500	28,450,000	9,949,213	38,399,213	103,094,713
2020	64,699,250	29,875,000	8,526,713	38,401,713	103,100,963
2021	64,699,250	31,370,000	7,032,963	38,402,963	103,102,213
2022	64,698,750	32,935,000	5,464,463	38,399,463	103,098,213
2023	64,699,750	34,665,000	3,735,375	38,400,375	103,100,125
2024	64,698,250	36,485,000	1,915,463	38,400,463	103,098,713
Total	$696,651,500	$294,675,000	$103,126,403	$397,801,403	$1,094,452,903

(1) Preliminary, subject to change.

SECURITY FOR THE BONDS

Pledged Federal Aid

Pursuant to the Series 2014C Bond Resolution, Pledged Federal Aid is irrevocably pledged for the benefit of the Bonds. Pledged Federal Aid is all funds received by the state pursuant to its Obligation Authority under the Federal-Aid Highway Program administered by the FHWA. Pledged Federal Aid includes FAHP Funds received as Direct GARVEE Reimbursements and as Reimbursements. Direct GARVEE Reimbursements mean FHWA Funds received by the state pursuant to a Memorandum of Understanding providing for federal reimbursement of Annual Debt Service and related costs. Reimbursements means all FAHP Funds received by the state from FHWA, which represent federal reimbursement for projects or portion of projects not financed with Bond proceeds and which reimbursements are on deposit in the Motor Vehicle Fund or the GARVEE Bond Debt Service Subaccount.

All Bonds shall be equally secured with respect to Pledged Federal Aid and with all other Outstanding Bonds without preference or priority. The obligation to perform the contractual provisions in the Master Resolution shall have priority over any or all other obligations and liabilities of the state with regard to the Pledged Federal Aid, to the extent provided in the Master Resolution. The Master Resolution provides that WSDOT will obligate sufficient FAHP Funds for scheduled payment of debt service and other debt-related costs on Outstanding Bonds in each Federal Fiscal Year. See “Bond Covenants–Obligation of Pledged Federal Aid.”

FAHP Funds are made available to WSDOT as federal highway construction assistance, which is paid to all states through the Federal-Aid Highway Program. The Federal-Aid Highway Program encompasses most of the federal programs providing highway funds to the states and is administered by the FHWA. The program is primarily funded from revenues collected by the United States Treasury from certain federal taxes on gasoline, tire sales and other items, which taxes are deposited into the federal Highway Trust Fund. The authorization for the current Federal-Aid Highway Program is MAP-21, which will terminate on September 30, 2014. The state has no assurance that the current authorization will be extended or that new authorizations will be approved. Moreover, in recent years, Congress has authorized Obligation Authority that has exceeded the revenues in the Highway Trust Fund available to fund the Federal-Aid Highway Program. To supplement the proceeds of the highway-user taxes deposited in the Highway Trust Fund, MAP-21 provides for transfers of $16.6 billion from the federal General Fund to the Highway

Trust Fund. An additional $2.4 billion is authorized to be transferred from the Leaking Underground Storage Tank ("LUST") Trust Fund to the Highway Trust Fund. Shortfalls in revenues have been made up from transfers from the federal General Fund and the LUST Trust Fund, but there can be no assurance that adequate funding will remain available to pay debt service on the Series 2014C Bonds.

See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS" and "STATE'S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM."

The Bonds are limited obligations of the state payable solely from and secured solely by the Pledged Federal Aid, and neither the full faith and credit nor the taxing power of the state is pledged to pay and secure the Bonds. No state taxes on motor vehicle and special fuels are pledged to pay and secure the Bonds.

Memorandum of Understanding and Federal Aid Project Agreements

On August 16, 2011, WSDOT and FHWA entered into a Memorandum of Understanding regarding the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project. The Memorandum of Understanding was later revised on May 24, 2012 to add projected debt service on the Series 2012F Bonds and certain other costs and the agreement of the FHWA to pay such costs. The Memorandum of Understanding documents the procedures for programming and authorizing projects; distribution, billing and payment of debt service and other bond-related costs; and closing out the program. The Memorandum of Understanding contemplates the issuance of $800 to $900 million in GARVEE Bonds for the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project. The Series 2012F Bonds in the principal amount of $500.4 million were the first series of GARVEE Bonds. WSDOT has agreed to use federal advance construction ("AC") procedures and the current federal aid agreement/authorization process. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS—Federal Aid Funding Procedures." WSDOT and FHWA have entered into seven major FHWA project agreements for the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project. The Memorandum of Understanding and the seven major project agreements collectively comprise the "Federal Aid Agreements."

The Memorandum of Understanding states that at the beginning of each Federal Fiscal Year, WSDOT will convert the amount of advance construction necessary to pay debt service and other bond-related costs in that Federal Fiscal Year for bonds that have been issued. The conversion of advance construction must be the first obligation in those fiscal years of those funds legally available for that purpose. WSDOT may bill FHWA at least seven days prior to the scheduled due date of a debt service payment. FHWA will reimburse WSDOT for those costs according to the Federal Cash Management Improvement Act agreement between FHWA and WSDOT in effect at the time of the request in order for those funds to be deposited in the Toll Facility Bond Retirement Account for making the scheduled debt service payments. Upon the issuance of the Bonds and any Additional Bonds, a debt service schedule relating to such bonds will become part of the Federal Aid Agreements.

Application of FAHP Funds to the payment of principal of and interest on the Bonds is permitted under federal law. Federal aid authorization, however, expressly provides that no project agreement can create any right in any party (other than the state) against FHWA and the Federal Aid Agreements do not constitute a guaranty or obligation on the part of the United States to provide for the payment of debt service on the Series 2014C Bonds.

Authorizing Legislation and Other Debt for SR 520 Corridor

Under Chapter 122, Laws of 2008; Chapter 472, Laws of 2009; Chapter 498, Laws of 2009, Section 15; Chapter 248, Laws of 2010; and Chapter 377, Laws of 2011 (codified in RCW 47.56.805-.876) (the "Toll Facilities Act"), the Legislature has designated the SR 520 Corridor as an "Eligible Toll Facility" and has authorized the imposition of tolls on the floating bridge portion of the SR 520 Corridor. The Toll Facilities Act provides that "toll revenue" includes all toll receipts, all interest income derived from the investment of toll receipts, and any gifts, grants, and other funds received for the benefit of transportation facilities in the state, including eligible toll facilities. The Bond Act provides, for the purposes of any pledge of toll revenue to the payment of particular bonds issued under the Bond Act, that "toll revenue" means and includes only such toll revenue or portion thereof that is pledged to the payment of those bonds in the resolution authorizing the issuance of those bonds.

The Bond Act authorized the State Finance Committee to issue, at the request of WSDOT, $1.950 billion of general obligation bonds of the state, to which the state's full faith and credit are pledged and are first payable from toll revenue and motor vehicle fuel taxes ("Triple Pledge Bonds"), to provide funds necessary for the location, design, right-of-way, and construction of the SR 520 Corridor Program. The Bond Act also authorized the Committee to issue the authorized bonds as toll revenue bonds, which are payable solely from and secured solely by toll revenue rather than as general obligation bonds to which the state's full faith and credit are pledged. In October 2011, the state issued $518.775 million of Triple Pledge Bonds, which were the first series of bonds for the SR 520 Corridor Program. In June 2012, the state issued $500.400 million of Series 2012F Bonds as "toll revenue" bonds (GARVEE Bonds) under the Bond Act that are payable solely from Pledged Federal Aid and are not secured by toll receipts, motor vehicle fuel taxes or the state's full faith and credit. In October 2012, the state issued a Transportation Infrastructure and Innovation Bond ("TIFIA Bond"), which represented a draw down loan from FHWA in the amount of $300 million to be reimbursed from toll revenue. WSDOT does not expect to begin to draw on this loan until the summer of 2014. The Bonds are "toll revenue" bonds under the Bond Act that are payable solely from Pledged Federal Aid on a parity with the Series 2012F Bonds and are not secured by toll receipts, motor vehicle fuel taxes or the state's full faith and credit. In addition to additional Triple Pledge Bonds and Additional Bonds under the Master Resolution, the state may issue bonds payable solely from toll receipts from the SR 520 Corridor. See "SR 520 FLOATING BRIDGE AND EASTSIDE PLUS WEST APPROACH BRIDGE PROJECT–Sources of Funds and Project Costs."

Eligible Toll Facilities

The Master Resolution provides that the Bonds may be issued to finance the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project, any other portion of the SR 520 Corridor Program, and other Eligible Toll Facilities, or other transportation facilities in the state that are financed or refinanced by the issuance of Additional Bonds. The Master Resolution defines "Eligible Toll Facilities" as any portion of the state highway system and related facilities that the Legislature has specifically identified as an eligible toll facility. The Legislature has designated the SR 520 Corridor as an Eligible Toll Facility. Currently, the SR 520 Corridor is the only Eligible Toll Facility for which the Bond Act authorizes the issuance of Bonds under the Master Resolution.

Bond Covenants

Enforcement of Federal Aid Agreement. The state has covenanted that, so long as any of the Bonds are Outstanding or any obligation of the state under a Credit Facility or Hedge Facility, if any, under the Master Resolution remains unpaid, it will take all reasonable action to enforce the Federal Aid Agreements to the extent permitted by law, and will not consent to any modification of the Federal Aid Agreements which would materially impair the security created for the Holders of the Bonds and Credit Providers and Qualified Hedge Providers, if any.

Obligation of Pledged Federal Aid. WSDOT has established the Initial Project and will establish any Additional Project within WSDOT's project billing system as a federal aid highway project with respect to which WSDOT is eligible to receive Direct GARVEE Reimbursements. At the beginning of each Federal Fiscal Year, the first obligation submitted by WSDOT to FHWA for FAHP Funds will be for the purpose of paying debt service and other debt-related costs coming due on Outstanding Bonds in that Federal Fiscal Year (to the extent not previously obligated). WSDOT will not obligate FAHP Funds for any other federal aid highway projects in that Federal Fiscal Year until a modification to each Federal Aid Agreement is approved by FHWA that obligates FAHP Funds for debt service and other debt-related costs coming due on Outstanding Bonds in that Federal Fiscal Year. If only a portion of WSDOT's full annual Obligation Authority is received at the beginning of the Federal Fiscal Year, however, WSDOT's first obligation of FAHP Funds will be for the purpose of paying at least that portion of debt service and other debt-related costs coming due on Outstanding Bonds in that Federal Fiscal Year that bears the same ratio to total debt service and other debt-related costs coming due on Outstanding Bonds in that Federal Fiscal Year as the portion of Obligation Authority received by WSDOT bears to WSDOT's full annual Obligation Authority for that Federal Fiscal Year.

In any event, WSDOT will obligate sufficient FAHP Funds for scheduled payment of debt service and other debt-related costs on Outstanding Bonds in that Federal Fiscal Year, including, if necessary, by de-obligating FAHP Funds from other federal aid highway projects and re-obligating those FAHP Funds for the payment of debt service and other debt-related costs on Outstanding Bonds. In obligating FAHP Funds, WSDOT may use and apply

available toll credits to satisfy applicable non-Federal share (state match) requirements as permitted in Title 23. See "STATE'S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM–Toll Credits."

Payment of Pledged Federal Aid. WSDOT will bill FHWA for Direct GARVEE Reimbursements at least seven days prior to each Bond Payment Date or, in any event, at least as soon as such other time in advance of the Bond Payment Date as is specified by the applicable Memorandum of Understanding and Title 23. Direct GARVEE Reimbursements received by WSDOT will be deposited initially in the Direct GARVEE Reimbursement Subaccount of the Toll Facilities Account and transferred immediately by WSDOT to the GARVEE Bond Debt Service Subaccount of the Toll Facility Bond Retirement Account.

If three Business Days prior to a Bond Payment Date WSDOT determines that the amount on deposit in the GARVEE Bond Debt Service Subaccount is insufficient to pay the next debt service payment on the Bonds, WSDOT will immediately request FHWA to transfer Pledged Federal Aid constituting Direct GARVEE Reimbursements to WSDOT in an amount equal to such deficiency for receipt by WSDOT not later than the next succeeding Business Day. The WSDOT Representative will provide written notice of the deficiency to the Treasurer Representative.

If and to the extent the entire amount of Direct GARVEE Reimbursements required for debt service due on a Bond Payment Date is not paid to WSDOT as set forth in the two previous paragraphs, WSDOT shall transfer any available Reimbursements from the Motor Vehicle Fund to the GARVEE Bond Debt Service Subaccount in the amount required to meet the deficiency and request the Treasurer to use and apply such Reimbursements for the payment in full of principal and interest due on the Bonds on the next Bond Payment Date.

Appropriation, Accounts and Payment Procedures

Budgeting and Appropriation. As part of the state's standard biennial transportation budget process, WSDOT will include in its biennial transportation budget submitted to the Legislature requests for appropriations for payments of principal and interest on the Series 2014C Bonds and Series 2012F Bonds from Pledged Federal Aid in the same manner in which it does so for debt service payments on other state bonds issued for transportation projects generally, in accordance with state law requiring that payments out of the state treasury be authorized by legislative appropriation. Each transportation budget enacted by the Legislature also includes an appropriation providing that, in addition to the specified dollar amounts appropriated for (among other things) bond retirement and interest, there also is appropriated such further amounts as may be required or available for those purposes under any proper bond covenant made under law. See "STATE OVERVIEW–Budget and Appropriation Process."

Accounts.

Toll Facilities Account. Under the Master Resolution, the GARVEE Bond Proceeds Subaccount has been established within the Toll Facilities Account for deposit of Bond proceeds and the Direct GARVEE Reimbursement Subaccount has been established within the Toll Facilities Account for the initial deposit of Direct GARVEE Reimbursements.

Toll Facility Bond Retirement Account. Under the Master Resolution, the GARVEE Bond Debt Service Subaccount has been established within the Toll Facility Bond Retirement Account. The state has reserved the right to establish one or more additional subaccounts, as the state may deem necessary or useful, which shall include, but not be limited to, Series Debt Service Reserve Subaccounts, if any, created pursuant to Bond Sale Resolutions.

Amounts in the GARVEE Bond Debt Service Subaccount are pledged to the payment of the Series 2014C Bonds and the Series 2012F Bonds. The Series 2014C Bonds and Series 2012F Bonds are not secured by any Series Debt Service Reserve Subaccount in the Toll Facility Bond Retirement Account. Series 2014C and Series 2012F Bond proceeds are not pledged to the repayment of the Bonds.

Deposits and Transfers of Pledged Federal Aid. Upon receipt by WSDOT from FHWA, all Direct GARVEE Reimbursements will be deposited initially in the Direct GARVEE Reimbursement Subaccount and transferred by WSDOT immediately into the GARVEE Bond Debt Service Subaccount. If pursuant to the procedures described

above under "Bond Covenants–Payment of Pledged Federal Aid," the Treasurer Representative receives written notice from the WSDOT Representative that WSDOT has not received from FHWA Direct GARVEE Reimbursements sufficient for the payment in full of principal and interest due on the Bonds on the next Bond Payment Date and requesting the Treasurer to use and apply available Reimbursements transferred by WSDOT from the Motor Vehicle Fund to the GARVEE Bond Debt Service Subaccount in the amount required to meet the deficiency and provide for the payment in full of principal and interest on the Bonds on the next Bond Payment Date, the Treasurer shall use and apply Reimbursements received from WSDOT to cover any such deficiency on the applicable Bond Payment Date.

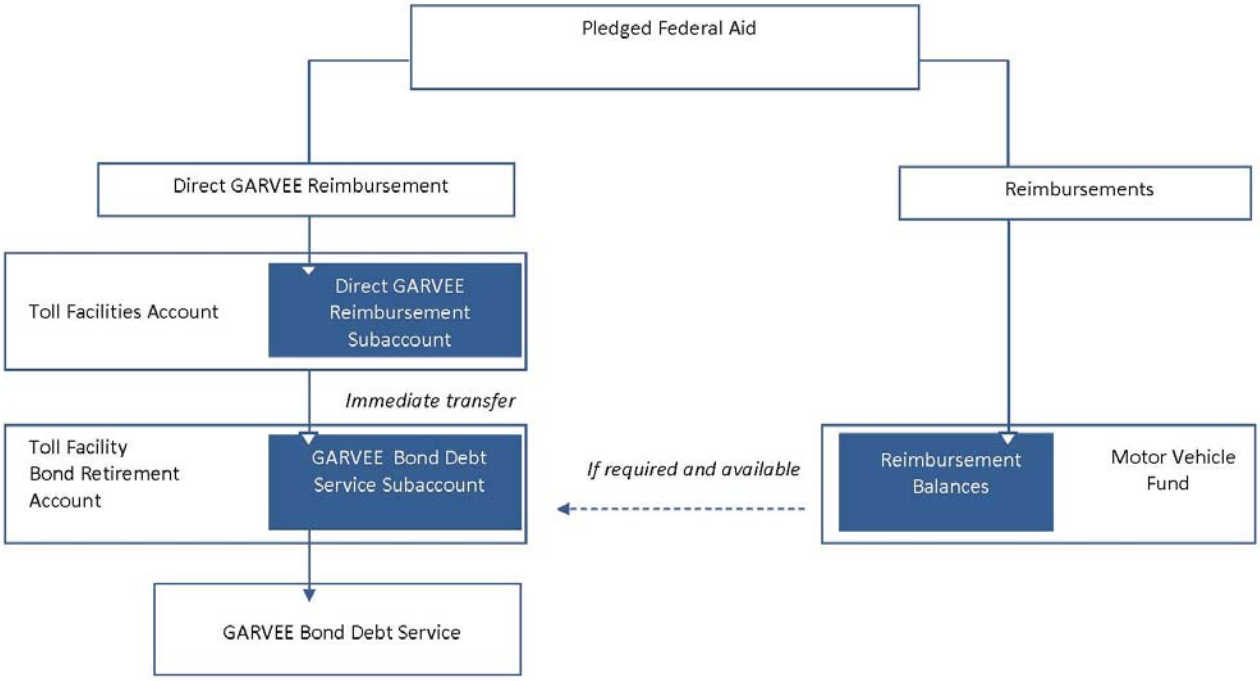
The Treasurer will use Pledged Federal Aid received and deposited into the GARVEE Bond Debt Service Subaccount only in the following manner and order of priority: (1) to pay an amount equal to the next interest payment and Hedge Payment, if any, becoming due on Bonds on that Bond Interest Payment Date; (2) to pay an amount equal to the next maturing principal payment of Bonds becoming due on that Bond Principal Payment Date; and (3) to transfer into the Debt Service Reserve Subaccount, if any, beginning on the date on which the Treasurer Representative determines that there is a deficiency in the Debt Service Reserve Subaccount, in the amount required to increase the amount on deposit in or credited to the Debt Service Reserve Subaccount to an amount equal to the Debt Service Reserve Requirement. WSDOT has followed this process successfully for payments due on the Series 2012F Bonds; FHWA has timely paid all of the funds requested for reimbursement on the Series 2012F Bonds.

Amounts remaining in the GARVEE Bond Debt Service Subaccount after the transfers described above shall be transferred as directed in writing by WSDOT, including for the purposes of repayment of the Motor Vehicle Fund for any transfer of Reimbursements to the GARVEE Bond Debt Service Subaccount for debt service on Bonds for which WSDOT subsequently receives Direct GARVEE Reimbursements, retention in the GARVEE Bond Debt Service Subaccount to reduce the transfers to the GARVEE Bond Debt Service Subaccount of Pledged Federal Aid otherwise required to pay debt service on Outstanding Bonds, redemption or purchase in the open market of any Bonds payable from the GARVEE Bond Debt Service Subaccount (subject to applicable bond covenants) prior to scheduled maturities, or as otherwise set forth in a Bond Sale Resolution. See Appendix A—"DEFINITIONS AND SUMMARY OF CERTAIN MASTER RESOLUTION PROVISIONS–Defaults and Remedies."

Payment of Bonds. The Committee is required, on or before June 30 of each year, to certify to the Treasurer and WSDOT the amount of Pledged Federal Aid required to pay principal of and interest on the Bonds in the next Fiscal Year. The Treasurer, subject to the applicable provisions of the Bond Act and the Master Resolution, is required to withdraw Pledged Federal Aid from the GARVEE Bond Debt Service Subaccount and the Debt Service Reserve Subaccount, if any, such amounts as are required to pay debt service on the Bonds on or before each Bond Payment Date. On or before the date payments are due, the Treasurer will pay to the Bond Registrar, from money in the GARVEE Bond Debt Service Subaccount, sums sufficient to pay the principal of and interest coming due on Bonds then Outstanding.

The following shows the flow of FHWA funds received by the state and the funds and accounts into which such funds will be deposited.

Table 2
Flow of FHWA Funds



Additional Bonds

The state may issue one or more Series of Additional Bonds to pay the Cost of the Eligible Toll Facilities and other transportation facilities in the state, to refund all or a portion of a Series of Bonds, or for any combination of those purposes if the following conditions are met and complied with at the time of the issuance of that Series of Additional Bonds:

1. There is on file with the Committee a certified copy of the Master Resolution and the Bond Sale Resolution for that Series of Bonds; and

2. There is on file with the Treasurer executed copies of all necessary Federal Aid Agreements and the Memorandum of Understanding, including all supplements, modifications and amendments thereto, demonstrating that the state is eligible to receive Direct GARVEE Reimbursements in respect of the Series of Bonds; and

3. There is on file with the Committee the written request of the WSDOT Representative for the issuance of that Series of Bonds; and

4. There is on file with the Committee a certificate of the Treasurer Representative stating that the state is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Master Resolution; and

5. There is on file with the Treasurer a certificate of the WSDOT Representative demonstrating that the amount of Obligation Authority during one of the two prior Federal Fiscal Years was equal to at least 3.5 times (350 percent) the Maximum Annual Debt Service in the current and any future Federal Fiscal Year

on all Outstanding Bonds and on the Additional Bonds proposed to be issued, excluding, in the case of Refunding Bonds, the debt service on the Bonds to be refunded; and

6. In the case of the issuance of any Refunding Bonds, there is on file with the Treasurer a certificate of the WSDOT Representative to the effect that all Federal Aid Agreements and any related Memorandum of Understanding with respect to Bonds that will be outstanding after the issuance of such Refunding Bonds have been amended to reflect the new debt service on such Refunding Bonds.

Notwithstanding the foregoing provision of paragraph 5 above, the state has reserved the right to issue Refunding Bonds to refund any Bonds then Outstanding under the Master Resolution, so long as Annual Debt Service in any Federal Fiscal Year is not increased more than 5.0 percent as a result of issuing such Refunding Bonds.

Any Bond Sale Resolution authorizing the issuance of a Series of Bonds may provide that any proceeds of those Bonds and investment earnings thereon remaining after the completion of the Initial Project or any Additional Projects financed with the proceeds of those Bonds will be applied to the payment or redemption of that Series of Bonds.

If any Bond Sale Resolution provides for the establishment of separate subaccounts for any Series of Bonds (other than for accounting purposes), then amounts on deposit in the subaccounts created for a particular Series of Bonds shall be applied solely to the payment of the principal or redemption price of and interest on, or the purchase price of, the Bonds of that Series or to the payment or reimbursement of the issuer of any Credit Provider for that Series of Bonds and shall not be available to satisfy the claims of Holders of Bonds of any other Series or the issuer of any other Credit Facility.

In the Master Resolution, the state has pledged that it will not issue Bonds payable from a pledge of Pledged Federal Aid that is superior to the pledge of Pledged Federal Aid to pay and secure the Bonds issued to finance the Initial Project. The state has reserved the right to issue bonds, notes or other obligations that are secured by a pledge of the Pledged Federal Aid that is subordinate to the pledge created by the Master Resolution. Currently, the SR 520 Corridor is the only Eligible Toll Facility for which the Bond Act authorizes the issuance of Additional Bonds under the Master Resolution.

Future GARVEE Bonds. The state does not expect to issue any Additional Bonds for the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project. Additional Bonds currently are not authorized for any other transportation projects. See "SR 520 FLOATING BRIDGE AND EASTSIDE PLUS WEST APPROACH BRIDGE PROJECT–Sources of Funds and Project Costs."

GARVEE Policy

In 2012, the Committee adopted "Guidelines for Use of Federal Highway Grant Anticipation Revenue Bonds" that outlines restrictions on the issuance and terms of GARVEE Bonds. See "STATE OVERVIEW–Indebtedness and State Finance Committee."

Defaults and Remedies

See Appendix A—"DEFINITIONS AND SUMMARY OF CERTAIN MASTER RESOLUTION PROVISIONS–Defaults and Remedies" for a list of Events of Default in the Master Resolution and remedies upon an Event of Default.

The remedies of the Holders of the Series 2012F Bonds and the Series 2014C Bonds upon the occurrence of an Event of Default under the Master Resolution are limited to instituting such suits, actions or other appropriate proceedings seeking to collect any amounts due and owing from the state or a writ of mandate to enforce specific performance of any covenant, agreement or condition contained in the Master Resolution or in any of the Outstanding Bonds or the duties imposed upon the state consistent with the applicable provisions of the Bond Act. ACCELERATION IS NOT A REMEDY AVAILABLE TO HOLDERS OF THE SERIES 2014C BONDS AND SERIES 2012F BONDS.

The remedies available under the Master Resolution are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law, such remedies may not be readily available. In addition, enforcement of such remedies (1) may be subject to general principles of equity which may permit the exercise of judicial discretion, (2) are subject to the exercise in the future by the state and its political subdivisions of the police power inherent in the sovereignty of the state, (3) are subject, in part, to the provisions of the U.S. Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, to the extent, if any, such laws are applicable to the state and (4) are subject to the exercise by the U.S. of the powers delegated to it by the federal constitution. The various legal opinions to be delivered concurrently with the delivery of the Series 2014C Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2014C Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and equitable remedies and proceedings generally.

Amendatory and Supplemental Resolutions

The Master Resolution describes when the Master Resolution may be amended with and without the consent of Holders of the Bonds. See Appendix A—"DEFINITIONS AND SUMMARY OF CERTAIN MASTER RESOLUTION PROVISIONS–Amendatory and Supplemental Resolutions."

SOURCES AND USES OF FUNDS

The proceeds of the Series 2014C Bonds will be used to pay part of the costs of the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project. See "SR 520 FLOATING BRIDGE AND EASTSIDE PLUS WEST APPROACH BRIDGE PROJECT." The following table shows the estimated sources and uses of proceeds to be received from the sale of the Series 2014C Bonds.

Table 3
Sources and Uses of Series 2014C Bond Proceeds

Sources	
Par Amount of Series 2014C Bonds	
Original Issue Premium/Discount	
Total Sources	
Uses	
Deposit to GARVEE Bond Proceeds Subaccount	
Costs of Issuance(1)	
Underwriting Spread	
Total Uses	

(1) Includes fees for services of the rating agencies, financial advisors, Bond Counsel and disclosure counsel, and other costs.

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

The following information generally describes the Federal-Aid Highway Program and the procedures involved in the Federal-Aid Highway Program. Title 23 governs the Federal-Aid Highway Program. Except for the information concerning Washington or as otherwise noted, the information in this section is from Title 23, "Financing Federal-aid Highways" prepared in March 2007 by FHWA, "A Guide To Federal-Aid Programs and Projects," and "MAP-21-Moving Ahead for Progress in the 21st Century" from the FHWA website, certain FHWA notices, and "GARVEE Bond Guidance (March 2004)."

The Federal-Aid Highway Program Generally

The Federal-Aid Highway Program is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states. With the passage of MAP-21 on July 6, 2012, the federal programs include the National

Highway Performance Program ("NHPP"), the Surface Transportation Program ("STP"), and the Congestion Mitigation and Air Quality Program ("CMAQ"). Under MAP-21, NHPP is a new federal program that incorporates the previous Interstate Maintenance Program, the on-system portion of the Highway Bridge Replacement and Rehabilitation Program, and the National Highway System Program. The off-system portion of the Highway Bridge Replacement and Rehabilitation Program was consolidated into the Surface Transportation Program. MAP-21 establishes an annual Obligation Limitation of $39.699 billion for Federal Fiscal Year 2013 and $40.256 billion for Federal Fiscal Year 2014 for the purpose of limiting highway spending each year; these amounts represent 98% of the appropriation levels described later in this paragraph. Distribution of the limitations under MAP-21 is similar to distribution limitations under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU"). MAP-21 continues the requirement to annually recover unused Obligation Limitation and distribute it as formula limitation to states that can use it before the end of the fiscal year. Obligation Limitation is a restriction, or "ceiling" on the amount of federal assistance that may be promised (obligated) during a specified time period. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds may be used. Under MAP-21, appropriation funding levels are maintained at Federal Fiscal Year 2012 levels, plus minor adjustments for inflation – $40.4 billion from the Highway Trust Fund for Federal Fiscal Year 2013 and $41.0 billion for Federal Fiscal Year 2014.

The Federal-Aid Highway Program must be periodically reauthorized by Congress. Following a number of prior multi-year authorizations, the Transportation Equity Act for the 21st Century ("TEA-21") was enacted in 1998 and authorized programs over the six-year period from Federal Fiscal Years 1998 through 2003. SAFETEA-LU became law on August 10, 2005, and expired on September 30, 2009. Between the expiration of TEA-21 in September 2003, and the enactment of SAFETEA-LU in August 2005, Congress enacted 12 interim authorization measures for varying periods. Between the expiration of SAFETEA-LU in September 2009 and the enactment of MAP-21 in July 2012, Congress enacted 11 interim authorization measures for various periods. MAP-21 will expire in September 2014.

The FHWA is the federal agency within the USDOT responsible for administering the Federal-Aid Highway Program. The Federal-Aid Highway Program is financed from the transportation user-related revenues deposited in the Highway Trust Fund. The primary source of revenues in the Highway Trust Fund is derived from federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes. MAP-21 extended the imposition of these highway-user taxes, generally at the rates that were in place when the legislation was enacted, through September 30, 2016 (two years beyond the expiration of MAP-21).

The Federal-Aid Highway Program is a reimbursement program. Washington is responsible for the operation and maintenance of federal-aid highways in the state. Once projects are approved by FHWA and funds are obligated, the federal government makes payments to the states for costs as they are incurred on projects. States also may apply to be reimbursed for debt service on obligations issued to finance an approved project. With few exceptions, the federal government does not pay for the entire cost of a federal-aid project. Federal reimbursements are typically required to be matched with state and/or local funds. The maximum federal share is specified in the federal legislation authorizing the program. Most projects have an 80 percent federal share, while interstate rehabilitation and maintenance projects typically have been funded with a 90 percent federal share. The act of obligation commits the federal government to reimburse expenditures on the project up to a predetermined matching share (typically 80 percent). In Washington, the typical federal share has been adjusted to 86.5 percent to account for the amount of federal land in Washington. Toll credits are certified by FHWA and may be accumulated and used by a state to satisfy its matching obligation. Washington has accumulated toll credits from tolls collected on the state transportation system and will use toll credits to satisfy its matching obligation for the FHWA debt service reimbursements on the Series 2014C Bonds and Series 2012F Bonds. See "STATE'S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM–Toll Credits."

Funding under the Federal-Aid Highway Program is provided to states through a multi-step funding cycle that includes: (1) multi-year authorization by Congress of the funding for various highway programs, typically on a multi-year basis; (2) apportionment and allocation of funds to the states each Federal Fiscal Year according to statutory formulas or, for some funding categories, through administrative action; (3) obligation of funds, which is the federal government's commitment to pay or reimburse states for the federal share of an approved project's eligible costs; (4) appropriations by Congress specifying the amount of funds available for the year to liquidate obligations; (5) program implementation, which covers the programming and authorization phases; and

(6) reimbursement by the federal government of the eligible project costs. Each of these steps is described in more detail under "Federal Aid Funding Procedures" below.

Title 23 includes most of the laws that govern the Federal-Aid Highway Program arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and that need not be reenacted each time the Federal-Aid Highway Program is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts. Some provisions of surface transportation law are not incorporated into Title 23. In addition, authorization amounts are generally not codified.

THE TERMS AND CONDITIONS OF PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM AS DESCRIBED HEREIN ARE SUBJECT TO CHANGE AT THE DISCRETION OF CONGRESS. THERE CAN BE NO ASSURANCE THAT THE LAWS AND REGULATIONS NOW GOVERNING THE FEDERAL-AID HIGHWAY PROGRAM WILL NOT BE CHANGED IN THE FUTURE IN A MANNER THAT MAY ADVERSELY AFFECT THE ABILITY TO RECEIVE PLEDGED FEDERAL AID SUFFICIENT TO ENABLE THE STATE TO PAY DEBT SERVICE ON THE SERIES 2014C BONDS AND SERIES 2012F BONDS.

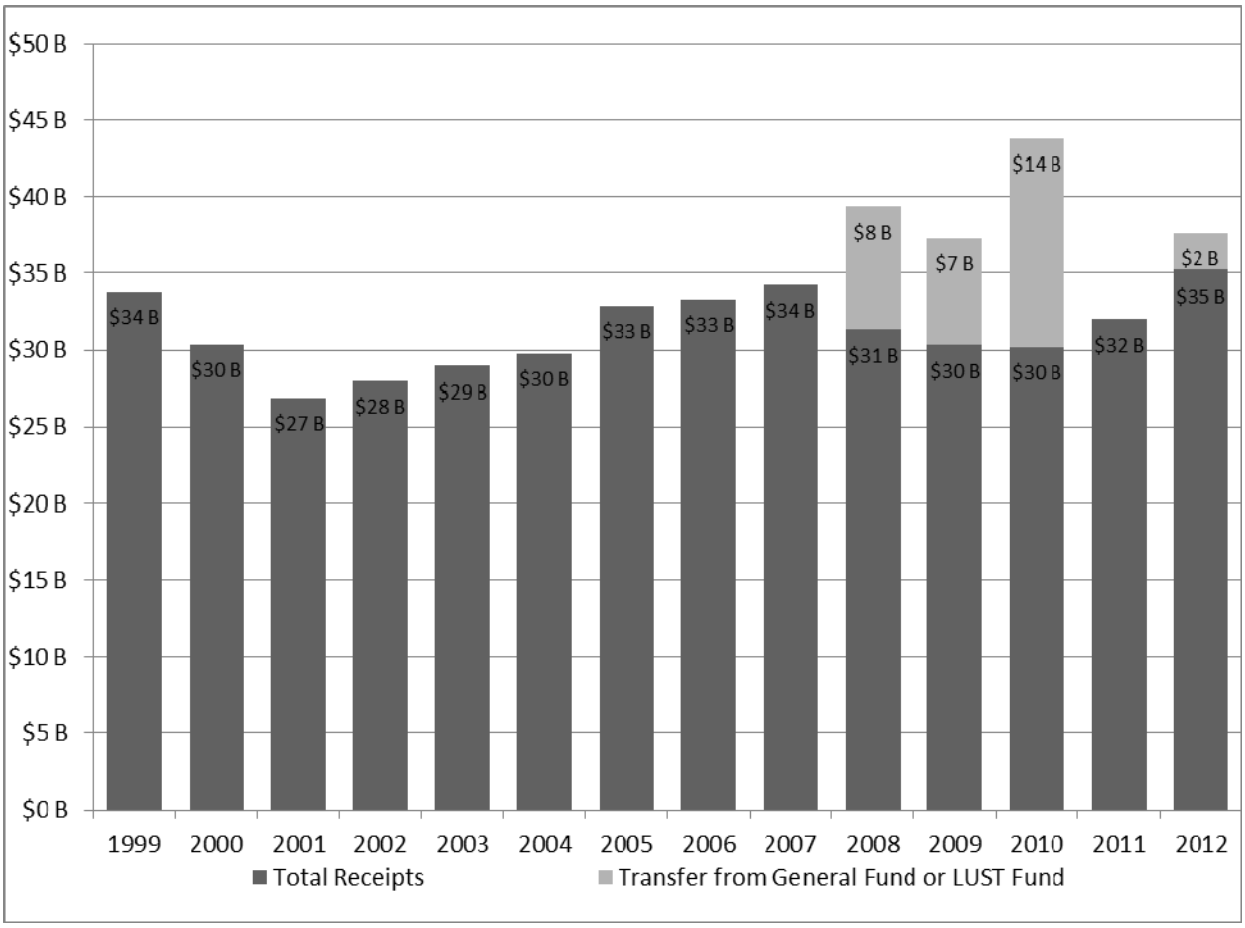
It is anticipated the Congress will either enact a new multi-year authorization to replace MAP-21 when it expires on September 30, 2014, or enact interim authorization extensions until a new multi-year authorization is enacted. ALTHOUGH MEASURES HAVE BEEN ENACTED BY CONGRESS IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF EITHER A SHORT-TERM OR MULTI-YEAR AUTHORIZATION PERIOD.

The Federal Highway Trust Fund

The Highway Trust Fund provides the primary funding for the Federal-Aid Highway Program. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the Highway Trust Fund is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of a state's cost of eligible transportation projects (which may include debt service on obligations issued to finance a federal-aid project), including highway projects. The Highway Trust Fund is composed of two accounts: the Highway Account, which funds construction of highways and intermodal programs and highway safety programs, and the Mass Transit Account, which funds mass transit programs. The Highway Account receives approximately 84 percent of gasoline tax revenues and 88 percent of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account.

Federal gasoline excise taxes are the largest revenue source for the Highway Trust Fund. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon federal fuel tax, go to the Highway Account. The following table shows annual Highway Trust Fund collections in the Highway Account for Federal Fiscal Years 1999 through 2012.

Table 4
Highway Trust Fund
Highway Account Receipts -Federal Fiscal Years 1999-2012



(1) In 2008, the amount of $8,017,000,000 was transferred from the General Fund to the Highway Trust Fund. In 2009, $7,000,000,000 was transferred. In 2010, $14,700,000,000 was moved from the General Fund to the Highway Trust Fund, and $1,065,125 moved to other funds from the Highway Trust Fund. In 2012, $2,400,000,000 was transferred from the Leaking Underground Storage Tank (LUST) Trust Fund.
(2) FFY 1999 to 2010 data from 2010 FE-210 Report (http://www.fhwa.dot.gov/policyinformation/statistics/2010/fe210.cfm).
(3) FFY 2011 and 2012 data from Highway Trust Fund FE-1 Report (http://www.fhwa.dot.gov/highwaytrustfund/).

Through June of Federal Fiscal Year 2013, the Highway Account had receipts of $27.7 billion, including a transfer of approximately $6 billion from the General Fund in November 2012.

The imposition of the taxes that are dedicated to the Highway Trust Fund, as well as the authority to place the taxes in the Highway Trust Fund and to expend money from the Highway Trust Fund, all have expiration dates that must be extended periodically by Congress. The life of the Highway Trust Fund has been extended several times since its inception. The Highway Trust Fund is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met. Should a situation occur where FHWA cannot fully reimburse states, FHWA may take some or all of the following actions: (1) move from daily to weekly reimbursements; (2) align reimbursements with Highway Trust Fund deposits (twice monthly); or (3) make proportional payments to states based on available Highway Trust Fund cash. These are some of the possible actions FHWA might take in the event of a cash shortfall. The specific actions would depend on the exact nature of the shortfall.

Amounts in the Highway Trust Fund can be affected by the rate of expenditure of money in the fund as well as a number of revenue-impacting factors. One significant factor is the decline in vehicle miles traveled since 2007, which impacts revenue from gasoline and diesel sales. In response to shortfalls predicted by the Congressional Budget Office ("CBO") and other governmental entities, Congress transferred funds to the Highway Trust Fund. During SAETEA-LU, an aggregate total of approximately $34.5 billion was transferred, of which approximately $5 billion was transferred to the Mass Transit Account within the Highway Trust Fund. Under MAP-21, an additional $2.4 billion is authorized to be transferred from the Leaking Underground Storage Tank Trust Fund to the Highway Account and $16.6 billion is authorized to be transferred from the General Fund to the Highway Account. An additional $2.2 billion is authorized to be transferred to the Mass Transit Account from the General Fund. CBO assumes that spending from the Highway Trust Fund will continue to be controlled by limitations on obligations set in appropriation acts. For its baseline projections, CBO further assumes that those future limitations on obligations will be equal to the Federal Fiscal Year 2013 amounts, adjusted annually for inflation. Under such a scenario, the Highway Account will be unable to meet all obligations in a timely manner sometime during 2015.

Congress is considering various proposals to address the Highway Trust Fund's future funding, including an increase in fuel taxes, new taxes (including a tax on vehicle miles traveled) and other funding sources.

Funding Equity

A donor state is one whose percentage share of national apportionments is less than its percentage share of national contributions to the Highway Account based on the latest data available at the time of apportionment. Using the methodology adopted by FHWA, Washington was a "donor" state under SAFETEA-LU, but not by a wide margin, and received funds under the minimum funding provision. Using FHWA's methodology, the General Accounting Office's Highway Trust Fund Report identified that Washington's relative share rate-of-return from the Highway Account for Federal Fiscal Year 2005-2009 as 91.6 percent. MAP-21 eliminated the Equity Bonus program with a new approach to the distribution of federal formula funds. For Federal Fiscal Year 2013, each state receives virtually the same total apportionment as in Federal Fiscal Year 2012. In Federal Fiscal Year 2014, the total amount available for distribution will be divided proportionally among the states based on the share of apportionments each state received for Federal Fiscal Year 2012, adjusted, if necessary, to ensure that no state receives less than 95 cents of every dollar it contributed to the Highway Account of the Highway Trust Fund.

Federal Aid Funding Procedures

There are three major steps in reimbursing state expenditures under the Federal-Aid Highway Program. The authorization step establishes overall spending authority for federal highway funding. The second step, obligation, is the process through which states make use of, or "obligate," the contract authority (as described under "Authorization" below) that has been apportioned or allocated to them in the authorization process. The third step, program implementation, is the receipt of federal funds by states.

The following summarizes the major steps in funding the Federal-Aid Highway Program.

1. Authorization

The first step in funding the Federal-Aid Highway Program is the development and enactment of authorizing legislation. Authorizing legislation for highways began with the Federal-Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the current Federal-Aid Highway Program. The Federal-Aid Highway Program has been continued or renewed through the passage of multi-year authorization acts. Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi-year (i.e., four or more years) surface transportation acts. There is no guarantee, however, that reauthorization of the Federal-Aid Highway Program will occur on a multi-year basis in the future.

The authorization act defines the programs and establishes maximum funding levels. When an authorizing act establishes a program, it sets rules for the amount of funds available in a Federal Fiscal Year, a description of how the funds are to be distributed, the length of time during which the funds may be used, and a list of eligible activities. These can be changed by subsequent acts. Typically, federal programs operate using appropriated budget authority,

which means that funds, although authorized, are not available until passage of an appropriations act. Once Congress has established authorizations, funds can be made available to the states. Most Federal-Aid Highway Programs, however, do not require this two-step process. Through "contract authority," authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the Federal-Aid Highway Program, contract authority authorized for a Federal Fiscal Year is available once Congress establishes a level of Obligation Limitations. The contract authority gives the states advance notice of the level of federal funding when an authorization act is enacted; this eliminates the uncertainty associated with the authorization-appropriation sequence. By definition, contract authority is unfunded and a subsequent appropriations act is necessary to pay the obligations under contract authority.

Apportionment and Allocations. For most components of the Federal-Aid Highway Program, the authorization act sets the distribution of contract authority to be apportioned and/or allocated to the states. The authorized amount for a given Federal Fiscal Year is distributed to the states through apportionments and allocations.

Apportionments. The distribution of funds using a formula provided in law is called an apportionment. Most federal-aid funds are distributed to states through apportionments. Each Federal Fiscal Year, the FHWA is responsible for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute. An apportionment is usually made on the first day of the Federal Fiscal Year for which the funds are authorized. FHWA provides certificates that notify a state of the new funding available for each program. States then have the opportunity to require the federal government to approve the obligation of funds in the various categories. Prior to MAP-21, each apportioned program had its own formula for distribution, and each state's total was the sum of the amount it received for each program. MAP-21's new approach to distribution of formula funds is based on the amount of formula funds each state received under SAFETEA-LU. For Federal Fiscal Year 2013, each state received virtually the same total apportionment as in Federal Fiscal Year 2012. In Federal Fiscal Year 2014, the total amount available for distribution will be divided proportionally among the states based on the share of apportionments each state received for Federal Fiscal Year 2012, adjusted, if necessary, to ensure that no state receives less than 95 cents of every dollar it contributed to the Highway Account of the Highway Trust Fund. Once each state's total Federal-Aid apportionment is calculated, amounts are set aside for Metropolitan Planning and CMAQ using a calculation based on the relative size of the state's Federal Fiscal Year 2009 apportionment of those programs. The remainder is then divided among the rest of the formula programs as follows: NHPP (63.7 percent), STP (29.3 percent), and the Highway Safety Improvement Program ("HSIP") (7 percent). An amount is set aside from HSIP to fund the Rail-Highway Crossings program, and amounts are set aside proportionally from each state's NHPP, STP, HSIP, CMAQ, and Metropolitan Planning apportionments to fund the state's Transportation Alternatives Program. To enhance flexibility, MAP-21 allows a state to transfer up to 50 percent of any apportionment to another federal program.

Allocations. Some categories of the Federal-Aid Highway Program do not have a legislatively-mandated distribution formula. When there are no formulas in law, the distributions of funds are termed "allocations," which may be made at any time during the Federal Fiscal Year. In most cases, allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law.

Federal-aid highway apportionments are available to states for use for more than one year; their availability does not terminate at the end of the Federal Fiscal Year. In general, apportionments are available for three years plus the year that they are apportioned. Consequently, when new apportionments or allocations are made, the amounts are added to a state's carryover apportionments from the previous year. Should a state fail to obligate a year's apportionments within the period of availability (usually a total of four years) specified for a given program, the funds will lapse. It is the practice in Washington to use the oldest apportionment available when obligating funds. This approach prevents the lapsing of apportionment.

2. Obligation

Obligation is the commitment of the federal government to pay, through reimbursement to a state, the federal share of an approved project's eligible costs. This commitment occurs when the project is approved and the project agreement is executed. With prior federal approval, the reimbursement may include debt service on obligations issued to finance a project. Once an obligation is made, the federal government reimburses the states when bills or payments become due.

Once Congress establishes an overall Obligation Limitation (see ''Obligation Ceiling" below), FHWA distributes Obligation Authority to states proportionately based on each state's share of apportioned and allocated revenues. The actual ratio of Obligation Authority to apportionment and allocations may vary from state to state, since some federal-aid programs are exempt from the Obligation Limitation. During the Federal Fiscal Year, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of Obligation Authority is reduced. A state's Obligation Authority (unlike its apportionments and allocations of authorized funding) must be obligated before the end of the Federal Fiscal Year for which it is made available; if not, it will be redistributed to other states to help ensure that the total limitation nation-wide will be used.

Redistribution. A state may receive additional Obligation Authority through a redistribution process each year in August, which re-allocates Obligation Authority from states or programs unable to fully obligate their share to other states that are able to obligate more than their initial share. Since the beginning of SAFETEA-LU in 2005, Washington has received $281.4 million of redistributed Obligation Authority.

See "STATE'S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM" for the amount of Obligation Authority and other funds received by Washington.

Obligation Ceiling. Most of the Federal-Aid Highway Program does not receive budget authority through appropriations acts as do most other federal programs. Congressional appropriations committees use federal-aid highway revenues that states can obligate in a given year (Obligation Authority) as a means of balancing the annual level of highway spending with other federal budget priorities. Congress may, therefore, place a restriction or "ceiling" on the amount of federal assistance that may be obligated during a specified time period. The Obligation Limitation is the amount of authorized funding that Congress allows states to obligate in an individual year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used, and, in effect, can limit the amount of funds that can be used.

Although a ceiling on obligations restricts how much funding may be used in a Federal Fiscal Year, generally a state has flexibility within the overall limitation to transfer among certain apportioned highway programs, as long as it does not exceed the ceiling in total. Certain sums may be used only for special purposes once they are apportioned to the states. Generally, the unobligated balance of apportionments or allocations that the state has remaining at the end of any Federal Fiscal Year is carried forward into subsequent Federal Fiscal Years and is available for use, contingent upon the availability of Obligation Authority issued in each year. Generally, if a state does not obligate a particular year's funding within the period of availability, the authority to obligate any remaining amount lapses. WSDOT has been successful in obligating its full amount of Obligation Authority and the additional Obligation Authority made available to the state through the annual process of redistributing federal funds from those states and programs that are unable to utilize all of their obligation authority.

3. Highway Program Implementation

In order to receive federal reimbursements for transportation projects, states are required to develop long-range transportation plans that are based on projections of state and federal funding. Projects are not eligible for federal reimbursements unless they are either directly identified in a long-range plan or consistent with policies and objectives identified in long-range plans and are included in the Statewide Transportation Improvement Program ("STIP"), which lists all projects proposed for financing in the applicable period. The STIP requires FHWA approval.

States are required to follow federal fiscal management procedures as they implement projects that are included in the STIP. These fiscal management processes are designed to ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. Further, states are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states.

States may request FHWA approval for eligible projects either through the traditional process or through the advance construction procedure as discussed below.

Traditional Approach. Under the traditional highway funding approach, FHWA approves the full federal share of the funding for a project at the beginning of the project or a phase of a project, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funds on a project. The project sponsor submits plans, specifications and estimates ("PS&Es") for a project to the FHWA, and requests that the FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and PS&Es must identify the category of federal funding that will be used.

FHWA evaluates the PS&Es to verify that the project is eligible for federal funding and meets a variety of federal requirements. Provided that all requirements are satisfied, FHWA authorizes federal participation in the project, and obligates the federal share of project costs. By obligating the funds, the FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of the state's Obligation Authority and also sets aside an equivalent amount of apportionments by program. Accordingly, the state must have sufficient Obligation Authority to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises the project and receives bids. After the state awards the contract, the state submits a modified agreement to FHWA requesting any necessary adjustments to federal funding to reflect the actual bid amount. The project agreement identifies the funds that are estimated to be expended by the state and the amount that will be reimbursed by the FHWA.

Washington's Stewardship Agreement. While the FHWA is charged with administering the Federal-Aid Highway Program, the Washington State Division of the FHWA has entered into a Stewardship Agreement with WSDOT whereby WSDOT may assume certain project approval authority. The latest agreement is dated February 19, 2008. Under certain conditions, FHWA has delegated to WSDOT authority for project development and construction, including to approve design reports, design deviations, tied bids, proprietary items, state-furnished materials, PS&E's, concurrence in the award of contracts, claim settlements, all change orders, and other related actions that FHWA typically approves under Title 23. Additionally, a supplemental agreement to the Stewardship Agreement was established for the SR 520 Corridor Program in 2004.

Advance Construction Approach. FHWA has implemented several fiscal management techniques that provide states additional flexibility in managing their Obligation Authority and cash flow, including advance construction ("AC") and partial conversion of advance construction. The SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project is an AC project.

The AC approach allows states to request and receive approval to construct a project in advance of the apportionment of federal-aid funds. This allows states to begin a project before accumulating all of the Obligation Authority needed to cover the federal share of the project. Similar to the traditional approach, the state submits PS&Es to FHWA and requests project authorization. Under AC, however, FHWA is asked to authorize the project without obligating federal funds. A state will provide the up-front financing for the project and then at a later date "convert" the AC project to a regular federal-aid project and obligate the full federal share of the project costs when sufficient Obligation Authority is available. At the time of conversion, a state can be reimbursed for the federal share of costs incurred up to the point of conversion.

Partial conversion of AC is a form of AC in which a state converts, obligates, and receives reimbursement for only a portion of its funding of an AC project in a given year. This removes any requirement to wait until the full amount of Obligation Authority for the project is available. A state can obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's Obligation Authority is available.

Under the Federal-Aid Highway Program, as projects are approved by FHWA, the aggregate dollar amount of each related contract is obligated against the remaining annual amount of Obligation Authority still available to the state. The state then pays the amounts owed under each contract as the work progresses and receives reimbursement from the federal government for the federal share of the total costs. The aggregate amount of reimbursement received by the state in any year is not necessarily equal to the state's apportionment for such year. Many projects and contracts extend over a number of years and, therefore, the aggregate amount made available to the state in any one year, if fully obligated, may be received as reimbursement over a longer period of time relating to the actual pace of construction. Washington expects to have sufficient projects that will qualify to allow it to access all Federal-Aid Highway Program funds made available to it.

Reimbursement. The Federal-Aid Highway Program is a reimbursement program. As work progresses on a federal-aid highway project, a state pays the contractor for completed work from available state funds. The state electronically transmits vouchers for the federal share of completed work and certifies the claims to FHWA for review and approval. The FHWA certifying officer then certifies the claim for payment. Payment is transferred directly from the U.S. Treasury to the state's account by electronic fund transfer. The FHWA's payments are generally deposited in WSDOT's account on the same day reimbursement is requested.

US Treasury Offset Program ("TOP"). The TOP is administered pursuant to the Debt Collection Improvement Act of 1996 ("DCIA"), which requires the U.S. Department of the Treasury and other disbursing agencies to collect delinquent debts owed to the U.S. Under the DCIA, if a "person" is in debt to the U.S., then federal agency payments may be offset through the TOP by the amount of the debt owed and up to the amount of the scheduled payment. "Person" is defined to include a state or local government. Administrative offset under the DCIA is precluded only when another law specifically prohibits the offset. In the last five years, WSDOT had three offset actions totaling $1,526 related to secondary Medicare insurance owed by former and current state employees. Subsequent to the offset action, WSDOT recovered the amounts. WSDOT has a separate taxpayer identification number from other state departments and agencies. It is the state's understanding that the U.S. Treasury only offsets amounts owed to the U.S. from entities with the same taxpayer identification number. In addition, the Administrator of FHWA is authorized to withhold payment of federal funds to a state for a project if the Administrator determines that the state has violated or failed to comply with federal laws or regulations with respect to that project.

Lapsing of Authorization

All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. Indeed, for most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the Federal-Aid Highway Program, the consequences of lapsed authorization caused when Congress fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide Obligation Authority by administrative action. See ''Reauthorization and Proposed Legislation."

Rescissions. Since 2005, Congress has taken action to reduce unobligated balances of previously authorized funds by issuing the following rescissions. Not included is a rescission (FHWA Notice N 4510.711) for the end of SAFETEA-LU on September 30, 2009, in the amount of $8.708 billion, which was reversed on March 18, 2010, through H.R. 2847; the state's share of this rescission was $148.1 million. There were no rescissions in 2012. In 2013, the state has lost approximately $1.9 million from federal transportation funds as a result of sequestration. See "STATE'S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM—Sequestration."

Table 5
Rescissions of Unobligated Balances[1]

Date	National Amount	Washington's Share	Source: FHWA Notice	Public Law No.
12/28/2005	$ 1,999,999,000	$ 37,089,941	N 4510.578	109-115
03/21/2006	1,143,000,000	21,212,285	N 4510.588	109-148
07/05/2006	702,362,500	13,034,746	N 4510.606	109-234
03/19/2007	3,471,582,000	63,656,419	N 4510.643	110-5
06/20/2007	871,022,000	15,971,433	N 4510.647	110-28
03/04/2008	3,150,000,000	54,088,797	N 4510.673	110-161
04/13/2009	3,150,000,000	53,772,670	N 4510.707	111-8
08/13/2010	2,200,000,000	37,537,831	N 4510.729	111-226
06/30/2011	2,500,000,000	43,727,418	N 4510.735	112-10
Total	$19,187,965,500	$340,091,540		

(1) Under FHWA Notices 4510.762 and 4510.763, apportionment available to the state was reduced by $1.9 million. However, these notices are associated with sequestration and are not reflected in Table 5.

All of such rescissions were spread among the 50 states on a proportional basis, the first three based on certain Federal Fiscal Year 2006 apportionments, the fourth and fifth on certain Federal Fiscal Year 2007 apportionments, the sixth on certain Federal Fiscal Year 2008 apportionments, the seventh and eighth on certain Federal Fiscal Year 2009 apportionments and the last on certain Federal Fiscal Year 2011 apportionments. The aggregate amount for these rescissions for Washington was $340 million, which was applied to reduce the unobligated apportionment balances from prior years. Further rescissions are possible and may have a more adverse effect on Washington and its highway program. Although rescissions could be large enough to impact Obligation Authority, to date they have not. If Congress continues to require rescissions, the balances of unobligated apportionment for those federal programs that would support the SR 520 Corridor Program may be reduced. If sufficient apportionment balances do not exist to obligate funds to meet debt service requirements, the Master Resolution requires that WSDOT will de-obligate funds on existing programmed projects to make the necessary apportionment available for debt service payments. See "SECURITY FOR THE BONDS–Bond Covenants–Obligation of Pledged Federal Aid."

Provisions Relating to Debt-Financed Projects

Under 1995 legislation, codified in Section 122 of Title 23, FHWA may reimburse a state for expenses and costs incurred by the state or a political subdivision of the state for an "eligible debt financing instrument," including bonds such as the Series 2014C Bonds and Series 2012F Bonds. FHWA reimburses eligible debt costs in the same percentage as for the standard construction reimbursement method. In the Memorandum of Understanding for the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project, FHWA acknowledges that WSDOT will use toll credits to meet its match requirement. See "STATE'S PARTICIPATION IN THE FEDERAL–AID HIGHWAY PROGRAM–Toll Credits." At the time the project agreement is signed with FHWA, a state may elect to seek reimbursement for debt service and related costs in lieu of reimbursement for construction costs. Bond proceeds may be used to fund a project phase, a specific activity, or be limited to a dollar amount per project. Once a project is selected for debt financing, the project is submitted to the FHWA for approval as an AC project.

Various debt-related costs are eligible for reimbursement, including principal and interest payments, issuance costs, insurance, reserve account deposits, capitalized interest, ongoing registrar and paying agent costs, and other costs incidental to a financing.

A state may seek federal-aid reimbursements for eligible bond-related costs as these costs are incurred without regard to the construction status of the project. A state must make arrangements with the FHWA regarding the procedures under which it would submit a billing to FHWA for debt-related costs. A request for debt service payment can be timed so that reimbursements are received shortly before the debt service payment date. See "SECURITY FOR THE BONDS–Memorandum of Understanding and Federal Aid Project Agreements."

Debt-financed projects are subject to requirements of the Federal Clean Air Act and federal air quality conformity requirements. See "SR 520 FLOATING BRIDGE AND EASTSIDE PLUS WEST APPROACH BRIDGE PROJECT."

STATE'S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM

State Receipts

The following tables identify Washington's Obligation Authority and receipts of federal highway aid revenues from Federal Fiscal Years 2005 through 2012. Washington has historically obligated all of its Obligation Authority in each Federal Fiscal Year and has annually received additional Obligation Authority from the FHWA's redistribution of Obligation Authority not used by some states and allocated programs. The following tables show Washington's annual distribution, the amount of redistributed Obligation Authority, and receipts of federal highway aid revenues. The ability to pay the Series 2014C Bonds, Series 2012F Bonds and Additional Bonds will depend upon the amount of actual funding provided to the state under the Federal-Aid Highway Program. Historical receipts of federal highway aid revenues may not be indicative of future receipts. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS."

Table 6
State's Obligation Authority
($ in millions)

Federal Fiscal Year	Obligation Authority Distribution	Redistributed Obligation Authority	Obligation Authority[(1)]	Additional Obligation Authority[(2)]
2005	459.0	19.6	478.6	82.5
2006	449.0	55.4	504.4	226.8
2007	533.3	72.1	605.4	141.5
2008	539.2	16.2	555.4	247.8
2009	559.8	30.7	590.5	732.4
2010	602.9	68.4	671.3	119.8
2011	638.9	10.0	648.9	54.0
2012	610.3	9.0	619.3	76.8

(1) Obligation Authority would constitute "Obligation Authority" under the Master Resolution.
(2) Would not constitute "Obligation Authority" under the Master Resolution. Includes Emergency Relief Program, earmarks, and other allocated programs. Includes $491.3 million in American Recovery and Reinvestment Act (ARRA) obligation authority provided in Federal Fiscal Year 2009. Excludes Obligation Authority for TIGER grants in Federal Fiscal Years 2010-12 and does not include transfer of obligation authority to other federal agencies, such as the Federal Transit Administration or Federal Public Lands.

Source: WSDOT.

Through July of Federal Fiscal Year 2013, WSDOT received $616 million in Obligation Authority, slightly higher than the $610.3 million received in Federal Fiscal Year 2012. This amount does not include Redistributed Obligation Authority and Additional Obligation Authority that the state expects to receive for Emergency Relief Projects and other allocated programs.

Table 7
State's Receipts of Federal Highway Aid Revenues

Federal Fiscal Year	Formula Funds Reimbursed [(1)(4)]	Additional Funds Reimbursed	Reimbursements[(2)]	ARRA Funds Reimbursed[(3)]
2005	472.9	114.3	587.2	0
2006	441.9	112.2	554.1	0
2007	533.2	200.2	733.4	0
2008	565.7	158.3	724.0	0
2009	467.1	178.9	646.0	44.7
2010	341.8	179.1	520.9	300.4
2011	412.3	222.0	634.3	129.7
2012	636.6	170.1	806.7	52.5

(1) Reimbursements for projects funded using formula Obligation Authority.
(2) These funds would constitute "Reimbursements" under the Master Resolution and such funds received in future years would be pledged to the Bonds in the event that Direct GARVEE Reimbursement is not provided by FHWA and such funds are on deposit.
(3) Would not constitute "Reimbursements" under the Master Resolution.
(4) Does not include $5.9 million received from FHWA for GARVEE debt service payment in 2012.

Source: WSDOT. Reimbursements are from Federal Management Information System Report (FMISM80A) showing federal reimbursements by federal program code for years 2005-12.

Through July of Federal Fiscal Year 2013, WSDOT was reimbursed $601.2 million in Formula Funds, $70.0 million in Additional Funds, and $16.0 million in ARRA funds.

The following table shows monthly federal highway aid reimbursements received by the state.

Table 8
State's Monthly Federal-Aid Highway Project Reimbursements
(State Fiscal Years, $ in millions)

	2005	2006	2007	2008	2009	2010	2011	2012
Minimum	18.7	19.8	34.8	32.4	21.8	31.1	33.2	38.9
Maximum	72.4	74.6	97.3	82.2	81.2	93.5	57.7	141.6
Average	48.3	45.9	57.1	59.4	54.1	49.9	45.5	67.4

Source: WSDOT's Transportation Reporting and Accounting Information System (TRAINS) Financial Datamart.

Through June of state Fiscal Year 2013, the minimum monthly reimbursement received by WSDOT from FHWA was $34.7 million, the maximum monthly reimbursement was $135.9 million, and monthly reimbursements averaged $74.7 million; these amounts do not include $18.3 million received in 2013 from FHWA for debt service on the Series 2012F Bonds.

Sequestration

The Highway Trust Fund has been exempt from the sequestration of funds pursuant to the Balanced Budget and Emergency Deficit Control Act ("BBEDCA"), although the amount of General Fund transfers into the Highway Trust Fund have been reduced by about $471 million. The sequestration of funds pursuant to the BBEDCA resulted in a loss of less than $0.6 million in National Highway Performance Program Funds received by the state. In addition, the state's Obligation Authority available to the Federal-Aid Highway Program was reduced by approximately $1.3 million. The combined reduction resulting from sequestration represents less than 0.5 percent of the Obligation Authority forecasted by the Transportation Revenue Forecast Council for Federal Fiscal Year 2013.

The Build America Bonds ("BABs") subsidy received by the state for certain motor vehicle fuel tax bonds in Federal Fiscal Year 2013 was reduced by approximately $1.2 million.

Toll Credits

WSDOT utilizes toll credits to match its federal funded projects and expects to use toll credits as a match for the state's share of costs associated with the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project, including as a match for the debt service reimbursements that the state receives for the Series 2014C Bonds, Series 2012F Bonds and any Additional Bonds. The state will not use toll credits if it is determined that the individual projects have sufficient other state or local match.

To receive toll credits Washington must demonstrate that it has met criteria designated by FHWA, known as the Maintenance-of-Effort ("MOE"). Each year that Washington passes the MOE, it is eligible to certify its toll credits based on its tolling revenues and capital expenditures. To date, Washington has certified approximately $2.7 billion in toll credits, which have been generated entirely from tolls collected on the state system (Tacoma Narrows Bridge, SR 520, SR 167 HOT Lanes, and ferry fare collections). The state has accumulated certified toll credits dating back to the early 1990s, and currently has $2.3 billion in certified toll credits available. Since the start of SAFETEA-LU in 2005, on average WSDOT has committed $51 million per year of toll credits on qualifying projects.

Table 9
State's History of Certified Toll Credits, Usage, and Remaining Balance[(1)]

Federal Fiscal Year	Certified Toll Credits[(2)]	Toll Credits Used (Expenditures) [(3)]	Balance Available
1992 to 2004	$978,272,606	$100,646,193	$ 877,626,413
2005	255,959,167	51,166,343	1,082,419,237
2006	274,905,358	44,905,600	1,312,418,995
2007	216,732,756	57,099,844	1,472,051,907
2008	202,809,151	58,525,000	1,616,336,058
2009	177,481,021	46,677,954	1,747,139,125
2010	157,622,463	45,889,779	1,858,871,809
2011	152,215,338	50,986,970	1,960,100,177
2012	325,797,719	45,961,338	2,339,936,558
Totals	$2,741,795,579	$501,859,021	

(1) In 2013, FHWA approved the state's Toll Credit plan that incorporates toll credits earned from the SR 520 and SR 167 toll facilities.
(2) Toll credits are certified at the end of even numbered Federal Fiscal Years.
(3) WSDOT Toll Credits Used includes toll credits applied to projects funded by Federal Transit Administration programs.

Source: WSDOT.

DEBT SERVICE COVERAGE ON GARVEE BONDS

The following table compares estimated annual debt service on the Series 2012F Bonds and the Series 2014C Bonds to the state's Obligation Authority in Federal Fiscal Year 2012 as shown in Table 6 under "STATE'S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM." Historical Obligation Authority may not be indicative of future Obligation Authority. The resulting ratios are given solely for general information and actual results will be different.

Table 10
Debt Service Coverage on GARVEE Bonds
($ in millions)

Federal Fiscal Year Ending September 30	Series 2012F Bonds Debt Service	Series 2014C Bonds Debt Service [(1)]	FFY 2012 Obligation Authority	Coverage Ratio [(1)]
2013	24.8	13.8	619.3	16.0
2014	24.8	38.4	619.3	9.7
2015	64.7	38.4	619.3	6.0
2016	64.7	38.4	619.3	6.0
2017	64.7	38.4	619.3	6.0
2018	64.7	38.4	619.3	6.0
2019	64.7	38.4	619.3	6.0
2020	64.7	38.4	619.3	6.0
2021	64.7	38.4	619.3	6.0
2022	64.7	38.4	619.3	6.0
2023	64.7	38.4	619.3	6.0
2024	64.7	38.4	619.3	6.0

(1) Preliminary, subject to change.

THE WASHINGTON STATE DEPARTMENT OF TRANSPORTATION

The Washington State Department of Transportation ("WSDOT") is the state department responsible for building, maintaining, and operating the state highway system and the state ferry system and working in partnership with others to maintain and improve local roads, railroads, airports, and multi-modal alternatives to driving. WSDOT manages its programs and projects according to six transportation policy goals adopted by the Legislature: safety, preservation, mobility (congestion relief), environment, stewardship, and economic vitality.

WSDOT operates 18,600 state highway lane miles, over 3,600 bridge structures, including the four longest floating bridges in the United States, 48 safety rest areas, 22 ferry vessels and 20 ferry terminals. The state's ferry system, the largest ferry system in the United States and the third-largest system in the world, is owned and operated by WSDOT and connects 15 islands and other areas within and along the coast of Puget Sound.

WSDOT has 6,600 full-time employees.

Lynn Peterson, Secretary, was appointed Secretary of Transportation in February 2013 by Governor Jay Inslee. Before joining WSDOT, Ms. Peterson served as Sustainable Communities and Transportation policy advisor to the Oregon Governor. She is the former chair of the Clackamas County Commission and a nationally recognized transportation and land-use integration expert. Prior to serving on the Clackamas County Commission, Ms. Peterson worked as a transportation consultant and as a strategic planning manager for TriMet, Portland's regional transportation agency. She was also a transportation advocate for 1000 Friends of Oregon and a transportation planner for Metro, the regional government for the Portland metropolitan area. Ms. Peterson holds a bachelor of science degree in Civil and Environmental Engineering from University of Wisconsin–Madison, and two master's degrees from Portland State University, in Civil and Environmental Engineering and Urban and Regional Planning.

Cam Gilmour, Deputy Secretary of Transportation and Chief Operating Officer, has worked for WSDOT since May 28, 2013. He has more than 12 years of experience as director for the Clackamas County Department of Transportation & Development in Oregon City, Oregon, and with more than 25 years at the Oregon Department of Transportation. Mr. Gilmour has a master's degree from the University of Idaho and bachelor's degree from Oregon State University in agricultural economics.

Linea Laird, Chief Engineer, has worked for WSDOT for 30 years. Ms. Laird most recently worked as Program Administrator for the Alaskan Way Viaduct Replacement Program, where she oversaw all aspects of the program including procurement strategies, contract delivery, and coordination and communication with key stakeholders. Ms.

Laird has also worked as State Construction Engineer, where she was responsible for overseeing the day-to-day operations as well as the strategic direction, leadership and policy for the WSDOT State Construction Program. Ms. Laird was the WSDOT Project Manager for the Tacoma Narrows Bridge Design-Build Project that opened to traffic in 2007. In her career with WSDOT, she also served as State Maintenance Engineer. Ms. Laird attended Montana State University and has a professional engineering license.

Keith Metcalf, Deputy Chief Engineer, Regional Operations, has worked for WSDOT for 35 years in progressively responsible engineering positions. In addition to his duties as the Deputy Chief Engineer, Mr. Metcalf is the Regional Administrator for WSDOT's Eastern Region which covers seven counties with regional headquarters in Spokane. As the Deputy Chief Engineer his responsibilities touch upon nearly every activity performed by WSDOT, from highway maintenance and traffic operations, environmental services and permitting, to construction and project development. He is a graduate of Washington State University with a bachelor of science in civil engineering and is a licensed professional engineer.

Julie Meredith, Project Director, has been with WSDOT for over 20 years and has been working on the SR 520 Corridor Program since 2003. She earned a bachelor of science degree in Forest Resources from the University of Washington and is a licensed professional engineer. Ms. Meredith oversees an integrated team of nearly 200 WSDOT and consultant staff members who are working to deliver the projects that comprise the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project.

Amy Arnis, Chief Financial Officer, has worked for WSDOT since 1987. Since 2007, she has served as the Assistant Secretary for Strategic Planning and Finance. Ms. Arnis oversees capital program development and management, accounting, budgets and financial analysis. She holds a bachelor's degree in economics from the University of Oregon and a master's degree in economics from the University of Washington.

Jay Alexander, Director Capital Program & Management Office, has worked in WSDOT's program management for the past eight years. Mr. Alexander is responsible for overseeing WSDOT's highway capital construction program, including planning and authorization of federally funded projects. Before joining WSDOT, he worked for the Transportation Committee for the state House of Representatives as a budget analyst. He has over 20 years of experience in budgeting and financial management with the state. He holds a master's degree in business administration from Idaho State University and a bachelor's degree in accounting from Brigham Young University.

As discussed under "STATE OVERVIEW–Budget and Appropriation Process," a transportation budget is prepared by the Governor and is separate from the state's operating and capital budgets. The Legislature adopts biennium budgets for capital and operating expenditures of WSDOT. Within a biennium, the Governor may submit supplemental budgets to the Legislature.

Transportation Revenue

Transportation revenues include taxes and fees, ferry fares and concessions, toll revenue and federal funds. Most transportation revenues are deposited to the Motor Vehicle Fund. Revenues from excise taxes on motor vehicle and special fuels are restricted to highway purposes. Toll revenue from the SR 520 Corridor is deposited into the Toll Facilities Account. FAHP Funds are deposited into the Motor Vehicle Fund. Under the Master Resolution, Direct GARVEE Reimbursements will be deposited into the Direct GARVEE Reimbursement Subaccount of the Toll Facilities Account. See "SECURITY FOR THE BONDS–Appropriation, Accounts and Payment Procedures."

Excise Taxes on Motor Vehicle and Special Fuels. The primary component of transportation revenue is excise taxes on motor vehicle and special fuels. In 1921, the Legislature established a motor vehicle fuel tax at a fixed rate of $0.01 per gallon. The tax rate has been increased several times since then. The current excise tax on motor vehicle fuel is $0.375 per gallon, which has been the rate since 2008. The same rates are charged per gallon for diesel and alternative fuels.

Federal Funds. WSDOT receives substantial federal funds, primarily from the Federal Aid Highway Program. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS" and "STATE'S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM."

See "STATE'S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM—Sequestration" for a description of the impact of federal sequestration on WSDOT.

Tolls. Currently the state is collecting tolls on three facilities, the Tacoma Narrows Bridge, State Route ("SR") 167 High Occupancy Toll ("HOT") Lanes Pilot Project and the SR 520 Corridor. Tolling on the Tacoma Narrows Bridge does not vary based on time of day and tolls are collected only in the eastbound direction. Tolling on SR 167 is "dynamic"; cars with two or more people use the HOT lane for free and single occupant drivers have the option to pay the posted toll and use the carpool lane. The Legislature recently extended the SR 167 HOT Lanes Pilot Project through June 2015. Tolling on the SR 520 Corridor began in December 2011. Additional Eligible Toll Facilities have been designated by the Legislature, including the Alaskan Way Viaduct Deep Bore Tunnel, the northern portion of the I-405 Corridor, and the Columbia River Crossing. However, none of these projects have been authorized to issue debt. The state Transportation Commission is designated in law as the State Tolling Authority and sets toll rates for all state highways and bridges. The Transportation Commission increased tolls on the SR 520 Corridor by 2.5 percent and by $0.25 on the Tacoma Narrows Bridge effective July 1, 2013. See "SR 520 FLOATING BRIDGE AND EASTSIDE PLUS WEST APPROACH BRIDGE PROJECT–Sources of Funds and Project Costs."

Transportation Revenue Forecast Council

The Transportation Revenue Forecast Council (the "Transportation Forecast Council"), comprised of technical staff of the Department of Licensing, WSDOT, Office of Financial Management and the Economic and Revenue Forecast Council, prepares quarterly forecasts of transportation revenues. The transportation forecasts are based in part upon the separate economic and demographic forecasts and assumptions made by the Economic and Revenue Forecast Council. No increases in fuel tax rates are included in the baseline forecasts. The Transportation Forecast Council forecasts are required to cover 10 years. In its most recent forecast, released in June 2013, the Transportation Forecast Council projects that transportation revenues for the 2013-15 Biennium will total approximately $4.588 billion, an increase of 6.3 percent from the previous biennium's total revenue of $4.317 billion.

The federal funds forecast for Federal Fiscal Year 2013 is based on MAP-21 and H.R. 4348. Notice 4510.763 dated April 4, 2013, which sets apportionment levels for Federal Fiscal Year 2013. The forecast for 2014 is based on the "Summary of Estimated Federal Fiscal Year 2014 Apportionments" under the Conference Report for MAP-21 found on the FHWA web site. The baseline June 2013 federal apportionment forecast assumes that after MAP-21 expires on September 30, 2014, the amount available for distribution to the state would be limited by the projected balance in the Highway Account in the Highway Trust Fund. The current CBO forecasts the Highway Trust Account to go negative in Federal Fiscal Year 2015. In order to keep the Highway Trust Account from going negative, a reduction in federal expenditures and federal apportionment of 11 percent would be needed in Federal Fiscal Year 2015 and another 10 percent reduction in Federal Fiscal Year 2016. After Federal Fiscal Year 2016, the state's federal funding level is forecasted to grow at the same rate as the state's motor fuel consumption. See "STATE'S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM."

Budgeting and Programming Federal Funds

WSDOT uses the forecast for Obligation Authority when it budgets and programs projects unlike certain other states that program federal funds at the higher apportionment level. WSDOT estimates the funding targets for the highway construction program by fund type—federal, state and local. Within these funding types are specific amounts with unique requirements attached specifying how, when and where the funds can be spent. Federal-aid funds are distributed in programmatic categories with differing limitations on their usage. This approach allows WSDOT flexibility to meet the changing demands and eligibility requirements of the federal program. WSDOT's financial practice is to use the most restrictive federal programs when initially programming a project. This allows more flexible programs to be available later in the budget and programming process.

WSDOT's overall capital program is referred to as its Capital Improvement and Preservation Program ("CIPP"). The CIPP is a rolling 10-year investment plan divided into five biennia. The first two years (also referred to as a biennium) of the CIPP are funded by the Legislature. The remaining eight years of the 10-year CIPP are project specific. Projects in this eight-year window have been scoped and the solutions have been approved by WSDOT.

For certain types of projects, the last two biennia of the CIPP are conceptual solutions. They may be shown with less detail or as lump sum funding levels proposed for various categories of work.

Transportation Expenditures

Transportation Excise Tax Revenue Distributions. The Constitution requires that all proceeds of the excise taxes on motor vehicle and special fuels be placed in the Motor Vehicle Fund, a special fund within the state treasury, and used exclusively for highway purposes, including the capital and operating costs of public highways, county roads, bridges and city streets and the operation of ferries that are part of any public highway, county road or city street and including the payment of state debt obligations for which excise taxes on the motor vehicle and special fuels have been legally pledged.

State statutes require that excise taxes on motor vehicle and special fuels be distributed to local governments and to certain state accounts and be used for highway purposes. The statutes provide, however, that nothing therein be construed to violate any terms or conditions contained in any highway construction bond issues then or thereafter authorized and to which such taxes are pledged. Excise taxes collected on motor vehicle and special fuels are distributed monthly.

Transportation Operating Budget. Highway and ferry operations and maintenance are the two largest components of the state's transportation operating budget. Ferry operations and maintenance is funded in part by ferry fares. Aviation, public transportation and rail operations are funded with other non-fuel tax revenues.

Payment of Bonds Payable from Excise Taxes on Motor Vehicle and Special Fuels. Motor vehicle fuel tax bonds are secured by a pledge of the excise taxes levied on motor vehicle and special fuels, and are further secured by a pledge of the full faith, credit and taxing power of the state. Statutes authorizing the issuance of refunding bonds require that if the bonds to be refunded are secured by motor vehicle fuel taxes, in addition to the pledge of the state's full faith, credit and taxing power, the refunding bonds must also be secured by the same taxes. Generally, transfers from the Motor Vehicle Fund to the Highway Bond Retirement Fund for debt service on such bonds are set aside monthly.

Payment of Bonds Payable from Toll Revenue and Other Funds. The state is financing the SR 520 Floating Bridge and the Eastside plus West Approach Bridge Project as part of the SR 520 Corridor Program described below with a combination of (i) general obligation bonds of the state first payable from toll revenue and excise taxes on motor vehicle and special fuels ("Triple Pledge Bonds"), (ii) toll revenue bonds that do not pledge state excise taxes on motor vehicle and special fuels or the full faith and credit of the state, and (iii) grant anticipation revenue vehicle ("GARVEE") bonds payable from Federal-Aid Highway Program funds and not secured by a pledge of toll revenue. The state issued the first series of bonds for the SR 520 Corridor Program in October 2011, as Triple Pledge Bonds. Under the authorizing legislation, "toll revenue" means only such toll revenue that is pledged to the payment of the bonds. The resolution authorizing the issuance of the Triple Pledge Bonds pledged to those bonds the toll revenue from the SR 520 Corridor and any other "Eligible Toll Facilities" that may become part of a system of Eligible Toll Facilities. If toll revenue is not sufficient to pay the Triple Pledge Bonds, the Triple Pledge Bonds are then payable first from excise taxes on motor vehicle and special fuels and then from a general obligation pledge of other money of the state legally available therefor.

The Series 2012F Bonds were the second series of bonds for the SR 520 Corridor Program and are GARVEE Bonds, payable solely from Federal-Aid Highway Program funds. The state issued the third series of bonds for the SR 520 Corridor Program in October 2012 as the TIFIA Bond, which represents a draw-down loan from the FHWA. The state does not expect to draw on the loan until 2014. The TIFIA Bond is payable solely from toll revenues.

Transportation Capital Program. Since 2002, WSDOT has completed a series of large projects, including the Tacoma Narrows Bridge for approximately $735 million and the Hood Canal Floating Bridge for approximately $500 million. To date, WSDOT has completed 344 of 421 projects funded by the 2003-2005 gas tax, 88 percent of which projects were completed early or on time and 92 percent of which were on or under budget. In June 2013, WSDOT replaced the damaged Skagit River Bridge with a temporary span, less than one month after a partial collapse; the permanent span is expected to be open by October 2013. The bridge replacement has been financed primarily with federal emergency relief funds.

The state's transportation capital plan includes several mega-projects, including the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project and the replacement of the Alaskan Way Viaduct. See "SR 520 FLOATING BRIDGE AND EASTSIDE PLUS WEST APPROACH BRIDGE PROJECT." Other major highway projects include the I-405 and SR 520 interchange in Bellevue, the U.S. 395 North Spokane corridor, and the I-5 and SR 16 interchange in Tacoma. Construction of approximately 200 smaller highway projects, including construction of new interchanges, lanes and bridges, is underway. Three 64-auto ferry boats have been constructed and delivered since 2010 and two 144-auto ferries are being constructed and are expected to be delivered in 2014 and be in service in 2014 and 2015. The second ferry is expected to be in service in early 2015 at a total cost of $126 million. Federal funds made available under the American Recovery and Reinvestment Act of 2009 ("ARRA") Inter-City High-Speed Passenger Rail Program will finance the capital improvements necessary to expand the Amtrak Cascades Service, including projects needed to provide two additional daily round trips between Seattle and Portland, reduce travel time between Seattle and Portland and improve on-time performance. In March 2013, a U.S. district court issued an injunction requiring WSDOT to repair or replace fish barrier culverts by 2030. WSDOT has estimated that it will cost $2.4 billion over the next 17 years to repair approximately 817 culverts.

The Viaduct was built in the 1950s and includes an elevated 2.2-mile portion of SR 99 along the edge of Puget Sound in downtown Seattle. The Viaduct is a main north-south route through Seattle and carries 20 to 25 percent of the traffic through downtown. The elevated structure was damaged during the region's 2001 Nisqually earthquake. Studies indicate that the Viaduct may collapse if another major earthquake occurs. The total cost of the Viaduct replacement project is estimated to be $3.145 billion, which is expected to be funded by state, federal and local investments and toll revenue. The Viaduct replacement project has been approved for $822 million in federal funds. The Viaduct's downtown waterfront section will be replaced with a bored tunnel beneath downtown Seattle using the world's largest diameter tunneling machine. The tunneling started in the summer of 2013. The SR 99 tunnel is scheduled to open in December 2015.

Columbia River Crossing is a comprehensive five-mile project to improve safety, reduce congestion and enhance mobility on I-5 between SR 500 in Vancouver, Washington, and Columbia Boulevard in Portland, Oregon. The project would replace the current I-5 bridge, extend light rail to Vancouver, improve closely-spaced interchanges and access to the ports of Portland and Vancouver, and enhance the pedestrian and bicycle path between the two cities. The final environmental impact statement was published in September 2011, and in December 2011, the FHWA and Federal Transit Administration signed a record of decision, validating the selected project solution and completing the federal environmental review process. The cost estimate is between $3.1 and $3.5 billion (in year of expenditure dollars). Expected funding sources included toll revenue, federal transportation funds, and state sources from Oregon and Washington. In March 2013, the State of Oregon authorized the sale of bonds to fund $450 million in capital construction in Oregon. Oregon's contribution was contingent on certain requirements, including a commitment from the State of Washington to authorize construction funds; however, in the 2013 legislative session, the Legislature did not enact legislation providing the state's contribution to the project. Without funding, WSDOT is now in the process of closing the project office.

Transportation Revenues and Expenditures

The following table summarizes transportation-related revenues and other funding for the Fiscal Years 2009 through 2012 and forecasted transportation-related revenues and other funding for the Fiscal Years 2013 through 2015. The forecasted revenues displayed in the following table are revenues used by WSDOT and do not include forecasted revenues for other transportation agencies such as the Department of Licensing, the Washington State Patrol or local grant agencies. It includes forecast revenues and projected bond proceeds, based upon the current budget, and assumed federal and local funds. The federal funds shown in the table include funds received from all federal transportation agencies that are appropriated by the Legislature. A portion of the funds received in the state's federal program is passed through to local entities and is not appropriated by the Legislature. The table is presented on a state Fiscal Year, which produces different results than when presented on a federal fiscal year basis. The subsequent table summarizes transportation-related expenditures for Fiscal Years 2009 through 2012 and budgeted and projected expenditures for Fiscal Years 2013 through 2015. Expenditures reflected are for WSDOT programs only.

Table 11
Transportation Revenues and Resources
State Fiscal Years ended June 30
(Modified Accrual Basis)
($ in millions)

					June 2013 Forecast		
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Beginning Balance	588	270	1,438	529	1,214	398	185
Gross Fuel Tax Collections include Non-Highway	1,247	1,234	1,255	1,242	1,242	1,254	1,261
Refunds for Non-Highway Use	(79)	(57)	(62)	(81)	(66)	(68)	(70)
Adjusted Gross Fuel Tax Collections	1,168	1,177	1,193	1,161	1,176	1,186	1,191
WSDOT Portion of Licenses, Permits and Fees	295	288	294	302	341	359	363
Ferry Fares	145	147	147	155	162	165	171
Tacoma Narrows Bridge Tolls(1)	46	47	45	47	61	66	71
State Route 167 Hot Lane Tolls(1)	-	1	1	1	1	1	1
SR 520 Corridor Tolls(1)	-	-	-	33	65	71	76
Other Revenues and Adjustments(2)	116	99	99	92	92	116	116
Total State Sources(3)	1,771	1,758	1,780	1,791	1,898	1,963	1,989
Other Funding(4)							
Bond Proceeds (Bonds sold in Fiscal Year)(5)	507	2,082	48	1,134	623	936	936
Bond Proceeds (GARVEE)(6)	-	-	-	602	-	220	-
Federal Aid Highway Funds(7)	-	-	-	-	18	25	25
TIFIA Loan(8)					-	-	195
Federal Stimulus Funds (ARRA)	-	195	129	37	8	10	-
Federal High Speed Rail Funds	-	-	2	3	108	159	148
Federal Highway Funds(9)	453	362	385	554	804	605	605
Local Funds	45	48	54	25	83	86	86
Total Other Funding	1,005	2,687	618	2,355	1,644	2,041	1,995
Total Sources	3,364	4,715	3,836	4,675	4,756	4,402	4,168

(1) Includes gross toll revenue, transponder sales, violations, civil penalties, and fees.
(2) Includes other non-forecasted sources (e.g., reserves, interest income, transfers from other state accounts, and other miscellaneous sources).
(3) Gross fuel taxes are deposited into the Motor Vehicle Account and distributed to local governments and other state agencies by statute. These distributions and transfers are shown in Table 12. The Total State Sources include WSDOT accounts only and does not include other accounts that support expenditures for agencies such as Department of Licensing, the Washington State Patrol and local grant agencies.
(4) Other funding is based on the appropriated levels of bond proceeds and federal expenditures for FY 2013 and 2013-15 in the 2013-15 Enacted Transportation Budget.
(5) Bond proceeds for 2011-13 reflect bonds sold in the biennium. The remaining bond authority for the SR 520 Corridor Program has been fully appropriated for 2013-15 in the 2013 Enacted Transportation Budget to allow for flexibility.
(6) The Series 2014C Bonds are now expected to provide approximately $323 million of proceeds.
(7) These amounts represent Federal Aid Highway funds for GARVEE Bond debt service.
(8) TIFIA Loan was appropriated in the 2011-13 Enacted Supplemental Budget, however the funds were placed in unallotted status. The same amount was appropriated again in 2013-15 where the expenditures are expected to occur.
(9) Federal and local funds in 2013-15 have been annualized from the biennial total. Federal Funds include both formula and allocated funds for all state appropriated accounts managed by WSDOT, including operating and capital programs. Funds are appropriated based on WSDOT's Fiscal Year, July 1 through June 30.

Totals may not add due to rounding

Source: WSDOT.

Table 12
WSDOT Transportation Expenditures and Ending Fund Balance
State Fiscal Years ended June 30
(Modified Accrual Basis)
($ in millions)

				2011-13 Enacted Supplemental Budget[1]		2013-15 Enacted Budget[2]	
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Distributions and Transfers							
Debt Service Transfers – Motor Fuel Tax[3]	310	332	409	412	476	513	551
Debt Service Transfers – Toll Revenue[3]	-	-	-	17	26	27	29
Debt Service Transfers – GO[3]	4	8	9	11	11	13	13
Debt Service Transfers – Federal Aid Highway Funds[4]	-	-	-	-	18	25	25
Fuel Tax Distribution to Cities and Counties	233	235	238	231	235	237	238
Fuel Tax Distributions to Support Local Grant Programs[5]	127	128	130	126	128	129	130
Expenditures by Other Agencies[6]	47	45	47	57	57	65	65
Total Distributions and Transfers	722	747	833	854	952	1,008	1,050
WSDOT Operations							
Toll Maintenance and Operations	13	14	11	21	34	31	31
Highway Maintenance and Operations	232	198	214	211	227	230	230
Ferries Maintenance and Operations	215	209	225	231	235	243	243
Aviation, Public Transportation and Rail	74	73	82	65	79	76	76
Local Programs and Economic Partnerships	7	6	6	6	6	6	6
Operational Activities [7]	156	149	149	131	160	153	153
Operating Appropriations Placed in Unallotted Status[8]	-	-	-	-	-	-	(7)
Total Operations	696	648	687	665	741	739	731
WSDOT Capital							
Highway Construction[9]	1,485	1,636	1,553	1,809	3,040	2,088	2,088
Traffic Operations and Facilities	10	6	8	9	14	16	16
Ferry Construction	91	131	158	83	196	146	146
Rail Program	59	59	35	22	127	188	188
Highways and Local Programs	30	50	33	18	44	32	32
Capital Appropriations Placed in Unallotted Status[10]	-	-	-	-	(757)	-	(350)
Total Capital	1,675	1,881	1,787	1,941	2,665	2,470	2,120
Total WSDOT Transportation Uses	3,094	3,277	3,307	3,460	4,358	4,218	3,902
Ending Fund Balance	270	1,438	529	1,214	398	185	267

(1) Table shows actuals through FY 2012. FY 2013 reflects remaining expenditure authority from the 2013 Enacted Supplemental Transportation Budget. Final expenditure data for FY 2013 will be available in October 2013. Revenue distributions are based on the June 2013 Transportation Revenue Forecast.
(2) Expenditure for FY 2014 and FY 2015 are based on the 2013-15 Enacted Transportation Budget. Expenditures have been annualized. Revenue distributions are based on the June 2013 Transportation Revenue Forecast.
(3) Funds are transferred to debt retirements accounts on a monthly basis and include debt service for fuel tax bonds, general obligation bonds and toll revenue bonds. These transfers do not match fiscal year debt service. Debt service in this table is net of the Build America Bonds' subsidy (and reflects reductions in FY 2013 for the sequestration). This represents debt service for WSDOT programs only and does not include debt service for the Transportation Improvement Board or other state or local entities.
(4) Represents debt service on GARVEE Bonds, which is reimbursed by Federal Aid Highway Program funds as shown on Table 11.
(5) Grant programs are administered to local users through the County Road Administration Board and the Transportation Improvement Board.
(6) Includes expenditures by certain legislative committees and commissions, as well as certain executive agencies.
(7) Operational Activities include administrative services, facilities operations and maintenance, transportation planning, information technology, and insurance fees.
(8) Operations and maintenance reserves for the Tacoma Narrows Bridge and SR 520 are placed in unallotted status.
(9) The 2013 Supplemental Transportation Budget provides appropriation authority for the SR 520 Corridor Program that aligns with the program's remaining bond authorization. Additionally, the corridor improvements are being delivered as a program of projects. This allows appropriations to be distributed between projects that make up the program and to advance federal pay-go funding as needed for project delivery.
(10) Appropriation authority that exceeds what is necessary for the SR 520 Project in 2013-15 is placed in unallotted status.

Totals may not add due to rounding.

Source: WSDOT.

SR 520 FLOATING BRIDGE AND EASTSIDE PLUS WEST APPROACH BRIDGE PROJECT

The SR 520 Corridor is 12.8 miles long from I-5 in Seattle to the west and continuing east across Lake Washington to SR 202 in Redmond. The map on the following page shows the SR 520 Corridor. The corridor connects Seattle to major housing and employment centers in the region's eastside communities, including Bellevue, Kirkland, Redmond and Medina. The corridor includes the Evergreen Point floating bridge, which is 1.42 miles long and is the longest floating bridge in the world, as well as the elevated Portage Bay bridge which provides one point of access on the west side. The current floating bridge was designed to carry 65,000 vehicles per day, but prior to the start of tolling carried approximately 100,000 daily vehicles. It is one of two major east-west roadways crossing Lake Washington. The route has two general-purpose lanes in each direction throughout its length and an incomplete high occupancy vehicle ("HOV") lane system east of Lake Washington. Built in the 1960's, the Evergreen Point floating bridge is currently vulnerable to failure in severe windstorms and earthquakes.

Constructing a floating bridge is a cost-effective solution for spanning long distances over water (Lake Washington and Hood Canal) where building a traditional bridge (like a suspension or cable-stayed) structure would be cost prohibitive (due to extremely deep foundations required in a lake that is up to 215 feet deep) or environmentally difficult. There are only 11 permanent floating bridges in the world, and four of them are in the Puget Sound region. WSDOT is a pioneer in designing and building floating bridges and holds the record for the first and the longest floating bridges.

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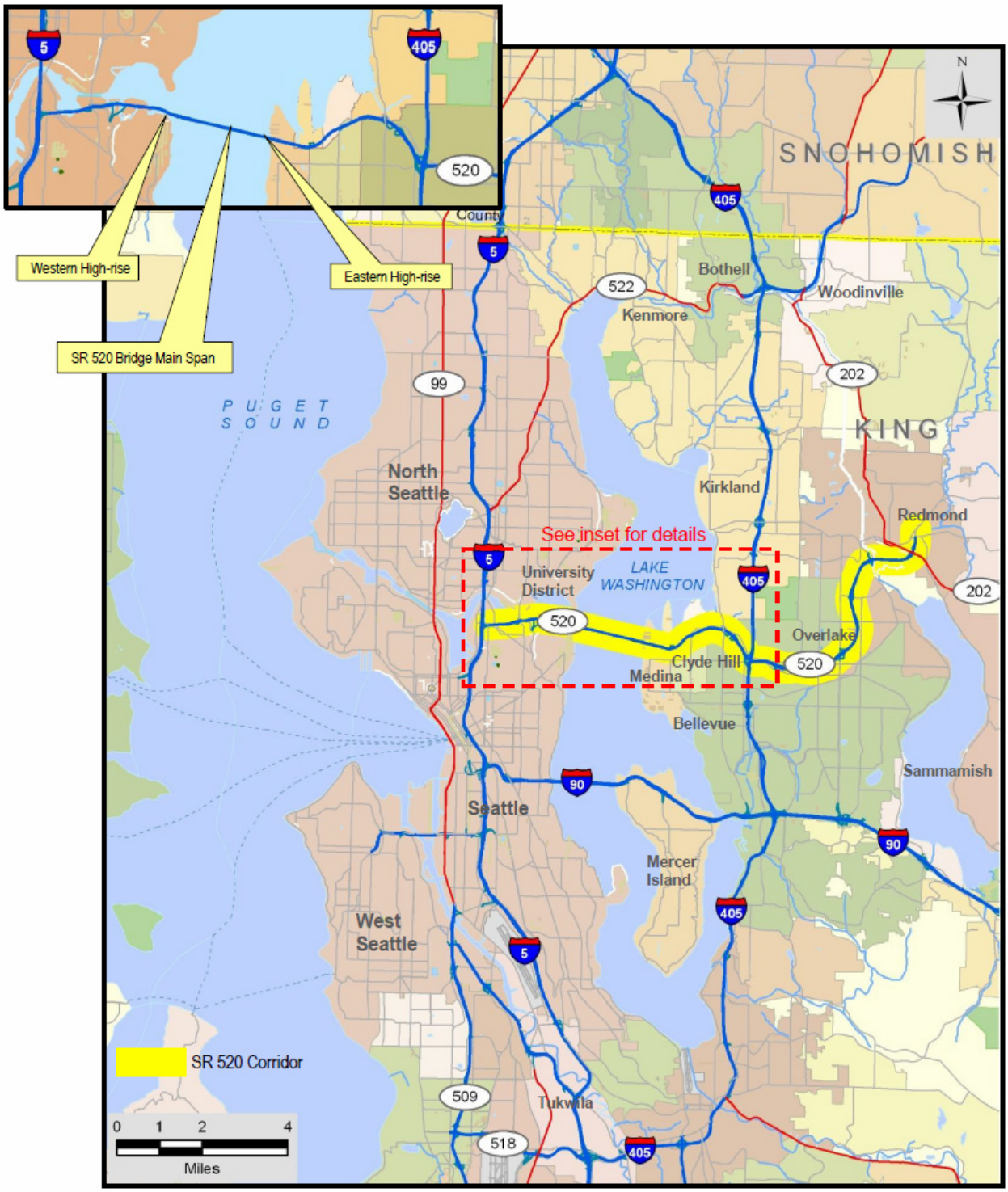
SR 520 Corridor Program – Corridor Map



Source: SR 520 Bridge Investment Grade Traffic and Revenue Study dated August 29, 2011

Description of SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project

The SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project is under construction and is comprised of the following major components: (1) construction of a pontoon facility and pontoon construction (together, the "Pontoon Project"), (2) Medina to SR 202-Eastside Transit and HOV Project ("Eastside Project"), (3) the Floating Bridge and Landings Project, including an interim connection to the West Approach Bridge, (4) the north half of the West Approach Bridge Project ("West Approach Bridge"), and (5) the preliminary design work and strategic right-of-way acquisition for the Westside Project. The Legislature has authorized funding for the SR 520 Floating Bridge and Eastside plus West Approach Bridge Project, but has not authorized construction funding for the remaining Westside Project. The SR 520 Corridor Program includes the four projects included in the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project as well as the Westside Project. If funded by the Legislature, the remaining Westside Project will construct a south half of the West Approach Bridge, new six-lane corridor from I-5 to the Montlake interchange, a new Portage Bay bridge, a reversible transit/HOV ramp to I-5, and other improvements.

Pontoon Project. The Pontoon Project includes construction of a pontoon casting facility and 33 pontoons to be cast within that facility, wetland and aquatic mitigation for impacts created by the facility, and a moorage facility to store the pontoons until they are needed for the Floating Bridge and Landings Project. Work on the Pontoon Project began in February 2010.

A new casting facility for constructing pontoons was completed in Grays Harbor County in 2011. As part of the Pontoon Project, 23 large pontoons and 10 smaller stability pontoons will be constructed in six cycles. The large pontoons are 360 feet long, 75 feet wide, 30 feet tall and over 11,000 tons each. These pontoons will be stored in a mooring site in Grays Harbor County until they are needed for the replacement of the bridge or towed directly to other moorage sites, including locations on Puget Sound and Lake Washington. The first two cycles of pontoon construction are complete, and include 12 of 33 total pontoons to be constructed in Grays Harbor County. Cycle 3 pontoon construction began in June 2013.

As part of the Pontoon Project, 3.61 acres of sensitive areas was mitigated to replace the functional loss of wetlands and habitat for aquatic resources. The mitigation site has been completed and long-term monitoring is underway.

See "Pontoon Issues and Repair Plan" for a discussion of issues with construction of certain pontoons.

Eastside Project. The Eastside Project will complete the HOV lane system on SR 520 from the eastern shore of Lake Washington to 108th Avenue N.E. in Bellevue and reconfigure the HOV lanes from the outside to inside lane from 108th Avenue N.E. to SR 202 in Redmond, build lids, relocate transit stops, construct a direct access interchange, and build fish-passable culverts under the highway, among other improvements. The project is designed to enhance transit and HOV travel time and reliability, improve safety and support current and planned growth east of Lake Washington.

Work is complete on seven out of eight fish-passable culverts and a majority of retaining and noise walls throughout the corridor. Highway widening and paving are underway. Support piers are complete for all three lidded overpasses and two new highway bridges; superstructures are in place on two lids.

Floating Bridge and Landings Project. The Floating Bridge and Landings Project will construct a new bridge to replace the Evergreen Point floating bridge, connect the new bridge to the existing SR 520 facility on the west side of Lake Washington and the Eastside Project, demolish the existing bridge and construct a new maintenance facility. The new bridge will include six lanes, including two general-purpose lanes in each direction and one transit/HOV lane in each direction, wider, safer shoulders that will allow vehicles to pull over in the case of a breakdown, a 14-foot-wide bicycle and pedestrian path, and the ability to accommodate future light rail.

The Floating Bridge and Landings Project will use the pontoons constructed in the Pontoon Project as well as an additional 44 pontoons constructed under the Floating Bridge and Landings Project contract. The pontoons will be connected to grounded approach structures on each end and held in place by steel cables that will be connected to anchors buried in the lake bed. Once the pontoons are in place, the new bridge roadway will be constructed on top of

the pontoons. The bridge will connect to the Eastside Project currently under construction. Once the new floating bridge is constructed, the existing floating bridge will be dismantled.

The Floating Bridge and Landings Project also includes construction of the West Connection Bridge. This bridge provides a 1,330-foot-long, four-lane interim connection between the new floating bridge and existing west approach bridge. It is being managed as a separate contract and was awarded to Mowat American A Joint Venture in April 2013.

The current floating bridge closes to traffic when there are 50 mph winds sustained for 15 minutes. The new bridge pontoons, bridge deck and anchor cables will be designed to withstand a 100-year wind storm, which in the Seattle area is defined as a storm with 98 mph winds sustained over 20 seconds. The standard anticipates reasonably repairable damage, but no major failures of structural components as a result of a 100-year storm event.

Floating bridge and landings construction began in April 2012. Staging area construction and anchor setting are complete, and work is underway on three fixed bridge piers and pontoon assembly activities on Lake Washington. Additional pontoon construction is underway in Tacoma, where 12 of 44 supplemental pontoons have been completed.

West Approach Bridge Project (north half). The West Approach Bridge Project will build a new bridge to serve three lanes of westbound traffic and extend the bicycle/pedestrian path from the floating bridge to the Montlake Interchange. The construction contract for the project is scheduled to be awarded in spring 2014. This structure will extend to the north of the existing approach, and the existing structure would be restriped from four lanes of bi-directional traffic to three lanes of eastbound traffic. In the event of an earthquake or other event that could render the existing west approach unusable, the new West Approach Bridge would be reconfigured to four general purpose lanes, two in each direction, thereby keeping the corridor open to traffic. The new structure, combined with a restriped existing structure, will extend the transit/HOV system and pedestrian/bicycle path to the heavily used Montlake Boulevard interchange, the only continuous north-south arterial east of I-5 in Seattle.

Right-of-Way Acquisition. All right of way necessary for construction has been acquired for the Pontoon Project, Floating Bridge Project and Eastside Project. All right-of-way acquisitions necessary for construction of the West Approach Bridge Project are anticipated to be complete by the end of 2013. Preliminary strategic right-of-way acquisitions are under way for the Westside Project. The complete right-of-way acquisition process for the Westside Project will not begin until additional funding is authorized by the Legislature.

Environmental Review and Litigation. The Records of Decision ("ROD") (or Finding of No Significant Impact in the case of the Eastside Project) have been issued for all of the projects in the SR 520 Program, and all have passed their appeal period. WSDOT has received all major permits for the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project, including shoreline substantial development permits issued by the cities of Seattle and Medina for the Westside Project, including the Floating Bridge and Landings Project.

In September 2011, an appeal was filed against FHWA and WSDOT in United States District Court that alleged that the ROD and Final Environmental Impact Statement ("FEIS") for the SR 520 I-5 to Medina Project (Westside Project, which includes the Floating Bridge and Landings and West Approach Bridge Project) did not meet the requirements of the National Environmental Policy Act, federal Clean Air Act and the State Environmental Policy Act. A federal judge dismissed this lawsuit in July 2012, and the appeal period passed with no additional appeals.

In November 2012, the Washington Department of Ecology ("Ecology") issued a Notice of Violation against Floating Bridge Project contractor Kiewit/General/Manson, A Joint Venture ("KGM"), noting that tugboats associated with the project caused visible sediment disturbance in Lake Washington. KGM will institute best management practices to comply with Ecology's orders.

Two legal actions are pending regarding a construction site used in Kenmore for the Floating Bridge project. Kenmore is located on the north end of Lake Washington, north of the Floating Bridge Project construction site. In April 2013, an intent to sue was filed against KGM. The intent alleges that KGM has discharged dredged materials into Lake Washington without a permit from the Army Corps of Engineers. In May 2013, an intent to sue was filed

against the National Marine Fisheries Service ("NMFS"), the U.S. Fish and Wildlife Service ("USFWS") and the FHWA for violations of the Endangered Species Act. The suit alleges that the "Action Area" included in biological opinions issued by NMFS and USFWS did not include either the Kenmore site or barging activities from Kenmore. The contractor for the Eastside Project is disputing geotechnical design issues relating to costs to construct certain retaining walls. The contractor has indicated it may file a claim, which could impact the Eastside Project schedule.

Title 23 requires that debt-financed projects comply with requirements of the Federal Clean Air Act and federal aid quality conformity requirements. The FEIS demonstrates that the SR 520 I-5 to Medina Project complies with such act and requirements.

Sources of Funds and Project Costs

The sources of funds for the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project include: (1) toll receipts, (2) state motor vehicle fuel taxes, (3) federal funds, and (4) bond proceeds.

Toll Revenue. Tolling on the SR 520 Corridor began in December 2011. Toll rates vary depending on the time of day and are collected for trips in both directions. Toll collection is all-electronic, with no toll booths. Those with accounts pay either via transponders or registered license plates linked to a prepaid account. The license plates of drivers without an account are photographed and the drivers may pay on-line or by mail within 72 hours or wait to receive a bill in the mail.

The state Transportation Commission set the initial tolls for SR 520 in January 2011. The tolls were raised 2.5 percent effective July 1, 2012 and July 1, 2013. The Transportation Commission is a seven-member body of citizens appointed by the Governor for six-year terms. The Secretary of WSDOT and a representative from the Governor's office serve as *ex officio* members. Initial tolls for passenger cars with electronic toll system "Good To Go!" accounts range from $1.70 off-peak to $3.70 peak each direction on weekdays. Weekend base tolls vary from $1.15 to $2.30. Tolls are not collected from 11 p.m. to 5 a.m. during the construction period. Users who do not have a "Good To Go!" account pay about an additional $1.50 per transaction. Vehicles are tolled according to vehicle classes by number of axles. Washington Administrative Code ("WAC") includes an automatic annual 2.5 percent increase in the tolls, subject to review and potential adjustment by the Transportation Commission.

In 2012, CDM Smith provided an update to the SR 520 Bridge Investment Grade Traffic and Revenue Study ("2012 Traffic and Revenue Study") initially prepared in fall 2011. CDM Smith examined the toll performance of SR 520, including total transactions (weekday and weekend traffic), method of payment, traffic by time period, cross-lake traffic, and vehicle classifications. The 2012 Traffic and Revenue Study takes into account toll experience, revised independent economic forecasts, and revised bridge configuration assumptions including closures to generate Fiscal Year 2013 through Fiscal Year 2056 transaction and gross toll revenue forecasts. Parsons Brinckerhoff, in collaboration with the SR 520 General Engineering Consultant Team and WSDOT, updated the SR 520 Bridge Net Toll Revenue Report ("2012 Net Toll Revenue Report") originally prepared in fall 2011. This update used data from the 2012 Traffic and Revenue Study to project net revenue from annual toll traffic and tolls charged after all operating expenses and deductions are paid. The Traffic and Revenue Studies and Net Toll Revenue Reports are available on WSDOT's website at *www.wsdot.wa.gov/Projects/SR520Bridge/Library/technical.htm#finance.*

Based on preliminary data for Fiscal Year 2013, the average daily, weekday, and weekend traffic on SR 520 exceeded levels projected in the 2012 Traffic and Revenue Study by 7.7 percent, 2.3 percent, and 16.5 percent, respectively. Based on preliminary data for Fiscal Year 2013, adjusted gross toll revenues were $2,590,000 or 4.3 percent less than projected. Lower than forecasted revenues were due to more "Good To Go!" and fewer pay-by-mail users, lower than projected truck transactions, and one-time accounting adjustments that defer revenue to future financial periods. The lower gross revenue was largely mitigated by lower than expected operations and maintenance expenditures. Based on preliminary data for Fiscal Year 2013, expenditures were $2,447,000 or 19.4 percent below the amounts projected in the 2012 Net Toll Revenue Report. Preliminary Fiscal Year 2013 net toll revenues were $201,000 or 0.4 percent less than projected.

Motor Vehicle Fuel Taxes. In 2003, the Legislature approved a 5 cents per gallon increase in motor vehicle fuel taxes to be deposited into the Transportation 2003 (Nickel) Account. The revenue in this account is dedicated to a specific list of improvements within the state highway system. The tax increase provided $52 million toward the

initial SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project development costs. In 2005, the Legislature approved a second funding package, primarily funded by an additional motor vehicle fuel tax increase of 9 1/2 cents per gallon for certain critical transportation-related projects, including $492.1 million for the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project.

Federal Funds. The Legislature designated $1.26 billion of future FAHP Funds to the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project. A portion of those funds will be used as pay-as-you-go funding while the majority of the future federal funds intended for the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project will be used to repay the Series 2012F Bonds and the Series 2014C Bonds. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS."

Bonds. In 2009 and 2011, the Legislature authorized the issuance of $1.95 billion of bonds for the SR 520 Account. The bonds may be issued as "Triple Pledge Bonds," which are general obligation bonds first payable from toll revenue, secondarily from motor vehicle fuel taxes, and third from general state revenues. The bonds also may be issued as toll revenue bonds payable solely from toll revenue or GARVEE Bonds payable solely from Federal-Aid Highway Program funds. In October 2011, the state issued $518.775 million in Triple Pledge Bonds; in June 2012, issued $500.4 million in Series 2012F Bonds; and in October 2012, issued a $300 million TIFIA Bond. In addition to the Series 2014C Bonds, the state expects to issue the remaining authorization in toll revenue bonds in Fiscal Year 2014. It is expected that the net proceeds of the various bond issues will be approximately $1.8 billion. No bonds may be issued without prior legislative authorization of the net proceeds of the sale of the bonds.

Estimated Project Costs

In 2009, the Legislature set a program budget for the entire SR 520 Corridor Program, consisting of the SR 520 Floating Bridge and Eastside plus West Approach Bridge Project and the Westside Project, of $4.65 billion. The Legislature has authorized $2.724 billion in funding for the SR 520 Floating Bridge and Eastside plus West Approach Bridge Project, but has not authorized construction funding for the Westside Project. Table 13 includes an estimate of the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project capital costs, which includes WSDOT costs, sales taxes and risk contingency. The estimated costs for each of the Projects shown in Table 13 include reserves that if needed will be used to mitigate potential risks identified during WSDOT's Cost Estimate Validation Process ("CEVP") and contract changes realized during the course of construction. There could be additional change orders as the project progresses. See "Major Construction Contracts" and following sections for additional details on contract change orders. Approximately 89 percent of the estimated capital construction costs of the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project are under contract.

Plan of Finance. The following is an estimate of the sources of funds and expected uses of funds for the construction of the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project.

Table 13
Sources and Uses of Funds

Sources of Funds[1]	**Dollars in Millions**
Sales Tax Deferral[2]	144
Motor Vehicle Fuel Taxes	547
Federal Funds	160
Local Contributions	2
Project Fund deposits from bond proceeds and interest earnings[3]	1,798
Toll Revenue available for construction	74
Total Estimated Sources	2,724

Uses of Funds	**Dollars in Millions**
SR 520 Corridor Development	120
Pontoon Project	570
Floating Bridge and Landings Project[2]	961
Design and Right-of-Way for Westside Project	261
West Approach Bridge Project	300
Eastside Project	512
Total Estimated Uses	2,724

(1) Based on current legislative authorizations, legislatively-directed federal contributions, net toll revenue and finance assumptions.
(2) Sales Taxes are calculated on each contract but will be paid over a 10-year period beginning five years after substantial completion of the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project. Sales Taxes are calculated and included under the contracts for the various components of the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project.
(3) Excludes capitalized interest, debt service reserve deposits and bond issuance costs. As described in the prior subsection, the bonds have and will be issued as a combination of Triple Pledge Bonds, GARVEE Bonds and toll revenue bonds.

Source: WSDOT.

Major Construction Contracts

WSDOT is using design-build methodology for delivery of three of the major SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project contracts. When using the design-build method, WSDOT identifies a conceptual plan and completes approximately 15 percent of the design. WSDOT requests design-build proposals based on the conceptual plan, including a technical proposal and price proposal. The contract is a single, fixed-price contract between WSDOT and the design-builder for design and construction services to provide a finished product. After award, WSDOT performs administrative functions and quality verification and the design-builder performs design, construction, quality control and quality assurance functions.

In January 2010, WSDOT awarded a $367.3 million design-build contract to Kiewit-General Joint Venture ("K-G") to develop and construct the casting facility and the 33 replacement pontoons, which are part of the Pontoon Project. Contract change orders have totaled $44.4 million. In October 2010, WSDOT awarded a $306.3 million design-build contract to Eastside Corridor Constructors, a joint venture of Granite Construction Company and PCL Construction Services and other Puget Sound-based contractors, to develop and construct the major components of the Eastside Project. Contract change orders, including a settlement, have totaled $32.6 million. In August 2011, WSDOT awarded a design-build contract to Kiewit-General-Manson, a joint venture, in the amount of

$586.6 million to construct the Floating Bridge and Landings Project. Contract change orders total $75.3 million. All of the increased project costs reflecting the executed change orders and the settlement totaled $152.3 million as of August 1, 2013, and have been paid from contingency funds available within the project. With the execution of the change orders, as of August 1, 2013, there were approximately $99 million in contingency funds available in the SR 520 Corridor Program budget for potential future project changes. As discussed under "Pontoon Issues and Repair Plan," WSDOT expects to enter into additional change orders as a result of the pontoon issues. There likely will be additional change orders as the project progresses. It is possible that the future change orders could exceed the amount in the contingency fund. See "Pontoon Issues and Repair Plan."

In the Pontoon Project and the Eastside Project there are several other smaller contracts that have been awarded or are expected to be awarded that range from $1.2 to $10 million.

Major contracts for the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project provide for liquidated damages upon the occurrence of certain events, including delays beyond specified dates. The contracts also contain limited warranty provisions. The contracts specify that responsibility for the first $10 million ($5 million for the Eastside Project) in differing site conditions rests with the contractor and with WSDOT above that amount.

The SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project design-build contracts require performance and payment bonds with varying amounts of coverage particular to each contract. Both the Pontoon Project and Eastside Project contracts have a performance and payment bond requirement of 100 percent of the contract price. The Floating Bridge and Landings Project contract has performance and payment bond requirements of $500 million each (compared to a $586 million contract). The Pontoon Project contract requires a builders risk policy with limits of the greater of $300 million or the "possible maximum loss" of the contract, and a similar policy for the Floating Bridge and Landings Project has limits of the greater of $500 million or the "possible maximum loss" of the contract. In addition, each contract requires additional insurance coverage for smaller but significant items such as commercial general liability, environmental liability, excess liability, professional liability, marine insurance, owners and contractors protection, and automobile liability.

The West Connection Bridge and West Approach Bridge contracts are both design-bid-build contracts. In May 2013, WSDOT awarded a $22 million design-bid-build contract to Mowat-American A Joint Venture. WSDOT expects to award a design-bid-build contract for the West Approach Bridge Project in spring 2014.

Construction Schedule

Currently, the new SR 520 floating bridge is expected to open to traffic in late 2015 or early 2016. This could be delayed depending on the outcome of the negotiations of change orders for spalling and end wall cracking in certain pontoons. The pontoon facility is operational and pontoon construction is underway. The construction of the Eastside Project is expected to be complete in December 2013. The construction of the West Approach Bridge Project (north half) is expected to be complete in fall 2016. See "Pontoon Issues and Repair Plan."

Pontoon Issues and Repair Plan

In May 2012, WSDOT encountered concrete spalling damage and end-wall cracking in four of the first six pontoons built by contractor Kiewit-General ("K-G"). WSDOT convened an Expert Review Panel (the "Panel") to analyze these issues, and K-G implemented spalling repairs before floating out the pontoons in July 2012. The Panel issued its first report in August 2012. Construction began on the second cycle of pontoons in Aberdeen later in summer 2012.

To repair the issues found in cycle 1, the Panel was re-convened in October 2012. In its February 2013 report, the Panel found that spalling and end-wall cracking issues were due to an error in the pontoon design developed by WSDOT. The report included recommendations to correct the design and modify the pontoons built in cycle 1, and verified that repaired pontoons would be structurally sufficient to meet a 75-year design life. The modifications were then made to the pontoons in cycle 2, which were completed in late April 2013, and are not exhibiting the issues encountered in cycle 1. Modifications will be made to the cycle 1 pontoons through 2013.

Issues with the spalling and end-wall cracking found in the first cycle of pontoons will result in a number of change orders. In May 2013, a change order to the pontoon construction contract for the amount of $9.9 million was executed for the initial repair effort and additional time necessary for the first cycle of pontoons. Additional repair and modification costs for the first cycle of pontoons totaled $22.4 million. Change orders to the Pontoon Project executed in July 2013, to address cycle 2 pontoon design changes and time-related impacts of WSDOT-caused delay, totaled $48.8 million.

Later in 2013, WSDOT expects to execute additional change orders to pay for design modifications and time-related impacts of WSDOT-caused delay for pontoon cycles 3 through 6, and for impacts to the Floating Bridge and Landing Project for time-related impacts of WSDOT-caused delay from late delivery of pontoons. It is likely that interim project milestones will be delayed several months, including delaying the opening of the floating bridge to traffic from mid-2015 to late 2015 or early 2016. WSDOT, however, will not know the impact to the overall completion schedule until negotiations have been completed in late 2013.

To prevent future issues, WSDOT also convened an independent review to determine what led to problems with the pontoons. As a result, WSDOT made technical, personnel, and organizational changes to help prevent the recurrence of the issues experienced. The Secretary of WSDOT also ordered a comprehensive program assessment for three of WSDOT's large-scale construction projects. The assessment will review the process used for key project decisions and how those decisions are documented to ensure the best accountability and project-delivery practices.

Project Construction and Cost Risks

There is no assurance that actual capital construction costs and other costs will not exceed the estimates shown in this section. Approximately 89 percent of the estimated capital construction costs of the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project are under contract. The source of funds listed under "Sources of Funds and Project Costs" also are estimates and are based on various assumptions and other factors. The actual revenue from the various sources is likely to change.

Although the design-build contracts fix expected construction costs and each component of the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project has substantial reserves, in construction projects of the magnitude of the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project, there is a possibility of time delays and cost increases that can be the responsibility of WSDOT and/or the contractor depending on the circumstance. As a result, there can be no assurance that the costs of the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project will not exceed current estimates or that the completion will not be delayed. The responsibility of a contractor under its contract may increase the impact that any financial instability, insolvency or bankruptcy of the contractor or the provider of any payment or performance bond could have on the cost of, or completion date for, the applicable component of the project. The payment bonds and performance bonds do not cover all events, and there can be no assurance that the bonds will be sufficient to satisfy all obligations under the contract. The amount of liquidated damages in a contract may not be sufficient to cover all of the losses in the event of a delay and WSDOT may elect not to collect liquidated damages. Construction and operation of the SR 520 Floating Bridge and Eastside plus West Approach Bridge Project is at risk from events of force majeure, such as earthquakes or other natural disasters, acts of sabotage, spills of hazardous material or other events. Construction or operations also may be stopped or delayed from non-casualty events such as discovery of archaeological artifacts, changes in law, delays in obtaining or maintaining permits, and litigation, among other things.

STATE OVERVIEW

The state, the nation's 42nd state, was created in 1889 by an act of the U.S. Congress. The state is located on the Pacific Coast in the northwestern corner of the continental United States and comprises 71,303 square miles, including the more than 1,000 square miles of salt water known as Puget Sound.

Washington's population is 6,724,540 according to the 2010 U.S. Census, making the state the 13th most populous in the United States. As of April 1, 2013, the state had an estimated population of 6,881,504. The state's capital is Olympia at the southern end of Puget Sound, and the state's largest city, Seattle, is approximately 60 miles north of Olympia.

Washington is a geographically diverse state with two mountain ranges that divide the state's land area. The Olympic Mountains separate the Olympic Peninsula – generally regarded as the largest rain forest in the Northern hemisphere – from Puget Sound and the rest of the state. The Cascade Mountains extend from the northern border of the state with British Columbia, Canada, south to the State of Oregon. Mount Rainier, a 14.4 thousand-foot dormant volcano in the middle of the Cascade Range, is the fifth highest and most heavily glaciated peak in the lower 48 states.

Washington includes an international trade, manufacturing, technology, biotechnology and business service corridor that extends along Puget Sound from the City of Everett at the north end, south to Seattle and Tacoma. This corridor includes approximately 75 percent of the state's population and economic activity. A number of companies have chosen Washington as their headquarters or as a major center of operations, including, among others, Alaska Air Group, Amazon, Amgen, Boeing Commercial Airplanes, Costco, Expeditors International of Washington, Microsoft, Nintendo America, Nordstrom, PACCAR, Starbucks and Weyerhaeuser. Washington is home to some of the leading global health research institutes and non-profits, including the Bill and Melinda Gates Foundation, PATH, Seattle BioMed and the Fred Hutchinson Cancer Research Center. According to the U.S. Bureau of Economic Analysis, Washington ranked 11th in the United States in terms of real gross domestic product ("GDP") in 2011. In 2012, Washington's per capita income was $45,413 and the per capita income of the United States was $42,693.

East of the Cascade Mountains is the center of dairy operations and production of crops such as wheat, potatoes, tree fruits and grapes within the state. Washington leads the nation in apple production and, on both sides of the Cascade Mountains, produces wine, flower bulbs and lumber, wood pulp, paper and other wood products. The Olympic Peninsula and the Puget Sound region include one of the country's primary aquaculture and fish- and shellfish-processing areas.

Washington is one of the most trade-intensive states in the nation, as measured by the dollar value of per capita exports, and is an important gateway for trade with Asia and Canada and for domestic trade with Alaska and Hawaii. The Ports of Seattle and Tacoma, the state's largest ports, are closer to Asian ports than any other continental port in the United States. Seattle-Tacoma International Airport is Washington's primary airport, serving the region's air passengers and cargo. Direct access to midwest and east-coast markets by land is via four major interstate highways and two transcontinental rail service providers.

State Government

Under the state Constitution, the legislative authority of the state is vested in the Legislature, and general elections are held on the first Tuesday in November in each even-numbered year. The state is divided into 49 legislative districts, each of which elects two representatives and one senator. Senators serve four-year terms, with one-half of the seats open in each general election. Representatives serve two-year terms, with every seat open in each general election. The Legislature convenes annual regular sessions of 105 days (beginning the second Monday in January) in odd-numbered years and 60 days (beginning the second Monday in January) in even-numbered years. The Governor may call an unlimited number of special sessions, each of which is limited to 30 days, and the Legislature itself may call special sessions with a two-thirds' vote of the members of each house.

Nine state executive officers are elected at-large to four-year terms at general elections held in the same years as elections for the President of the United States: the Governor, Lieutenant Governor, Secretary of State, Treasurer, Auditor, Attorney General, Superintendent of Public Instruction, Commissioner of Public Lands and Insurance Commissioner. The nine justices of the state Supreme Court are elected at-large to six-year terms, with three seats open in each general election.

Indebtedness and State Finance Committee

All state general obligation debt and other evidences of indebtedness must be authorized by the Legislature and issued under the authority granted by the Legislature to the Committee. In addition to long-term bonds, the state may enter into financing contracts, including leases and installment purchase contracts, and notes. The state also may incur contingent obligations such as guarantees and may enter into payment agreements such as interest rate swaps

(although to date it has not done so). The state also may issue bonds payable solely from revenue, including Federal-Aid Highway funds or tolls.

The Constitution and enabling statutes authorize different means of incurring state general obligation debt, the payment of which is secured by a pledge of the state's full faith, credit and taxing power. With certain exceptions, the amount of state general obligation debt that may be incurred is limited by the Constitution. General obligation bonds that are payable from excise taxes on motor vehicle and special fuels may be issued for specified highway purposes and such bonds are not subject to the constitutional general obligation debt limitation. The Series 2014C Bonds are not subject to the constitutional debt limit.

State Finance Committee. The Legislature, by statute, has delegated to the State Finance Committee (the "Committee") authority to supervise and control the issuance of all state bonds and other state obligations, including financing leases, authorized by the Legislature. The Committee is composed of the Governor, Lieutenant Governor and Treasurer. The Treasurer is designated as Chairman of the Committee, and the Office of the State Treasurer provides administrative support to the Committee. A Deputy State Treasurer acts as recording officer for the Committee and is responsible for the administration of the Committee's official duties in accordance with prescribed policies of the Committee.

In 2010, the Legislature authorized the Committee to delegate to the Treasurer the authority, by resolution, to (1) accept offers to purchase bonds, notes, or other evidences of indebtedness of the state and to sell and deliver such bonds, notes, or other evidences of indebtedness to the purchasers thereof; (2) determine the date or dates, price or prices, principal amounts per maturity, delivery dates, interest rate or rates (or mechanisms for determining the interest rate or rates); and (3) set other terms and conditions as the Committee may deem necessary and appropriate; with each such delegation to be limited to bonds, notes, or other evidences of indebtedness which the Committee has authorized to be issued.

Guidelines for GARVEE Bonds. On April 25, 2012, the Committee adopted "Guidelines for Use of Federal Highway Grant Anticipation Revenue Bonds." The Guidelines provide that (1) the maximum term of GARVEE Bonds will not exceed 12 years; (2) GARVEE Bonds only will be issued if it can be demonstrated that Obligation Authority in one of the two prior Federal Fiscal Years was 3.75 times the Maximum Annual Debt Service on any outstanding GARVEE Bonds and Bonds being issued; and (3) WSDOT will treat the monthly balances in the Motor Vehicle Fund as funds derived from accumulated FAHP Reimbursements that are available for use to pay debt service on GARVEE Bonds in the event direct reimbursement for debt service on GARVEE Bonds is not timely received from FHWA. The policy is subject to change by the Committee.

Budget and Appropriation Process

The state operates on a July 1 to June 30 fiscal year ("Fiscal Year") and is required under state law to budget on a biennial basis. State law requires that the Governor submit a balanced budget to the Legislature no later than December 20 in the year preceding the session during which the biennial budget is to be considered. The operating, capital and transportation budgets are prepared separately. Under the Constitution, the Governor is required to include, and the Legislature is required to appropriate, amounts sufficient to pay debt service on all of the state's outstanding general obligation bonds. The Series 2014C Bonds are not general obligations. See "SECURITY FOR THE BONDS–Appropriation, Accounts and Payment Procedures."

Formulation of the state's biennial budget begins in May of even-numbered years, when the Office of Financial Management ("OFM") distributes instructions to all state agencies, establishing budget guidelines and information requirements. Formal budget requests from agencies are sent to OFM in late summer, after which they are analyzed and revised by OFM as appropriate to match the Governor's policy choices. Alternative methods of delivering services are examined and evaluated, and recommended budget levels and program and policy choices are prepared for the Governor by the Director of OFM. State revenues and expenditures are limited by statutes enacted by the Legislature and sometimes also are limited by initiatives or referenda approved by the voters. See "BALLOT MEASURES." Under state law, the Governor's budget submitted to the Legislature must include estimates of all anticipated revenues and all proposed operating and capital expenditures. Revenues are estimated for a fiscal period from the sources, and at the rates, authorized by law at the time of submission of the budget document and are based upon entitlement caseload forecasts and quarterly economic and revenue forecasts.

The Governor must submit a balanced budget to the Legislature. Specifically, state law requires that in the Governor's proposed budget the total of the beginning undesignated fund balance and estimated revenues, less working capital and other reserves, equal or exceed the total of proposed expenditures without reliance upon increases in indebtedness, changes in existing tax rates or other statutory changes. The Governor also may submit a second, alternative budget for the same fiscal period to include expenditures from revenue sources derived from proposed changes in statutes. Within a biennium, the Governor may submit supplemental budgets to the Legislature during the regular session or during any special session.

State law also provides that if for any applicable fund or account the estimated receipts for the next fiscal period, plus cash beginning balances, is less than the aggregate of estimated disbursements proposed by the Governor for the next ensuing fiscal period, the Governor must include proposals as to the manner in which the anticipated cash deficit is to be met, whether by an increase in state indebtedness, by the imposition of new taxes, by increases in tax rates or by an extension of existing taxes. The Governor also may propose planned elimination of the fund's or account's anticipated cash deficit over one or more fiscal periods.

The Legislature engages in extensive budget deliberations and committee hearings. After revenue and expenditure appropriation bills are passed by the House of Representatives and the Senate, the bills are transmitted to the Governor, who has constitutional authority to veto one or more sections of the bills.

Typically, the Legislature enacts three budgets: an operating budget, a capital budget and a transportation budget. The transportation budget includes both operating and capital transportation-related expenditures. Of the three state budgets, the operating budget is the largest. Sales and other excise taxes deposited to the General Fund are the major state funding source for operating expenditures, and proceeds of state bonds have been the main source for capital expenditures. The transportation budget is funded primarily from bond proceeds, excise taxes on motor vehicle and special fuels, license fees and other state revenues, federal funds and local and private funds.

Fiscal Monitoring and Controls

When it enacts a biennial budget, the Legislature appropriates funding to state agencies for various purposes. Once the budget bills are signed by the Governor, OFM works with state agency fiscal staff to allot annual and biennial appropriations into monthly amounts. Revenues also are allotted for the biennium based upon forecasts prepared by the state Economic and Revenue Forecast Council and for non-forecasted accounts, based upon information prepared by the administering agencies. Taken together, monthly allotments of expenditure authority and revenue form detailed monthly spending plans within the statutory maximums specified by appropriations in the biennial budget.

State agencies generally are prohibited from incurring cash deficits. State law does allow, however, for temporary negative cash balances in a specific fund or account if the temporary deficiency (1) results from disbursements under a spending plan approved by OFM; (2) was authorized by OFM within a fiscal period; (3) is in a fund or account neither in the state treasury nor in the custody of the Treasurer if the cash deficiency does not continue past the end of the biennium; or (4) is in a construction account and the deficiency is due to seasonal cash deficits pending receipt of proceeds from authorized bond or note sales.

OFM monitors spending plans on a monthly basis and recommends actions the Governor may take to adjust spending and revenue as appropriate. If at any time during the current fiscal period the Governor projects a cash deficit in a specific fund or account, the Governor may order across-the-board reductions in allotments to that fund or account to prevent the cash deficit. The Legislature may direct that a cash deficit in a particular fund or account be eliminated over one or more fiscal periods. Unused appropriation authority resulting from an across-the-board reduction in a fund or account is placed in reserve status. Across-the-board reductions are not made to funding for basic education, pension benefits or general obligation debt service funding and can be made only within a fund with a cash deficit. In addition, the Governor may direct cabinet agencies to limit their discretionary spending.

Accounting and Auditing

State law requires expenditures and revenues to be based upon generally accepted accounting principles ("GAAP"), and revenues typically are treated on a modified accrual basis so that funds are recognized when they become measureable and available. The state also is required to maintain accounting records in conformance with GAAP. OFM is the primary authority for the state's accounting and reporting requirements. The accounting system generates monthly and other periodic financial statements at the state-wide combined level and at the agency, fund and program levels for use by OFM and state agencies in monitoring expenditures and in preparing budgets and the state's annual financial statements. The state uses fund accounting, which includes governmental funds to account for governmental activities, proprietary funds (including the Workers' Compensation Fund and Unemployment Compensation Fund) and fiduciary funds (including for pensions and other employee benefits). The Auditor, an independent elected official, audits the state-wide combined financial statements for each Fiscal Year. The state's Consolidated 2012 Audited Basic Financial Statements for the Fiscal Year ended June 30, 2012, are on file through the Internet on the Municipal Securities Rule-Making Board (the "MSRB") Electronic Municipal Market Access system website and are on the Office of State Treasurer's website.

Investments

The Treasurer manages and invests state funds, which include funds in the state treasury that are subject to legislative appropriation and funds in the Treasurer's Trust, which are accounts placed in the custody of the Treasurer and not typically subject to legislative appropriation.

State funds are managed by the Office of the State Treasurer pursuant to state laws that govern the permissible investments for each and to investment policies that provide further restrictions. Historically, the Treasury and Treasurer's Trust Funds have had sufficient liquidity to meet all cash flow demands. In keeping with state law, funds within the Treasury and Treasurer's Trust Funds are comingled for investment and cash management purposes. Earnings are calculated and distributed to individual funds on an accrued basis.

Table 14
Treasury and Treasurer's Trust Funds
Average Daily Balances by Security Class

($ in thousands)

	July 2013		July 2012-July 2013[1]	
	$	%	$	%
Agency	1,546,913	37.8	1,401,961	35.9
Treasury	564,031	13.8	607,553	15.6
Repurchase Agreements	605,645	14.8	1,102,305	28.2
Reverse Repo	-	-	-	-
Bank Deposits	308,805	7.6	242,417	6.2
LGIP Deposit[2]	1,061,836	26.0	551,076	14.1
NOW Accounts	-	-	-	-
	4,087,230	100.0	3,905,312	100.0
Weighted Average Maturity:	570 days			

(1) Average balance.
(2) Local Government Investment Pool, which are funds of local governments in the state invested on their behalf by the Office of the State Treasurer in a manner consistent with Securities and Exchange Commission Rule 2a-7. Maturities are restricted to investments with maturities of one year or less, with a weighted average maturity less than 60 days.

Source: Office of the State Treasurer.

Insurance

The state operates a self-insurance liability program (the "SILP") for third-party claims against the state for injuries and property damage up to $10 million for each occurrence. An excess insurance policy is also purchased for these risks, which covers amounts above a self-insured retention (the "SIR") up to an annual limit of $40 million. The current SIR is $10 million for all agencies except the Department of Social and Health Services and the Department of Corrections, each of which has an $18 million SIR. Insurance is procured annually, and the SIR may change. The SILP is administered by OFM with money available in a statutorily-based Liability Account within the Risk Management Fund. The Liability Account is funded by annual premiums assessed to state agencies based on each agency's loss history (paid claims over the most recent five years and open reserves for pending claims). State statutes do not permit the Liability Account to exceed 50 percent of the state's outstanding liabilities as determined bi-annually by an independent actuary. General and auto claims are investigated and settled through the coordinated efforts of OFM, the Office of the Attorney General and WSDOT with consultation and agreement of the affected agency. Approved claims (including judgments, settlements and related defense costs) are paid by OFM from the Liability Account. As of January 4, 2013, the Liability Account held $107.7 million designated for payment of tortuous liability and certain federal due process claims. As of June 30, 2012, outstanding and actuarially determined claims against the state and its agencies (except for the University of Washington), including projected defense costs, that were payable from the Liability Account were $861 million.

The Ferries Division of WSDOT does not participate in the SILP, so the state purchases a marine policy that covers the vessels and operations of the Washington State Ferry System and several small vessels owned by DOC to transport individuals to the McNeil Island Corrections Center. The policy combines general liability, pollution liability, vessel hull and machinery and property in a master policy. It provides coverage up to $250 million annually for liability, $250 million for pollution, approximately 60 percent of the value of the ferries ($879 million) and all terminals, docks and shore-side facilities ($400 million). There is a single $1.0 million deductible per occurrence. The policy also has a special protection for war risk for selected vessels and routes, which provides the above coverage for losses as a result of foreign or domestic terrorism. This is needed because acts of war are excluded from the general marine policy.

The state also purchases other commercial insurance such as aviation insurance covering aircraft and airport liability coverage for agencies and colleges with aviation exposures, a master property policy covering all risks for selected buildings, contents and electronic data processing equipment (replacement value insurance including earthquakes and floods), a fidelity policy covering fraudulent or dishonest acts of all state officers and employees, and special policies covering specific buildings such as certain buildings at Washington State University, and business interruption and property coverage for toll facilities, including the Tacoma Narrows Bridge and the SR 520 Corridor.

Seismic Activity and Other Natural Disasters

The state is in an area of seismic activity, with frequent small earthquakes and occasionally moderate and larger earthquakes. Certain soil types and property in certain areas of the state could become subject to liquefaction (the transformation of soil from a solid state to a liquid state) following a major earthquake, to landslides caused by an earthquake and to ongoing shaking that could follow a major earthquake. The state contains identified geologic faults. In addition to various faults beneath the state, the state is within the Cascadia subduction zone, a fault beneath the Pacific Ocean, which produced a large earthquake several hundred years ago and is thought to be capable of causing extensive damage if another such earthquake occurs. The most recent notable earthquake in the state, which measured 6.8 on the Richter Scale, occurred in 2001. Areas of the state also could experience the effects of a tsunami following a major earthquake on the West Coast or in areas outside the United States. WSDOT has determined that, among other infrastructure, the seawall between downtown Seattle and Puget Sound; the Alaskan Way Viaduct, an elevated highway adjacent to the seawall; and the SR 520 Evergreen Point Bridge, one of only two bridges that cross Lake Washington, are likely to be damaged if another major earthquake occurs. Other natural disasters, including volcanic eruptions and tsunamis, are possible. The loss of life and property damage that could result from a major earthquake or other major natural disasters could have a material and adverse impact on the state and its economy and financial condition.

LITIGATION

Based on an inquiry with the Attorney General's Office, there is no litigation now pending against the state in any way restraining or enjoining the sale, issuance or delivery of the Series 2014C Bonds, or in any manner challenging the validity of the Series 2014C Bonds, the security for the Series 2014C Bonds or the proceedings or authority pursuant to which they are to be sold and issued or the collection of revenues pledged for the payment of the Series 2014C Bonds.

The state and its agencies are parties to routine legal proceedings that normally occur as a consequence of regular governmental operations. At any given point, there are lawsuits involving state agencies that could, depending on the outcome of the litigation or the terms of a settlement agreement, impact the state's budget and expenditures to one degree or another. The state operates a self-insurance liability program for third-party claims against the state for injuries and property damage and purchases a limited amount of commercial insurance for these claims. The state maintains a risk management fund and is permitted to reserve up to 50 percent of total outstanding and actuarially determined liabilities. See "STATE OVERVIEW—Insurance."

See "SR 520 FLOATING BRIDGE AND EASTSIDE PLUS WEST APPROACH BRIDGE PROJECT—Description of SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project—Environmental Review and Litigation" for a description of litigation involving the project.

BALLOT MEASURES

Under the Constitution, the voters of the state have the ability to initiate legislation by initiative, and by referendum, to modify, approve or reject all or a part of recently enacted legislation. Initiatives are new legislation proposed to the Legislature or for voter approval by petition of the voters. Referenda can be required on recently-enacted legislation through a petition of the voters, or a referendum on new legislation may be required by the Legislature itself. The Constitution may not be amended by initiative or referendum.

Any initiative or referendum approved by a majority of the 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 relevant statute is subject to amendment or repeal by the Legislature by a simple majority vote.

Initiatives. The Constitution requires an initiative petition to contain a number of signatures at least equal to 8 percent of all votes cast for Governor in the most recent gubernatorial election in the state. There are two types of initiatives: (1) initiatives to the people and (2) initiatives to the Legislature. If certified to have sufficient signatures, initiatives to the people are submitted for a vote of the people at the next state general election. If certified to have sufficient signatures, initiatives to the Legislature are submitted to the Legislature at its next regular session. The Legislature is required to either adopt the initiative, reject the initiative, or approve an alternative to the initiative. The latter two options require that the initiative or the initiative and the Legislature's alternative be placed on the ballot.

Effect of New Legislation on Bonds. Under current state law, including Washington State Supreme Court decisions, later enacted legislation, including initiatives, cannot impair the state's obligation or ability to comply with bond covenants and other similar contractual obligations in force prior to the effective date of that later enacted legislation.

Referenda. The Constitution requires a petition for referendum to contain a number of signatures at least equal to 4 percent of all votes cast for Governor in the most recent gubernatorial election in the state. There are two types of referenda: (1) referendum measures and (2) referendum bills. Referendum measures are laws recently passed by the Legislature that are placed on the ballot because of petitions signed by voters. Referendum bills are proposed laws referred to the voters by the Legislature.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2014C Bonds by the state are subject to the approving legal opinion of Foster Pepper PLLC, Bond Counsel to the state. The proposed form of the opinion of such firm with respect to the Series 2014C Bonds is attached hereto as Appendix B. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the Series 2014C Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinions of Bond Counsel are an expression of its professional judgment on the matters expressly addressed in its opinion and do not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the Series 2014C Bonds.

Certain legal matters will be passed upon for the Underwriters of the Series 2014C Bonds by their counsel, Nixon Peabody LLP, Los Angeles, California. Any opinion of Underwriters' counsel will be rendered solely to the Underwriters of the Series 2014C Bonds, will be limited in scope, and cannot be relied upon by investors.

TAX MATTERS

Tax Exemption of the Series 2014C Bonds

Exclusion From Gross Income. In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Code that must be satisfied subsequent to the issue date of the Series 2014C Bonds, interest on the Series 2014C Bonds is excluded from gross income for federal income tax purposes.

Continuing Requirements. The state is required to comply with certain requirements of the Code after the date of issuance of the Series 2014C Bonds in order to maintain the exclusion of the interest on the Series 2014C Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Series 2014C Bonds in higher yielding investments in certain circumstances, and the requirement to comply with the arbitrage rebate requirement to the extent applicable to the Series 2014C Bonds. The state has covenanted in the Series 2014C Bond Resolution to comply with those requirements, but if the state fails to comply with those requirements, interest on the Series 2014C Bonds could become taxable retroactive to the date of issuance of the Series 2014C Bonds. Bond Counsel has not undertaken and does not undertake to monitor the state's compliance with such requirements.

Corporate Alternative Minimum Tax. While interest on the Series 2014C Bonds is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, under Section 55 of the Code, tax-exempt interest, including interest on the Series 2014C Bonds, received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations (as defined for federal income tax purposes). Under the Code, alternative minimum taxable income of a corporation will be increased by 75 percent of the excess of the corporation's adjusted current earnings (including any tax-exempt interest) over the corporation's alternative minimum taxable income determined without regard to such increase. A corporation's alternative minimum taxable income, so computed, that is in excess of an exemption of $40,000, which exemption will be reduced (but not below zero) by 25 percent of the amount by which the corporation's alternative minimum taxable income exceeds $150,000, is then subject to a 20 percent minimum tax.

A small business corporation is exempt from the corporate alternative minimum tax for any taxable year beginning after December 31, 1997, if its average annual gross receipts during the three-taxable-year period beginning after December 31, 1993, did not exceed $5,000,000, and its average annual gross receipts during each successive three-taxable-year period thereafter ending before the relevant taxable year did not exceed $7,500,000.

Tax on Certain Passive Investment Income of S Corporations. Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Series 2014C Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the

close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25 percent of the gross receipts of such S corporation is passive investment income.

Foreign Branch Profits Tax. Interest on the Series 2014C Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Series 2014C Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

Possible Consequences of Tax Compliance Audit. The Internal Revenue Service (the "IRS") has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Series 2014C Bonds, are in compliance with requirements of the Code that must be satisfied in order for interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS would commence an audit of the Series 2014C Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Series 2014C Bonds could adversely affect the market value and liquidity of the Series 2014C Bonds until the audit is concluded, regardless of its ultimate outcome.

Certain Other Federal Tax Consequences

Series 2014C Bonds Not "Qualified Tax-Exempt Obligations" for Financial Institutions. Section 265 of the Code provides that 100 percent of any interest expense incurred by banks and other financial institutions for interest allocable to tax-exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax-exempt obligations are obligations other than private activity bonds, are issued by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than $10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as "qualified tax-exempt obligations," only 20 percent of any interest expense deduction allocable to those obligations will be disallowed.

The state is a governmental unit that, together with all subordinate entities, has issued more than $10,000,000 of tax-exempt obligations during the current calendar year and has not designated the Series 2014C Bonds as "qualified tax-exempt obligations" for purposes of the 80 percent financial institution interest expense deduction. Therefore, no interest expense of a financial institution allocable to the Series 2014C Bonds is deductible for federal income tax purposes.

Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies. Under Section 832 of the Code, interest on the Series 2014C Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15 percent of tax-exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Series 2014C Bonds into account in determining gross income.

Other Possible Federal Tax Consequences. Receipt of interest on the Series 2014C Bonds may have other federal tax consequences as to which prospective purchasers of the Series 2014C Bonds may wish to consult their own tax advisors.

Potential Future Federal Tax Law Changes. Current and future legislative proposals, if enacted into law, may directly or indirectly cause interest on the Series 2014C Bonds to be subject in whole or in part to federal income taxation, prevent the beneficial owners of the Series 2014C Bonds from realizing the full benefits of the current federal tax status of interest on the Series 2014C Bonds, or affect, perhaps significantly, the market value or marketability of the Series 2014C Bonds. Prospective purchasers of the Series 2014C Bonds should consult with their own tax advisors regarding the potential impact of any pending or proposed legislation or regulations.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with paragraph (b)(5) of Securities and Exchange Commission (the "SEC") Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), the state has entered into a written undertaking to provide continuing disclosure for the benefit of the holders and Beneficial Owners of the Series 2014C Bonds (the "Undertaking").

Annual Disclosure Report. The state covenants and agrees that not later than seven months after the end of each Fiscal Year (the "Submission Date"), beginning for the Fiscal Year ended June 30, 2013, the state will provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, an annual report (the "Annual Disclosure Report") which will consist of the following:

(1) Total Obligation Authority and Reimbursements substantially as shown in Tables 6 and 7;

(2) the financial report of the results of the operation of the SR 520 Corridor; and

(3) a narrative explanation of any reasons for any amendments to the Undertaking made during the previous fiscal year and the effect of such amendments on the Annual Disclosure Report being provided.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the Internet website of the MSRB or filed with the SEC. The state will identify clearly each document so included by reference. The MSRB has indicated that it intends to make continuing disclosure information submitted to it publicly available on the Internet on its Electronic Municipal Market Access system website.

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 herein; provided, that any audited financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such statements are not available by the Submission Date.

If the state's fiscal year changes, the state may adjust the Submission Date by giving notice of such change in the same manner as notice is to be given of the occurrence of a Listed Event.

The state agrees to provide or cause to be provided to the MSRB, in a timely manner, notice of its failure to provide the Annual Disclosure Report on or prior to the Submission Date.

Listed Events. The state agrees to provide or cause to be provided, in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB notice of the occurrence of any of the following events with respect to the Series 2014C Bonds (the "Listed Events"): (1) principal and interest payment delinquencies; (2) nonpayment-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, Notice of Proposed Issue (IRS form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Series 2014C Bonds; (7) modifications to rights of owners of the Series 2014C Bonds, if material; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing the repayment of the Series 2014C Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the state, as such "Bankruptcy Events" are defined in the Rule; (13) the consummation of a merger, consolidation, or acquisition involving the state or the sale of all or substantially all of the assets of the state, 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.

Termination or Modification of Undertaking. The state's obligations under the Undertaking will terminate upon the legal defeasance, prior prepayment or payment in full of all of the Series 2014C Bonds. The Undertaking, or any provision thereof, shall be null and void if the state:

(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 2014C Bonds; and

(2) notifies the MSRB, in a timely manner, of such opinion and the cancellation of the Undertaking.

The state may amend the Undertaking without the consent of any holder of any Bond or any other person or entity under the circumstances and in the manner permitted by the Rule. The Treasurer will give notice to the MSRB of the substance of any such amendment, including a brief statement of the reasons therefor.

If the amendment changes the type of Annual Disclosure Report to be provided, the Annual Disclosure Report containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided (or in the case of a change of accounting principles, the presentation of such information). In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements:

(1) notice of such change will be given in the same manner as for a Listed Event, and

(2) 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.

Remedies. The right of holders or Beneficial Owners to enforce the provisions of the Undertaking will be limited to a right to obtain specific enforcement of the state's obligations thereunder, and any failure by the state to comply with the provisions of the Undertaking will not be a default with respect to the Series 2014C Bonds.

Additional Information. Nothing in the Undertaking will be deemed to prevent the state 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 a Listed Event, in addition to that which is required by the Undertaking. If the state chooses to include any information in any Annual Disclosure Report or notice of the occurrence of a Listed Event in addition to that specifically required by the Undertaking, the state will have no obligation to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of a Listed Event.

Prior Compliance. The state has complied in all material respects with all prior written undertakings under the Rule.

BOND RATINGS

Moody's Investors Service Inc. and Standard & Poor's Ratings Services, a business unit within Standard & Poor's Financial Services LLC, have assigned ratings on the Series 2014C Bonds of Aa3 and AA, respectively. The state furnished certain information and materials to the rating agencies regarding the Series 2014C Bonds and the state. Generally, rating agencies base their ratings on the information and materials furnished to them and on their own investigations, studies and assumptions. Such ratings will reflect only the respective views of such rating agencies and are not a recommendation to buy, sell or hold the Series 2014C Bonds. An explanation of the significance of such ratings may be obtained from any of the rating agencies furnishing the same.

There is no assurance that such ratings would be maintained for any given period of time or that they may not be raised, lowered, suspended, or withdrawn entirely by the rating agencies, or any of them, if in their or its judgment, circumstances warrant. Any such downward change in or suspension or withdrawal of such ratings may have an

adverse effect on the market price of the Series 2014C Bonds. The state undertakes no responsibility to oppose any such change or withdrawal.

FINANCIAL ADVISORS

Montague DeRose and Associates, LLC, and Piper Jaffray & Co., Seattle-Northwest Division have served as financial advisors to the state relative to the preparation of the Series 2014C Bonds for sale and other matters relating to the Series 2014C Bonds. The financial advisors have not audited, authenticated or otherwise verified the information set forth in this Official Statement or other information relative to the Series 2014C Bonds. The financial advisors make no guaranty, warranty or other representation on any matter related to the information contained in the Official Statement. The financial advisors' compensation is not contingent upon the successful delivery of the Series 2014C Bonds.

UNDERWRITING

The Series 2014C Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC (collectively, the "Underwriters"). Subject to the provisions of a bond purchase contract for the Series 2014C Bonds between the Underwriters and the state, the Underwriters agree to purchase all of the Series 2014C Bonds at a price of $_____, which represents the principal amount of the Series 2014C Bonds [plus an original issue premium/less an original issue discount] of $_____ and less an Underwriters' discount of $_____. The Series 2014C Bonds will be reoffered at a price of $_____, as reflected by the prices and yields set forth on page i of this Official Statement.

The Underwriters have provided the following information to the state.

Citigroup Inc. and Morgan Stanley, the respective parent company of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, have entered into a retail brokerage joint venture. As part of the joint venture, each of Citigroup Global Markets Inc. and 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, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of Series 2014C Bonds.

J.P. Morgan Securities LLC ("JPMS") 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 at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Series 2014C Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2014C Bonds that such firm sells.

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, investment research, 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 state, 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 (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the state. The Underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Underwriters may offer and sell the Series 2014C Bonds to certain dealers (including dealers depositing Series 2014C Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on

page i hereof, and such initial offering prices may be changed from time to time by the Underwriters. After the initial public offering, the public offering prices may be varied from time to time.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The state has duly authorized the execution and delivery of this Official Statement.

STATE OF WASHINGTON

By:_____

State Treasurer and Chairman,
State Finance Committee

51302072.10

APPENDIX A

DEFINITIONS AND SUMMARY OF CERTAIN MASTER RESOLUTION PROVISIONS

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DEFINITIONS AND SUMMARY OF CERTAIN MASTER RESOLUTION PROVISIONS

DEFINITIONS

The following are certain defined terms from the Master Resolution that are used in this Official Statement.

Accreted Value means (1) with respect to any Capital Appreciation Bonds or Convertible Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Bond Sale Resolution as the amount representing the initial principal amount of those Capital Appreciation Bonds or Convertible Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to any Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of those Original Issue Discount Bonds plus the amount of the 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 Bond Sale Resolution authorizing the issuance of the applicable Capital Appreciation Bonds, Convertible Capital Appreciation Bonds or Original Issue Discount Bonds.

Additional Bonds means Bonds (other than the Series 2012F Bonds) issued under the provisions of Article II of the Master Resolution, which shall include Refunding Bonds.

Additional Projects means any portion of the SR 520 Corridor other than the Initial Project, other Eligible Toll Facilities, and other transportation facilities in the state in respect of which the state is eligible to receive FAHP Funds and which are to be financed or refinanced by the issuance of Additional Bonds.

Allocations means discretionary or other distributions of FAHP Funds to the state for which there is not a statutorily mandated distribution formula and which are available for obligation by the state to finance its federally approved transportation programs upon receipt from FHWA of Obligation Authority.

Annual Debt Service means for any Fiscal Year the sum (without duplication) of the aggregate amount of principal and interest scheduled to become due and payable in that Fiscal Year on all Bonds then Outstanding (by scheduled maturity, mandatory redemption or otherwise), less any amounts of that principal or interest to be paid during that Fiscal Year from (1) the proceeds of Bonds, or (2) money or Government Obligations (as defined in the Master Resolution) set aside in a special fund and pledged irrevocably for the purpose of paying that principal or interest pursuant to the Master Resolution; provided that if a Hedge Facility has been entered into with respect to any Bond, interest on that Bond shall be included in the calculation of Annual Debt Service by including for each Fiscal Year an amount equal to the amount of interest payable on those Bonds at the rate or rates stated in that Bond plus any Hedge Payments payable by the state in such Fiscal Year minus any Hedge Receipts receivable by the state in that Fiscal Year (provided that in no event shall the calculation made pursuant to this clause result in a number less than zero being included in the calculation of Annual Debt Service); and further provided that for the purposes of calculating Annual Debt Service:

1. In determining the amount of principal to be funded in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Bonds in accordance with any amortization schedule or amortization calculations established by the Bond Sale Resolution setting forth the terms of those Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds, Convertible Capital Appreciation Bonds or Original Issue Discount Bonds maturing or scheduled for redemption in that year; and in determining the amount of interest to be funded in each year, interest payable at a fixed rate shall (except to the extent any other subsection of this definition applies) be assumed to be made at that fixed rate and on the required funding dates.

2. If interest on Bonds is payable pursuant to a variable interest rate (or if Hedge Payments or Hedge Receipts are determined pursuant to a variable rate formula), the interest rate on those Bonds (or the variable rate formula for those Hedge Payments or Hedge Receipts) for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to (a) if those Bonds (or Hedge Facility) were Outstanding

during the 12 calendar months immediately preceding the date of calculation, an average of the interest rates per annum which were in effect during such preceding 12 calendar months, and (b) if those Bonds (or Hedge Facility) were not Outstanding during the 12 calendar months immediately preceding the date of calculation, (i) with respect to Tax Exempt Bonds, an average of the SIFMA Index during the 12 calendar months immediately preceding the date of calculation, (ii) with respect to Bonds that are not Tax-Exempt Bonds, an average of an index identified by the Treasurer Representative as being comparable to SIFMA for Bonds that are not Tax-Exempt Bonds during the 12 calendar months immediately preceding the date of calculation, (iii) with respect to a Hedge Facility with an index-based rate formula, the rate produced by applying that rate formula to an average of such index during the 12 calendar months immediately preceding the date of calculation, or (iv) with respect to a Hedge Facility that does not have an index-based rate, the rate described in (i) above if the related Bonds are Tax-Exempt Bonds or in (ii) above if the related Bonds are taxable, all as specified in either, at the election of the state, a certificate of the Treasurer Representative or a written statement from a investment banking or financial advisory firm.

3. With respect to any Assumed Amortization Maturity, at the option of the state, that Assumed Amortization Maturity may be treated as if it were to be amortized at a rate and over a period from the date of incurrence of that Assumed Amortization Maturity as provided in the applicable Bond Sale Resolution.

4. In any computation relating to the issuance of Additional Bonds, there shall be excluded from the computation of Annual Debt Service principal of and interest on Bonds for which funds are, or are reasonably expected to be, available for and which are irrevocably committed to make those payments, including without limitation (a) any such funds in an escrow account, (b) any such funds constituting capitalized interest held in any account created by the Master Resolution or (c) any Federal Credit Payments.

Apportionment means distributions of FAHP Funds to the state pursuant to a statutorily mandated distribution formula which are available for obligation by the state to finance its federally approved transportation programs upon receipt from FHWA of Obligation Authority.

Beneficial Owner means the owner of any beneficial interests in the Bonds.

Bond or ***Bonds*** means any federal highway grant anticipation revenue bonds or any other evidences of the obligation to repay borrowed money, Hedge Payments or other obligations issued or incurred by the state from time to time pursuant to the Master Resolution and the terms of the Bond Sale Resolutions. The term "Bond" or "Bonds" includes, without limitation, notes, bond anticipation notes, commercial paper, and other securities, contracts or obligations incurred through lease, installment purchase or other agreements, including any Reimbursement Agreements, or certificates of participation therein, in each case to the extent secured by the Master Resolution. The terms "Bond" and "Bonds" may, if provided in a Bond Sale Resolution, include Credit Provider Bonds.

Bond Act means Chapter 498, Laws of 2009, and Chapter 377, Laws of 2011, of the state, as codified in RCW 47.10.879-.888, and as these statutes may be amended or supplemented by additional legislation enacted by the Legislature, including, without limitation, amendments and supplements to authorize the issuance and sale of Bonds under the Master Resolution to provide additional financing for the SR 520 Corridor Program and/or to finance Additional Projects.

Bond Counsel means an attorney or firm or firms of attorneys of national recognition, selected or employed by the state, experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

Bond Interest Payment Date means, with respect to each Series of Bonds, each date set forth in the applicable Bond Sale Resolution with respect to that Series of Bonds on which interest is payable.

Bond Owners' Trustee is the trustee appointed upon an Event of Default.

Bond Payment Date means any Bond Interest Payment Date or Bond Principal Payment Date.

Bond Principal Payment Date means, with respect to each Series of Bonds, each date set forth in the applicable Bond Sale Resolution with respect to that Series of Bonds on which principal is payable by reason of mandatory sinking fund redemption or maturity.

Bond Register means the registration books of the Bond Registrar on which are maintained the names and addresses of the Registered Owners of the Bonds.

Bond Registrar means the Fiscal Agent.

Bond Sale Resolution means a supplemental resolution hereafter adopted by the Committee that establishes, among other items, the applicable Debt Service Reserve Requirement, if any, aggregate principal amount, principal amounts per maturity, maturity dates, interest rates or interest rate determination methods, redemption provisions, tender provisions and other terms of one or more Series of the Bonds, and specifies the Debt Service Reserve Subaccount and Toll Facility Bond Retirement Account subaccount(s) for such Series of Bonds, as that resolution may be amended or supplemented from time to time. Wherever in the Master Resolution reference is made to the adoption of a Bond Sale Resolution by the Committee or to the establishment of any matter relating to the sale of the Bonds by the Committee pursuant to a Bond Sale Resolution, that reference includes, without limitation, adoption of a Bond Sale Resolution by the Treasurer on behalf of the Committee as provided in the Master Resolution and shall authorize the establishment of matters relating to the sale of the Bonds by the Treasurer pursuant to a Bond Sale Resolution adopted by the Treasurer.

Business Day means, unless specified otherwise in the applicable Bond Sale Resolution, any day of the week other than Saturday, Sunday or a day on which commercial banks located in the state or in the jurisdiction in which the principal office of the Bond Registrar is located are required or authorized to remain closed or on which the New York Stock Exchange is closed.

Capital Appreciation Bonds means any Series of Bonds all the interest on which is compounded and accumulated at the rates and on the dates set forth in a Bond Sale Resolution and is payable only upon redemption or on the maturity date of those Bonds.

Code means the Internal Revenue Code of 1986, as amended from time to time, together with all applicable rulings and regulations promulgated thereunder.

Committee means the State Finance Committee, or any successor thereto.

Convertible Capital Appreciation Bonds means Bonds which initially are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically. Convertible Capital Appreciation Bonds shall be Capital Appreciation Bonds until the conversion date and from and after that conversion date shall no longer be Capital Appreciation Bonds but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

Cost means all costs and expenses paid or incurred or to be paid or incurred (including the reimbursement of the state for any costs and expenses originally paid or incurred by the state) in connection with the Initial Project and any Additional Project, including, without limitation:

1. planning, designing, permitting, engineering, acquiring, installing, constructing, modifying, reconstructing and repairing the SR 520 Corridor Program, property related to the SR 520 Corridor Program and improvements to the SR 520 Corridor Program, including, but not limited to, amounts paid to other persons in consideration for the transfer to the state of right-of-way and other property included in or related to the SR 520 Corridor Program;

2. planning, designing, permitting, engineering, acquiring, installing, constructing, modifying, reconstructing and repairing any Additional Project, including, but not limited to, amounts paid to other persons in consideration for the transfer to the state or others of right-of-way and other property included in or related to the Additional Project;

3. financing costs of the SR 520 Corridor Program and any Additional Project, including, but not limited to, costs and expenses that the state deems necessary or advantageous in connection with the sale of the Bonds and the administration of the Bonds, the Master Resolution and any Bond Sale Resolution, including, but not limited to, costs and expenses relating to the engagement of consultants, financial advisors, underwriters, credit and/or liquidity support providers, rating agencies, attorneys, trustees, paying agents, registrars, and other agents in connection with the issuance of the Bonds, the Master Resolution and any Bond Sale Resolution;

4. payment of interest on the Bonds;

5. costs and expenses relating to any Credit Facility entered into in accordance with the Master Resolution, including the reimbursement of any Credit Provider as described in the Master Resolution;

6. costs and expenses relating to any Hedge Facility entered into in accordance with the Master Resolution; and

7. other amounts that the state determines are required to carry out the SR 520 Corridor Program and any other Projects that are authorized by the Toll Facilities Act.

Credit Facility or ***Credit Facilities*** means, with respect to a Series of Bonds, a letter of credit, line of credit, municipal bond insurance, surety policy, standby bond purchase agreement or other form of credit enhancement and/or liquidity support, which may include self liquidity provided by the state, if any, for that Series of Bonds, provided for in the applicable Bond Sale Resolution, including any alternate Credit Facility with respect to that Series of Bonds delivered in accordance with provisions of the Bond Sale Resolution providing for the issuance of that Series of Bonds.

Credit Provider means, with respect to a Series of Bonds, the provider of a Credit Facility, which may be the state.

Credit Provider Bonds means any Bonds purchased with funds provided under a Credit Facility for so long as those Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider in accordance with the applicable Bond Sale Resolution.

Debt Service Reserve Requirement or ***Debt Service Reserve Requirements*** means the amount or amounts, if any, required to be on deposit in the Common Debt Service Reserve Subaccount or any Series Debt Service Reserve Subaccount, as applicable, specified in the Bond Sale Resolution governing the issuance of and securing the related Series of Bonds.

Debt Service Reserve Subaccounts means the Common Debt Service Reserve Subaccount and any Series Debt Service Reserve Subaccounts.

Deputy State Treasurer means the Deputy State Treasurer for Debt Management and Secretary of the Committee, or any other officer of an office that succeeds to substantially all of the relevant functions of the Deputy State Treasurer for Debt Management.

Direct GARVEE Reimbursement Subaccount means the subaccount of that name created in the Toll Facilities Account.

Direct GARVEE Reimbursements means all FAHP Funds received by the state from FHWA pursuant to the Memorandum of Understanding, which represent federal reimbursement to WSDOT to meet requirements for Annual Debt Service, Debt Service Reserve Requirements, if any, and other costs and expenses incurred by the state relating to Bonds and which funds are on deposit in the Direct GARVEE Reimbursement Subaccount or the GARVEE Bond Debt Service Subaccount.

DTC means The Depository Trust Company, New York, New York, or such other custodian engaged by the state to operate a book-entry system for recording, through electronic or manual means, the beneficial ownership of any

Bonds, in which system no physical certificates are issued to the Beneficial Owners, but in which a limited number of physical certificates are issued to and registered in the name of the custodian or its nominee, and delivered to the custodian.

Eligible Apportionment means Apportionment eligible to be used to pay debt service and debt-related costs, including any existing unobligated balances and transfers between federal programs authorized in Title 23 as necessary to carry out the state's federal aid highway program.

Eligible Toll Facilities means any portion or portions of the state highway system and related facilities that the Legislature has specifically identified as an eligible toll facility, including, but not limited to, transportation corridors, bridges, crossings, interchanges, on-ramps, off-ramps, approaches, bistate facilities, interconnections between highways, and other facilities that provide for the operations of conveyances of people or goods.

Event of Default means any one or more of those events in the Master Resolution and shown herein under "DEFINITIONS AND SUMMARY OF CERTAIN MASTER RESOLUTION PROVISIONS–Defaults and Remedies."

FAHP Funds means all funds received by the state pursuant to its Obligation Authority under the Federal-Aid Highway Program administered by FHWA other than any category of such funds that is not legally available for the payment of debt service on Bonds.

Federal Aid Agreements means all agreements and agreement modifications by and between WSDOT and FHWA with respect to the Initial Project and any Additional Projects entered into in accordance with Title 23.

Federal Credit Payments means amounts which the state is entitled to receive as a subsidy or tax credit payable by the United States Treasury to the state in respect of interest on any Bonds issued as Tax-Advantaged Bonds.

Federal Fiscal Year or ***FFY*** means the period commencing on October 1 of any year and ending on September 30 of the ensuing year, or any other fiscal year of the FHWA.

FHWA means the Federal Highway Administration.

Fiscal Agent means the fiscal agency or fiscal agencies of the state as appointed from time to time by the Committee pursuant to chapter 43.80 RCW.

Fitch means Fitch, Inc., and its successors, if any, and if that corporation shall no longer perform the functions of a securities rating agency, "Fitch" means any other nationally recognized securities rating agency (other than Moody's and S&P) designated by the Treasurer Representative.

GARVEE Bond Debt Service Subaccount means the subaccount of that name created in the Toll Facility Bond Retirement Account.

GARVEE Bond Proceeds Subaccount means the subaccount of that name created hereby in the Toll Facilities Account.

Hedge Facility means any payment agreement entered into by the state pursuant to the provisions of Chapter 39.96 RCW to effect any rate swap transaction, basis swap transaction, cap transaction, floor transaction, collar transaction, or similar transaction, which is intended to convert or limit the interest rate payable with respect to any Bonds, and which (1) is designated as a Hedge Facility to relate to all or part of one or more Series of Bonds; (2) is with a Qualified Hedge Provider or an entity that has been a Qualified Hedge Provider within the 60 day period preceding the date on which the calculation of Annual Debt Service or Maximum Annual Debt Service is being made; and (3) has a term not greater than the term of the designated Bonds or a specified date for mandatory tender or redemption of the designated Bonds.

Hedge Payments means the regularly scheduled payments to be paid to a counterparty by the state under the terms of a Hedge Facility absent any termination, default or dispute in connection with that Hedge Facility.

Hedge Receipts means regularly scheduled payments required to be paid to the state by a counterparty under the terms of a Hedge Facility absent any termination, default or dispute in connection with that Hedge Facility.

Holder or ***Bondholder*** means the Registered Owner of any Bond; provided that a Bond Sale Resolution may provide that other persons may be deemed to be the holder or holders of all or a portion of the Series of Bonds authorized thereby, including but not limited to the providers of credit support for those Bonds. A Qualified Hedge Provider shall only be considered a Bondholder to the extent specified in a Bond Sale Resolution.

Initial Project means the SR 520 Bridge Replacement and HOV Program as described in the Federal Aid Agreements.

Legislature means the Legislature of the state.

Master Resolution means Resolution No. 1125 of the Committee adopted on April 25, 2012, as it may be amended or supplemented from time to time.

Maximum Annual Debt Service means the greatest of the amounts required to be paid or set aside during the current or any future Federal Fiscal Year commencing after the date of such calculation, for payment of Annual Debt Service on all Outstanding Bonds. The method for determining Maximum Annual Debt Service for variable rate Bonds shall be set forth in the related Bond Sale Resolution.

Memorandum of Understanding means, with respect to the Initial Project, the Memorandum of Understanding by and between FHWA and WSDOT dated August 16, 2011, as revised on May 24, 2012, and as further amended or supplemented from time to time, and any other applicable memorandum of understanding by and between FHWA and WSDOT with respect to any Additional Project.

Moody's means Moody's Investors Service, Inc., and its successors, if any, and if that corporation shall no longer perform the functions of a securities rating agency, "Moody's" means any other nationally recognized securities rating agency (other than Fitch and S&P) designated by the Treasurer Representative.

Motor Vehicle Fund means the Motor Vehicle Fund in the state treasury.

MSRB means the Municipal Securities Rulemaking Board.

Obligation Authority means the grant by FHWA to WSDOT pursuant to Title 23 for each Federal Fiscal Year of authority to obligate Apportionment and Allocations to finance the state's federally approved transportation programs, taking into account both new budget authority and any budget authority made available by the de-obligation of previously obligated funds.

Outstanding when used with reference to Bonds means, as of any date of determination, all Bonds that have been authenticated and delivered except: (1) Bonds that have been canceled by the Bond Registrar or delivered to the Bond Registrar for cancellation; (2) Bonds which are deemed paid and no longer Outstanding as provided in the Master Resolution; (3) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the Master Resolution relating to Bonds destroyed, stolen or lost; (4) after any tender date as may be provided for in the applicable Bond Sale Resolution, any Bond held by a Bondholder who has given a tender notice or was required to tender that Bond in accordance with the provisions of the applicable Bond Sale Resolution and which was not so tendered and for which sufficient funds for the payment of the purchase price of which have been deposited with the Bond Registrar, or any tender agent appointed under the applicable Bond Sale Resolution; and (5) for purposes of any consent or other action to be taken under the Master Resolution by the Holders of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the state (unless all Bonds that would be "Outstanding" but for the provisions of this clause (5) are so held by or for the account of the state).

Pledged Federal Aid means all FAHP Funds received by the state from FHWA as Direct GARVEE Reimbursements and as Reimbursements.

Qualified Hedge Provider means an entity that meets the applicable requirements of Chapter 39.96 RCW as necessary to be a party to a Hedge Facility with the state.

RCW means the Revised Code of Washington.

Refunding Bonds means bonds issued under the Master Resolution, the proceeds of which are used solely to refund specified Bonds then Outstanding under the Master Resolution and to pay the costs of issuing such Refunding Bonds.

Registered Owner means the person named as the registered owner of a particular Bond in the Bond Register. For so long as the Bonds of a Series are held in book-entry only form, DTC shall be deemed to be the sole Registered Owner of the Bonds of that Series.

Reimbursements means all FAHP Funds received by the state from FHWA which represent federal reimbursement to WSDOT for funds advanced by WSDOT to pay the federal share of the cost of transportation projects or portions of projects not being financed with proceeds of the Bonds and which reimbursements are on deposit in the Motor Vehicle Fund or the GARVEE Bond Debt Service Subaccount.

Rule means the SEC's Rule 15c2 12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

S&P means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., and its successors, if any, and if that corporation shall no longer perform the functions of a securities rating agency, "S&P" means any other nationally recognized securities rating agency (other than Fitch and Moody's) designated by the Treasurer Representative.

SEC means the Securities and Exchange Commission.

Series Debt Service Reserve Subaccount means any subaccount created by a Bond Sale Resolution governing the issuance of and securing only the related Series of Bonds.

Series of Bonds or ***Bonds of a Series*** or ***Series*** means a series of Bonds issued pursuant to the Master Resolution and the terms of a Bond Sale Resolution.

SIFMA Index means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association ("SIFMA") or any person acting in cooperation with or under the sponsorship of SIFMA, or if such index is no longer available "SIFMA Index" shall refer to a comparable index identified as being comparable by the Treasurer Representative.

SR 520 Corridor means that portion of State Route 520 between its junctions with Interstate 5 and State Route 202.

SR 520 Corridor Program means the State Route 520 bridge replacement and HOV program described in the Toll Facilities Act.

State means the State of Washington.

State Treasury means the Treasury of the state.

Tax-Advantaged Bonds means any Bonds that are designated by the state as Bonds with respect to which the state is eligible to receive Federal Credit Payments or the holders of which are eligible to receive a federal tax credit under any federal subsidy or credit program available under the Code.

Tax-Exempt Bonds means any Bond, including the Series 2014C Bonds, the interest on which is excludable from gross income of the Beneficial Owner for purposes of federal income tax.

Term Bonds means all Bonds that are identified as term bonds in the Bond Sale Resolutions, the payment of which will be made from mandatory sinking fund deposits into the GARVEE Bond Debt Service Subaccount.

Title 23 means Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time, and any extension thereof or successor or replacement provision of law.

Toll Facility Bond Retirement Account means the account of that name created in the State Treasury.

Toll Facilities Account means that account created in the State Treasury by the Toll Facilities Act currently designated as the State Route Number 520 Corridor Account, as that account may be renamed, redesignated or supplemented in accordance with the Toll Facilities Act.

Toll Facilities Act means Chapter 122, Laws of 2008; Chapter 472, Laws of 2009; Chapter 248, Laws of 2010; and Chapter 377, Laws of 2011, of the state, as codified within Chapter 47.56 RCW, and as those statutes may be amended or supplemented by the Legislature.

Toll Credits means approved toll credits eligible to be applied as a credit against the non-Federal share of the cost of any project otherwise required to be paid by the state.

Treasurer means the Treasurer of the State of Washington or any other officer of an office that succeeds to substantially all of the relevant functions of the Treasurer of the State of Washington.

Treasurer Representative means the Treasurer, the Assistant State Treasurer or the Deputy State Treasurer, and shall include any other natural person who at the time and from time to time may be designated by a certificate of the Treasurer that contains the specimen signature of the designated person and is signed by the Treasurer, the Assistant State Treasurer or the Deputy State Treasurer.

WSDOT means the Washington State Department of Transportation.

WSDOT Representative means the Secretary of WSDOT or designee of the Secretary.

SUMMARY OF CERTAIN MASTER RESOLUTION PROVISIONS

Defaults and Remedies

Events of Default. The occurrence and continuation of the following events will constitute "Events of Default" with respect to the Bonds: (1) if a default is made in the payment of the principal of or interest on any of the Bonds when the same shall become due and payable or (2) if the state defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of the state set forth in the Master Resolution or any covenants, conditions or agreements on the part of the state contained in any Bond Sale Resolution and such default or defaults have continued for a period of six months after the state has received from the Bond Owners' Trustee (as defined below) or from the Registered Owners of not less than 25 percent in principal amount of the Outstanding Bonds, a written notice specifying and demanding the cure of that default. However, if the default in the observance and performance of any other of the covenants, conditions and agreements is one which cannot be completely remedied within the six months after written notice has been given, it shall not be an Event of Default with respect to the Bonds as long as the state has taken active steps within the six months after written notice has been given to remedy the default and is diligently pursuing that remedy.

Bond Owners' Trustee. So long as an Event of Default has not been remedied, a trustee (the "Bond Owners' Trustee") may be appointed by the Registered Owners of 25 percent in principal amount of the Outstanding Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by those Registered Owners of the Outstanding Bonds or by their attorneys-in-fact duly authorized and delivered to the Bond Owners' Trustee and

notification thereof being given to the state. That appointment shall become effective immediately upon acceptance thereof by the Bond Owners' Trustee. Any Bond Owners' Trustee appointed under the provisions of the Master Resolution shall be a bank or trust company organized under the laws of the state or the State of New York or a national banking association. The bank or trust company acting as Bond Owners' Trustee may be removed at any time, and a successor Bond Owners' Trustee may be appointed, by the Registered Owners of a majority in principal amount of the Outstanding Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by those Registered Owners of the Outstanding Bonds or by their attorneys-in-fact duly authorized. The Bond Owners' Trustee will be a trustee for the Registered Owners of all the Outstanding Bonds. The Bond Owners' Trustee may require from Beneficial Owners such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

In the event that any Event of Default in the sole judgment of the Bond Owners' Trustee is cured and the Bond Owners' Trustee furnishes to the state a certificate so stating, that Event of Default shall be conclusively deemed to be cured and the state, the Bond Owners' Trustee and the Registered Owners of the Outstanding Bonds shall be restored to the same rights and position which they would have held if no Event of Default had occurred.

Suits at Law or in Equity. Upon the occurrence of an Event of Default and during the continuance thereof, the Bond Owners' Trustee may, and upon the written request of the Registered Owners of not less than 25 percent in principal amount of the Outstanding Bonds shall, take such steps and institute such suits, actions or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the Registered Owners of the Outstanding Bonds, to collect any Pledged Federal Aid due and owing to or from the state for applicable to the purposes specified below under "Application of Money Collected by Bond Owners' Trustee," or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in the Master Resolution or in any of the Outstanding Bonds.

Nothing contained in the Master Resolution shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of principal on the Outstanding Bonds, and the remedy of acceleration is expressly denied to the Registered Owners of the Outstanding Bonds under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default.

Any action, suit or other proceedings instituted by the Bond Owners' Trustee under the Master Resolution shall be brought in its name as trustee for the Bond owners and all such rights of action upon or under any of the Outstanding Bonds or the provisions of the Master Resolution may be enforced by the Bond Owners' Trustee without the possession of any of those Outstanding Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law. Any suit, action or proceeding instituted by the Bond Owners' Trustee shall be brought for the ratable benefit of all of the Registered Owners of those Outstanding Bonds, subject to the provisions of the Master Resolution. The respective Registered Owners of the Outstanding Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true and lawful trustee of the respective Registered Owners of those Outstanding Bonds, with authority to institute any action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Outstanding Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the Registered Owner himself or herself might have done in person. Nothing in the Master Resolution shall be deemed to authorize or empower the Bond Owners' Trustee to consent to accept or adopt, on behalf of any Registered Owner of the Outstanding Bonds, any plan of reorganization or adjustment affecting the Outstanding Bonds or any right of any owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the claims of the Registered Owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the state is a party.

Notwithstanding the foregoing, the Holder of any Bond may by mandamus or other appropriate proceeding require and compel performance of any duties imposed upon WSDOT consistent with the provisions of RCW 47.10.887 in effect as of the date of the Master Resolution.

Application of Pledged Federal Aid Collected by Bond Owners' Trustee. Any Pledged Federal Aid collected by the Bond Owners' Trustee at any time pursuant to the default provisions of the Master Resolution shall be applied to the following purposes, within the limitations with respect thereto and only after payment has been brought current for every preceding purpose described in the following order of priority:

1. first, to the payment of the charges, expenses, advances and compensation of the Bond Owners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys;

2. second, to the payment to the persons entitled thereto of all installments of interest past due or coming due on the Outstanding Bonds in the following six months in the order of maturity of those installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference;

3. third, to the payment to the persons entitled thereto of the unpaid principal amounts of any Outstanding Bonds which shall have become due or which will become due in the following six months (other than Outstanding Bonds previously called for redemption for the payment of which money is held pursuant to the provisions hereto), whether at maturity or by proceedings for redemption or otherwise, in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal amounts due on the same date, then to the payment thereof ratably, according to the principal amounts due thereon to the persons entitled thereto, without any discrimination or preference;

4. fourth, to the payment of subordinate obligations payable from Pledged Federal Aid coming due in the following six months; and

5. fifth, for continued application to the purposes and in the priority described in 1 through 4 above.

Duties and Obligations of Bond Owners' Trustee. The Bond Owners' Trustee shall not be liable except for the performance of the duties as are specifically set forth in the Master Resolution. During an Event of Default, the Bond Owners' Trustee shall exercise the rights and powers vested by the Master Resolution, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act under the Master Resolution except for the Bond Owners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bond Owners' Trustee shall be determined solely by the express provisions of the Master Resolution, and no implied powers, duties or obligations of the Bond Owners' Trustee shall be read into the Master Resolution.

The Bond Owners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bond Owners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

The Bond Owners' Trustee shall not be bound to recognize any person as a Registered Owner of any Bond until his title thereto, if disputed, has been established to its reasonable satisfaction.

The Bond Owners' Trustee may consult with counsel and the opinion of that counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance with the opinion of that counsel. The Bond Owners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected-by it with reasonable care.

Suits by Individual Bond Holders Restricted. No Holder of any one or more of Outstanding Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless: (1) an Event of Default has happened and is continuing; (2) a Bond Owners' Trustee has been appointed; (3) that Holder previously shall have given to the Bond Owners' Trustee written notice of the Event of Default on account of which that suit, action or proceeding is to be instituted; (4) the Registered Owners of 25 percent in principal amount of the Outstanding Bonds, after the occurrence of that Event of Default, have made written request of the Bond Owners' Trustee and have afforded the Bond Owners' Trustee a reasonable opportunity to institute a suit, action or proceeding; (5) there have been offered to the Bond Owners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (6) the Bond Owners' Trustee has refused or neglected to comply with that request within a reasonable time.

No Holder of any Outstanding Bond shall have any right in any manner whatever by his action to affect or impair the obligation of the state to pay from the Pledged Federal Aid the principal of and interest on that Outstanding Bond to the respective Registered Owners thereof when due.

Amendatory and Supplemental Resolutions

The Master Resolution may not be modified or amended in any respect while any Bonds are Outstanding, except as provided in and in accordance with and subject to the provisions of the Master Resolution as set forth below. Upon the execution and delivery of any supplemental resolution pursuant to such provisions, the Master Resolution shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Master Resolution of the state, the Bond Registrar and all Holders of Outstanding Bonds, shall thereafter be determined, exercised and enforced under the Master Resolution subject in all respects to such modifications and amendments.

Amendments Without Consent of Holders. The Committee on behalf of the state, from time to time, and at any time, without the consent of or notice to the Bondholders of the Outstanding Bonds, may adopt supplemental or amendatory resolutions as follows:

1. To cure any formal defect, omission, inconsistency or ambiguity in the Master Resolution in a manner not adverse to the Holder of any Outstanding Bond;

2. To impose upon the Bond Registrar (with its consent) for the benefit of the Holders of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Master Resolution as in effect immediately prior to the adoption of the proposed supplemental or amendatory resolution;

3. To add to the covenants and agreements of, and limitations and restrictions upon, the state in the Master Resolution, other covenants, agreements, limitations and restrictions to be observed by the state which are not contrary or inconsistent with the Master Resolution as in effect immediately prior to the adoption of the proposed supplemental or amendatory resolution;

4. To confirm, as further assurance, any pledge under, and the subjection to any claim, security or pledge created or to be created by the Master Resolution of any other money, securities or funds;

5. To authorize different denominations of the Bonds and to make correlative amendments and modifications to the Master Resolution regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

6. To modify, alter, amend or supplement the Master Resolution in any other respect which is not materially adverse to the Holders of the Outstanding Bonds and which does not involve a change described below under "Amendments with Consent of Holders;"

7. To maintain the exclusion from gross income of the interest on the Tax-Exempt Bonds from federal income taxation or to preserve Federal Credit Payments or tax credits with respect to Tax-Advantaged Bonds;

8. To add to the covenants and agreements of, and limitations and restrictions upon, the state in the Master Resolution, other covenants, agreements, limitations and restrictions to be observed by the state which are requested by a Credit Provider and which are not materially adverse to the Holders of the Outstanding Bonds; and

9. To modify, alter, amend or supplement the Master Resolution as necessary for the issuance of Additional Bonds permitted under the Master Resolution.

Amendments With Consent of Holders. Except for any supplemental resolution entered into pursuant to the provisions of "Amendments without Consent of Holders" above, subject to the terms and provisions contained below and not otherwise, Holders of not less than 50 percent in aggregate principal amount or Accreted Value, as applicable, of the Outstanding Bonds shall have the right from time to time to consent to and approve the adoption by the state of any supplemental resolution deemed necessary or desirable by the state for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Resolution; except that, unless approved in writing by the Holders of all Outstanding Bonds, nothing contained in this section shall permit, or be construed as permitting:

1. A change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Bond, or a reduction in the principal amount or redemption price of any Outstanding Bond or a change in the redemption price of any Outstanding Bond or a change in the method of determining the rate of interest thereon, or

2. A preference of priority of any Bond or Bonds over any other Bond or Bonds with respect to Pledged Federal Aid, or

3. A reduction in the aggregate principal amount of Bonds, the consent of the Holders of Bonds of which is required for the supplemental resolution.

The related Bond Sale Resolution may provide that a person other than the Registered Owner may, for purposes of this amendment provision, have the right to consent on behalf of all or a portion of a Series of Bonds, including but not limited to providers of Credit Facilities for a Series of Bonds.

Notice of any proposed supplemental Master Resolution to be given by first class mail, postage prepaid, to all Registered Owners of the then outstanding Bonds, to the Rating Agencies, if any, then maintaining a rating on any Bonds at the request of the state, and to any other persons designated to receive notice in a Bond Sale Resolution. The notice shall briefly set forth the nature of the proposed supplemental or amendatory resolution, shall request the consent of each Holder and shall state that a copy of the proposed supplemental resolution is on file at the office of the Bond Registrar for inspection by all Holders of Outstanding Bonds.

Opinion Required. Before the state adopts any supplemental resolution pursuant to the Master Resolution or simultaneously with that adoption, there shall be or have been delivered to the state an Opinion of Bond Counsel, stating that the supplemental resolution is authorized or permitted by the Master Resolution and will, upon the execution and delivery thereof, be valid and binding upon the state in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds or the receipt of Federal Credit Payments by the state or tax credits by the Beneficial Owners in respect of the Tax-Advantaged Bonds.

APPENDIX B

PROPOSED FORM OF LEGAL OPINION

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FOSTER PEPPER PLLC

[FORM OF APPROVING LEGAL OPINION]

State of Washington
c/o State Finance Committee
Olympia, Washington

We have served as bond counsel in connection with the issuance by the State of Washington (the "State") of the bonds described below (the "Series 2014C Bonds"):

$_____
STATE OF WASHINGTON
FEDERAL HIGHWAY GRANT ANTICIPATION REVENUE BONDS, SERIES 2014C (GARVEE)
(SR 520 CORRIDOR PROGRAM)
DATED _____, 2013

The Series 2014C Bonds are issued pursuant to Ch. 498, Laws of 2009, as amended by Ch. 377, Laws of 2011 (RCW 47.10.870-.888) (the "Bond Act"), Ch. 39.42 RCW, Resolution No. 1125 of the State Finance Committee (the "Committee") of the State adopted on April 25, 2012 (the "Master Resolution"), and Resolution No. ____ of the Committee acting by and through the State Treasurer adopted on _____, 2013 (together with the Master Resolution, the "Series 2014C Bond Resolution"), and other proceedings duly had and taken in conformity therewith. The Series 2014C Bonds are issued to finance a portion of the costs of the SR 520 Floating Bridge and Eastside Plus West Approach Bridge Project and to pay costs of issuing the Series 2014C Bonds. Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Master Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the State contained in the Series 2014C Bond Resolution and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the State is required to comply with certain requirements after the date of issuance of the Series 2014C Bonds in order to maintain the exclusion of the interest on the Series 2014C Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Series 2014C Bond proceeds and the facilities financed or refinanced with Series 2014C Bond proceeds, limitations on investing gross proceeds of the Series 2014C Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Series 2014C Bonds. The State has covenanted in the Series 2014C Bond Resolution to comply with those requirements, but if the State fails to comply with those requirements, interest on the Series 2014C Bonds could become taxable retroactive to the date of issuance of the Series 2014C Bonds. We have not undertaken and do not undertake to monitor the State's compliance with such requirements.

Based upon the foregoing, as of the date of initial delivery of the Series 2014C Bonds to the purchasers thereof and full payment therefor, it is our opinion that under existing law:

1. The Series 2014C Bonds are lawfully authorized and issued pursuant to and in full compliance with the Constitution and statutes of the State, including the Bond Act.

2. The Series 2014C Bonds have been legally issued and constitute valid limited obligations of the State, except to the extent that the enforcement of the rights and remedies of the holders and owners of the Series 2014C Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other

similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

3. The Series 2014C Bonds are payable from and secured by Pledged Federal Aid as set forth in the Series 2014C Bonds and the Series 2014C Bond Resolution. The Series 2014C Bonds have a lien on pledged Federal Aid on a parity with the Federal Highway Grant Anticipation Revenue Bonds, Series 2012F (GARVEE) and any Additional Bonds.

4. Assuming compliance by the State after the date of issuance of the Series 2014C Bonds with applicable requirements of the Code, the interest on the Series 2014C Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the Series 2014C Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Series 2014C Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Series 2014C Bonds received by certain S corporations may be subject to tax, and interest on the Series 2014C Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal, state or local tax consequences of receipt of interest on the Series 2014C Bonds.

The State has not designated the Series 2014C Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code.

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.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

APPENDIX C

DTC AND ITS BOOK-ENTRY SYSTEM

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DTC AND ITS BOOK-ENTRY SYSTEM

The following information has been provided by DTC. The state takes no responsibility for the accuracy or completeness thereof, or for the absence of material changes in such information subsequent to the date hereof. Beneficial Owners should 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 2014C Bonds. The Series 2014C 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 Bond certificate will be issued for each maturity of the Series 2014C Bonds in the principal amount of such maturity and will be deposited with DTC.

2. DTC, the world's largest 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 (which website is not incorporated by reference).

3. Purchases of Series 2014C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014C Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 2014C 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 the Series 2014C Bonds, except in the event that use of the book-entry system for the Series 2014C Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2014C 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 2014C 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 2014C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014C 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. When notices are given, they shall be sent by the Bond Registrar to DTC only**.** 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.

6. Redemption notices will be sent to DTC. If less than all of the Series 2014C Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014C 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 state 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 the Series 2014C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the Series 2014C 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 state or the Bond 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 Bond Registrar or the state, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC) are the responsibility of the state or the Bond 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 2014C Bonds at any time by giving reasonable notice to the state or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The state may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.