



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

November 6, 2001

Motion 11326

Proposed No. 2001-0509.1

Sponsors Fimia

1 A MOTION authorizing the executive to execute an
2 agreement for the provision of regional fare payment and
3 revenue reconciliation.

4
5
6 WHEREAS, King County and other transit agencies in the Central Puget Sound
7 region have determined that regional fare coordination will promote the use of public
8 transportation throughout the region by both their individual and collective customers due
9 to increased ease and convenience, and

10 WHEREAS, K.C.C. 28.94.015 authorizes the issuance and sale of regional passes
11 in accordance with the terms of an agreement approved by the county council and entered
12 into with other public transportation providers in the region, and

13 WHEREAS, the Interim Regional Pass and Fare Reconciliation Program
14 Agreement currently in effect expires on December 31, 2001.

15 NOW, THEREFORE, BE IT MOVED by the Council of King County:

16 The King County executive is hereby authorized to execute an agreement,

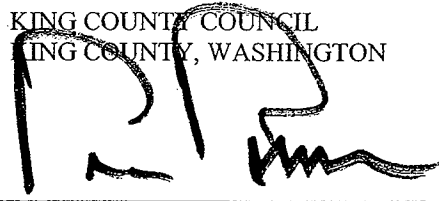
17 substantially in the form attached, for the provision of regional fare payment and
18 revenue reconciliation.

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Motion 11326 was introduced on 10/22/01 and passed by the Metropolitan King County Council on 11/5/01, by the following vote:

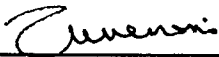
Yes: 12 - Mr. von Reichbauer, Ms. Miller, Ms. Fimia, Mr. Phillips, Mr. Pelz,
Mr. McKenna, Ms. Sullivan, Mr. Pullen, Mr. Gossett, Ms. Hague, Mr.
Thomas and Mr. Irons
No: 0
Excused: 1 - Mr. Nickels

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Pete von Reichbauer, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments A. Regional Pass and Fare Reconciliation Program Agreement

**REGIONAL PASS AND FARE
RECONCILIATION PROGRAM
AGREEMENT**

by and between

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY (“Sound Transit”);
CITY OF EVERETT (“Everett Transit”);
KING COUNTY (“King County Metro”);
PIERCE COUNTY PUBLIC TRANSPORTATION BENEFIT AREA CORPORATION
 (“Pierce Transit”); and
SNOHOMISH COUNTY PUBLIC TRANSPORTATION BENEFIT AREA CORPORATION
 (“Community Transit”)

January 1, 2002

TABLE OF CONTENTS

Recitals	Page 1
Section 1: Purpose	Page 2
Section 2: Term of Agreement	Page 2
Section 3: Interim Agreement	Page 2
Section 4: Contract Documents	Page 2
Section 5: Communications	Page 3
Section 6: Definitions	Page 3
Section 7: Individual Responsibilities of Each Party	Page 6
Section 8: Administration Responsibility	Page 8
Section 9: Process for Implementing this Agreement	Page 8
Section 10: Procurement and Contracting	Page 9
Section 11: Reimbursement Principles	Page 10
Section 12: Average Fare Per Boarding, Baseline and Total Fare Revenue Forecasts	Page 11
Section 13: Reconciliation Events and Late Fees	Page 13
Section 14: Reconciliation Account Manager	Page 15
Section 15: Fare Media Design and Production	Page 17
Section 16: Fare Media Distribution and Accounting	Page 18
Section 17: Pass Sales	Page 19
Section 18: Fare Media Acceptance Policies	Page 21
Section 19: Future Fare Changes	Page 22
Section 20: Audit and Reporting Requirements	Page 22
Section 21: Dispute Resolution	Page 23
Section 22: Termination	Page 23
Section 23: Legal Relations	Page 24
Signature Page:	Page 26
Exhibit A: Designated Representatives	Page 27
Exhibit B: Regional Pass Denominations and Prices	Page 28
Exhibit C: Regional Policy on Issuance of Commissions	Page 30
Exhibit D: Regional Policy on Issuance of Refunds	Page 31
Exhibit E: Regional Policy on Issuance of Discounts to Employers	Page 33
Exhibit F: Regional Fare Revenue Reconciliation Schedule	Page 34
Exhibit G: Revenue Reconciliation Methodology	Page 38
Exhibit H: Additional Administrative Cost Methodology	Page 41
Exhibit I: End of Year Surplus Methodology	Page 42
Exhibit J: Regional Passes Not Sold Cost Sharing Methodology	Page 43
Exhibit K: Obligations Carried Forward from Interim Agreement	Page 44

**REGIONAL PASS AND FARE
RECONCILIATION PROGRAM AGREEMENT**

THIS AGREEMENT ("Agreement"), dated January 1, 2002, is entered into by and between CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY ("Sound Transit"); the CITY OF EVERETT ("Everett Transit"); KING COUNTY ("King County Metro"); PIERCE COUNTY PUBLIC TRANSPORTATION BENEFIT AREA CORPORATION ("Pierce Transit"); and SNOHOMISH COUNTY PUBLIC TRANSPORTATION BENEFIT AREA CORPORATION ("Community Transit") each of which is herein referred to individually as a "Party" or collectively as "Parties."

WHEREAS, each Party provides public transportation services in a portion of the Central Puget Sound region of Washington State pursuant to state law; and

WHEREAS, each Party is duly authorized to provide public transportation within its portion of the region and to collect fares for such services; and

WHEREAS, the Parties convened three fare policy forums between December 1997 and June 1998 at which elected officials from the governing bodies of each transit agency developed policy direction for fare integration between the Parties; and

WHEREAS, the Parties have determined that regional fare coordination will promote the use of public transportation throughout the region by both their individual and collective customers due to increased ease and convenience; and

WHEREAS, the Parties have maintained a Regional Pass program, known as the PugetPass, since September, 1999 that allows customers access to transit services throughout the central Puget Sound region; and

WHEREAS, the Parties have agreed to a regional transfer acceptance policy that furthers the goal of providing ease of access to all transit services in the central Puget Sound region; and

WHEREAS, support of these coordinated regional fare policies requires a process whereby fare revenue is reconciled to each agency on an individual basis; and

WHEREAS, regional fare coordination will provide transfer discounts to customers and Sound Transit has committed to using its fare integration budget to reduce the financial effect on each agency of the shared costs of transfer discounts;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

Section 1 PURPOSE

The purpose of this Agreement is to continue a program of coordinated regional fares, including a shared set of Regional Passes, known as PugetPass, interagency cash transfers and an associated fare reconciliation arrangement. The program enables customers to access and transfer among and between the transportation services provided by the Parties using Regional Passes or intersystem transfers. Furthermore, this Agreement provides a fare reconciliation arrangement, which provides reimbursement to the Parties thereby reducing the impact of projected and actual revenue losses, which may be incurred by the implementation of coordinated regional fares.

Section 2 TERM OF AGREEMENT

a) Effective Date. This Agreement shall become effective on January 1, 2002. Unless terminated as provided herein, this Agreement shall remain in effect until the earlier of December 31, 2004 or when a viable program replacing the need for and supporting the goals of this agreement is in place, as reasonably determined by the Parties. However, the termination of this Agreement due to its replacement by another program shall in no way relieve any Party of its obligations incurred under this Agreement prior to such termination. This Agreement may be extended for three (3) additional one-year periods with the prior written consent of the General Managers of the Parties.

b) Review. As required to serve the purpose of this Agreement, the Parties shall meet and confer to identify modifications or amendments that may be necessary or appropriate and to prepare recommendations to adopt the same.

c) Withdrawal of a Party. Upon notification of withdrawal by any Party under Section 22 of this Agreement, the other Parties shall meet and confer to identify modifications or amendments that may be necessary or appropriate because of the withdrawal of that Party, and to prepare recommendations to adopt the same.

Section 3 INTERIM AGREEMENT

The Parties recognize that an Interim Regional Pass and Fare Reconciliation Program Agreement ("Interim Agreement") was in effect from May 1999 until December 31, 2001, and that certain obligations from the Interim Agreement must be incorporated into this Agreement in order to accomplish a seamless transition and satisfy the purpose of this Agreement as provided in Section 1 above. Those prior obligations are described in Exhibit K, which is attached to this Agreement and incorporated herein. Except for the obligations described in Exhibit K, no other obligations of the Interim Agreement are incorporated into this Agreement.

Section 4 CONTRACT DOCUMENTS

The following exhibits are attached hereto and incorporated by reference into this Agreement:

- EXHIBIT A—Designated Representatives of the Parties
- EXHIBIT B—Regional Pass Denominations and Prices
- EXHIBIT C—Regional Policy on Issuance of Commissions
- EXHIBIT D—Regional Policy on Issuance of Refunds
- EXHIBIT E—Regional Policy on Issuance of Discounts to Employers
- EXHIBIT F—Regional Fare Revenue Reconciliation Schedule
- EXHIBIT G—Revenue Reconciliation Methodology
- EXHIBIT H—Additional Administrative Cost Methodology
- EXHIBIT I—End of Year Surplus Methodology
- EXHIBIT J—Regional Passes Not Sold Cost Sharing Methodology
- EXHIBIT K—Obligations Carried Forward from Interim Agreement

Subject to the limitations and procedures identified in Section 9, exhibits may be amended by the Designated Representatives, except that amendment of Exhibits C, D or E requires the prior written approval of each Party's General Manager or Executive Director as provided in Section 17.

Section 5 COMMUNICATIONS

a) Designated Representatives. To ensure effective and efficient intergovernmental cooperation and administration of this Agreement, each Party shall designate a representative responsible for communications under this Agreement (the "Designated Representative"). Each Party's Designated Representative is identified in Exhibit A. A Party may change its Designated Representative by providing notice to the other Parties, and Exhibit A shall be deemed to be revised accordingly.

b) Notices. Any notice required to be given under the terms of this Agreement shall be directed to the persons signing this Agreement with copies to the Parties' Designated Representatives at the addresses listed in Exhibit A, as may be revised from time to time. Notice shall be considered issued and effective upon receipt by the addressee.

Section 6 DEFINITIONS**a) Classes of Boardings.**

- i) "Intrasystem Boardings" means boardings made as part of a trip which may include a transfer made solely between the services of one Party.
- ii) "Local-Local Boardings" means boardings made as part of a trip that includes a transfer in either direction between two Parties' services, where neither of said Parties is Sound Transit.
- iii) "Local-Sound Transit Boardings" means boardings made as part of a linked trip that includes a transfer in either direction between Sound Transit and any other Party.

b) Forecasted Revenue.

- i) "Forecast Total Revenue" means the sum of Forecast Baseline Revenue plus Forecast Transfer Revenue.
- ii) "Forecast Baseline Revenue" means an annual forecast of anticipated cash, pass, token and ticket fare revenue from Intrasystem and Local-Local boardings based on estimates of average fare per boarding and forecasted boardings, pursuant to Exhibit G.
- iii) "Forecast Transfer Revenue" means an annual forecast of anticipated cash, pass, and ticket fare revenue from Local-Sound Transit boardings, pursuant to Exhibit G.

c) Earned Revenue.

- i) "Earned Total Revenue" means the sum of Earned Baseline Revenue and Earned Transfer Revenue.
- ii) "Earned Baseline Revenue" means the actual cash, pass, token and ticket fare revenue earned by a Party from Intrasystem and Local-Local boardings based on estimates of average fare per boarding and estimated actual boardings pursuant to Exhibit G.
- iii) "Earned Transfer Revenue" means the actual cash, pass, token and ticket fare revenue earned by a Party from Local-Sound Transit Boardings as estimated by surveyed Local-Sound Transit transfer rates pursuant to Exhibit G.

d) Fare Revenue Recognized.

“Fare Revenue Recognized” means all fare revenue recorded by a Party from cash, pass, ticket, and token sales in a particular time period, pursuant to the methodology in Exhibit G.

e) Reconciliation Events.

i) “Monthly Reconciliation” means the monthly reconciliation of Fare Revenue Recognized against Forecast Total Revenue for each Party, which occurs according to the schedule in Exhibit F.

ii) “Periodic Reconciliation” means the reconciliation for the proceeding months of Fare Revenue Recognized against Earned Baseline Revenue and Forecast Transfer Revenue for each Party, which occurs according to the schedule in Exhibit F.

iii) “Annual Reconciliation” means the year-end reconciliation of Fare Revenue Recognized against Earned Total Revenue for each Party, which occurs according to the schedule in Exhibit F.

f) Reconciliation Account.

i) “Reconciliation Account Manager” means Sound Transit as it carries out the reporting and accounting functions necessary for Monthly, Periodic and Annual Reconciliations of the Revenue Reconciliation Account.

ii) “Revenue Reconciliation Account” means an account established by the Reconciliation Account Manager to accept, invoice, and disburse funds associated with Monthly, Periodic, and Annual Reconciliation, including transfers from the Fare Integration Budget to ensure sufficient funds are available to ensure all Parties receive Earned Total Revenue

iii) “Fare Integration Budget” means the resources budgeted by Sound Transit in Sound Move: The Ten-Year Regional Transit System Plan to support its contribution towards seamless public transportation, including minimizing the financial effects of transfer discounts.

g) Service, Customer and Fare Media Categories.

i) “Service Category” means the classes of services with specific fares established by each Party. These classes include but are not limited to:

- local fares;
- peak and off-peak fares;
- 1-zone, 2-zone and 3-zone fares;
- commuter and express fares; and
- commuter rail fares.

ii) "Customer Category" means the full and reduced fare classes established by each Party. These classes include, but are not limited to:

- adult fares;
- youth fares; and
- senior and disabled fares.

iii) "Fare Media Type" means classes of fare media including, but not limited to:

- cash;
- pass;
- ticket; and
- token.

iv) "Transportation Services" means the fixed route bus, trolley, streetcar and commuter rail, dial-a-ride, special event and paratransit public transportation services provided by the Parties, excluding vanpool services.

h) Other Terms.

i) "Boarding" means each time a passenger boards a transit vehicle, also known as an unlinked trip. Boardings will be forecast and estimated by each Party pursuant to Exhibit G.

ii) "Discretionary Amounts" shall be the direct expense for or revenue loss resulting from sales of Regional Passes, such as commissions, refunds, and/or discounts which expense or revenue loss varies from adopted regional policies identified in Section 17 (Pass Sales).

iii) "Employer/Institutional Specific Pass Programs" means programs with a pass media unique to the employer/institution or with pass distribution policies that are employer/institution specific pursuant to a written agreement with one or more of the Parties.

iv) "Regional Pass," marketed as PugetPass, means a fare media instrument valid for unlimited trip making during a defined calendar period on the Parties' services specified in Section 18 (Fare Media Acceptance Policies) of this Agreement.

v) "Service Area" means the territory served by each Party.

vi) "Service Productivity" means unlinked boardings per service hour.

Section 7 INDIVIDUAL RESPONSIBILITIES OF EACH PARTY

a) Responsibilities of Each Party. Each Party to this Agreement shall, at its sole expense, undertake its responsibilities required to implement the terms of this Agreement.

i) First, each Party shall be responsible for the communication and administration actions set forth in this Agreement, including designation and support of a Designated Representative.

ii) Second, each Party shall be responsible for revenue reconciliation under this Agreement, including, but not limited to, all actions required to:

- Develop estimates of its Forecast Baseline Revenue and Forecast Transfer Revenue for the purpose of revenue reconciliation;
- Calculate its Earned Baseline Revenue and Earned Transfer Revenue for the purpose of revenue reconciliation;
- Recalculate Average Fare per Boarding as a result fare changes or significant service changes;
- Provide monthly reporting of Pass Inventory Activity and Revenue Recognized as required for revenue reconciliation;
- Maintain information on Institutional/Employer Specific Pass programs managed separately from this Agreement; and
- Allow the Reconciliation Account Manager access to records necessary to audit information provided in monthly reports and used in developing Forecast and Earned Baseline Revenue.

iii) Third, each Party shall be responsible for distributing regional fare media and accepting regional fare media as full or partial payment on its affected services including, but not limited to, all actions required to:

- Ensure acceptance of regional fare media on affected service;
- Provide information to the public on the availability and use of regional fare media;
- Provide sales outlets for Regional Pass media; and
- Manage employer programs utilizing Regional Pass media.

iv) Fourth, the Parties shall undertake any and all other necessary and appropriate actions required to implement this Agreement as determined jointly by the Parties.

b) Additional Responsibilities of Sound Transit. In addition to its responsibilities as a Party to this Agreement, Sound Transit shall have the following responsibilities.

i) Sound Transit shall serve as Reconciliation Account Manager as defined under this Agreement and shall fulfill the responsibilities required of that function. The accounting responsibilities of the Reconciliation Account Manager are detailed in Section 14 of this Agreement.

ii) Allow the other Parties, or their designees, access to records necessary to audit information provided in monthly reports, used in developing Forecast and Earned Baseline Revenue, and for monthly, periodic and annual revenue reconciliation.

iii) For the purpose of revenue reconciliation, Sound Transit shall manage and pay for the annual research program described in Section 12(e)(ii).

Section 8 ADMINISTRATION RESPONSIBILITY

a) The Parties, acting cooperatively through their Designated Representatives, shall determine the elements necessary to implement this Agreement and carry out the administration responsibilities of this Agreement.

i) First, the administration responsibility shall include actions required to oversee and support Regional Pass media and cash transfer policies including, but not limited to:

- Determination of pass denominations and acceptance policies;
- Provision of design and production of Regional Pass media including oversight of design approval and pass procurement processes; and
- Coordination of transfer media use for cash transfers

ii) Second, the administration responsibility shall include actions required to oversee and support revenue reconciliation under this Agreement including, but not limited to:

- Review and secure approval of the Parties' General Managers or Executive Directors of each Party's Forecast Baseline Revenue;
- Management and design of survey instruments as required for the purpose of revenue reconciliation;
- Validation of survey results and other supporting data, such as boarding counts, as required for the purpose of revenue reconciliation;
- Calculation of estimates of actual boardings and transfer rates for the purpose of Earned Baseline Revenue validation and updating of Forecast Baseline Revenue estimates; and
- Secure the approval of the Parties' General Managers or Executive Directors of any year-end updates of Forecast Baseline Revenue estimates.

iii) Third, the administration responsibility shall include actions required to oversee and support the distribution and sales of regional fare media including, but not limited to:

- Determining the quantity and serial numbers of passes by pass type to be delivered to each Party;
- Coordinating marketing and public information function by the Parties related to regional fare media; and
- Resolving any conflicts in establishment of Party responsibility of sales outlets and employer programs.

b) The administration responsibility shall include any additional action required to oversee and support this Agreement as jointly determined by the Parties.

Section 9 PROCESS FOR IMPLEMENTING THIS AGREEMENT

a) The Parties shall jointly determine the elements of the Regional Pass program and fare revenue reconciliation arrangement and other matters necessary to implement this Agreement through the Designated Representatives identified in Exhibit A of this Agreement. Such determinations and other decisions necessary to implement this Agreement shall be made by unanimous approval of the Parties. The Designated Representatives shall meet and confer as may be necessary and appropriate. Each Designated Representative shall be responsible for communicating issues, recommendations, questions, and any other information to persons or bodies within its agency. The same Designated Representative shall also be responsible for communicating the decisions, positions, questions or concerns of its agency to the Designated Representatives of the other Parties.

b) As provided in Section 21, the group of Designated Representatives shall have the ability to refer any disputes that cannot be resolved. Similarly, for issues that are beyond the decision making authority of the Designated Representatives, the issue shall first be referred to the Transit Integration Group for decision making. In the event the Transit Integration Group is unable to make a decision then the General Managers and Executive Directors of the Parties shall confer to make a decision on the issue.

c) The Designated Representatives shall carry out the decisions of the forums cited above. Each Designated Representative shall be responsible for seeing that such decisions or actions necessary to implement this Agreement are consistent with the applicable administrative or legislative procedure of the Party it represents.

d) When acting through the process provided to implement this Agreement, the Designated Representatives do not have authority to enter into contracts on behalf of the Parties or to obligate the Parties to expend funds beyond the obligations that the Parties incur by entering into this Agreement; provided that the Designated Representatives have authority to implement the revenue reconciliation functions provided herein, including development and approval of Forecast Total Revenue and Forecast Baseline Revenue as set forth in Section 12 of this Agreement. As provided in Section 10(a) and Section 15, the Parties agree herein to pay their respective shares of Regional Pass production costs under a procurement mechanism to be determined and implemented by the Designated Representatives. As provided in Section 10(b), Sound Transit agrees herein to pay for the cost of the annual research program developed pursuant to Section 12(e)(ii) of this Agreement to implement the revenue reconciliation provisions of this Agreement.

Section 10 PROCUREMENT AND CONTRACTING

a) **Pass Production.** The cost of Regional Pass production shall be shared by the Parties as provided in Section 15. The Parties shall procure Regional Pass production goods and services using the most advantageous method that complies with the procurement requirements of the Federal Transit Administration (FTA) and the Parties, as the Parties shall decide pursuant to Section 9.

b) Annual Research Program. The costs of surveys and other research necessary to implement the annual research program described in Section 12(e)(ii) of this Agreement shall be paid by Sound Transit. Sound Transit intends to fund this research program from the Fare Integration Budget. Sound Transit shall procure goods and services related to this research program using a process that complies with the procurement requirements of the FTA. Sound Transit shall be the only Party that is signatory to contracts necessary to implement this research program; however, all other Parties shall be allowed the opportunity to participate in the development of specific workplans necessary to carry out the research program, associated contractor selection processes, and review of preliminary research results and analysis.

c) Other Procurement and Contracting. For other goods or services necessary to implement the Agreement that represent shared costs, the Parties shall use the most advantageous procurement method that complies with the requirements of the FTA and the Parties. Methods for procurement may include intergovernmental purchasing agreements, interagency purchasing agreements, or other contracting arrangements. The Parties shall each approve or execute any such agreement(s) for other goods or services pursuant to their respective authorization processes.

Section 11 REIMBURSEMENT PRINCIPLES

To reduce the impact of projected and actual revenue losses that may be incurred by the implementation of coordinated regional fares, the Parties shall be reimbursed for service provided to riders benefiting from this Agreement according to the following principles. Sound Transit's Fare Integration Budget shall be used to make up any shortfall between revenues collected and revenue to be reimbursed according to these principles.

Each Party shall earn fare revenue for riders using its services. The Parties' intent is to base reimbursement upon each Party's average fare per boarding, pursuant to Exhibit G.

a) Intrasystem Boardings. Each Party shall receive the full amount of its average fare per boarding for Intrasystem Boardings.

b) Local-Sound Transit Boardings. Each Party shall receive two-thirds of its average fare per boarding for Local-Sound Transit Boardings.

c) Local-Local Boardings. Each Party shall receive the full amount of its average fare per boarding for Local-Local Boardings. At such time as the Parties determine that better tracking measures exist to estimate Local-Local Boardings, the Parties agree to review the reimbursement principle for Local-Local Boardings. This review may include convening officials from the governing body of each Party for a fare policy forum.

d) End of Year Surplus. In the event that following the Annual Reconciliation for any given calendar year the difference between Fare Revenue Recognized for the year and Earned Total Revenue for the year results in a positive balance, this balance will be considered End of

Year Surplus. The End of Year Surplus will be distributed to the Parties pursuant to the methodology established in Exhibit I.

Section 12 AVERAGE FARE PER BOARDING, BASELINE AND TOTAL FARE REVENUE FORECASTS

a) Annual Review of Average Fare per Boarding. No later than the fifteenth of November of each calendar year of this Agreement, each Party shall submit an estimate of average fare per boarding for the coming year, developed pursuant to Exhibit G from the most recent data available. The Parties shall review and approve the submitted Average Fare per Boarding for each Party within 30 days of the submittal date.

b) Adjustments to Average Fare per Boarding. Any Party may update its estimate of average fare per boarding at each periodic or annual reconciliation by submitting documentation to the Designated Representatives that demonstrates how its average fare per boarding has changed. The Parties shall review and approve any such submitted Average Fare per Boarding for each Party within 30 days of the submittal date.

c) Establishing Baseline and Total Fare Revenue Forecasts. Each Party shall submit a proposed Forecast Total Revenue to the Reconciliation Account Manager, who will then distribute it to all other agencies, consistent with the proposed annual budget for the coming year at no later than the fifteenth of November of each calendar year of this Agreement. Each Party's Forecast Total Revenue shall be equal to the sum of that Party's Forecast Baseline Revenue and Forecast Transfer Revenue, and shall include forecasted new boardings resulting from Local-Sound Transit Boardings pursuant to Exhibit G. Forecast Transfer Revenue shall include the discounts specified in Section 11 of this Agreement for Local-Sound Transit Boardings. The Parties shall review and approve a final Forecast Total Revenue for each Party within 30 days of the submittal date.

d) Methodology.

i) Average Fare per Boarding. Each Party shall document the methodology used to develop its estimated average fare per boarding pursuant to Exhibit G.

ii) Forecast Baseline Revenue. Each Party shall document the methodology used to develop its Forecast Baseline Revenue pursuant to Exhibit G.

iii) Forecast Transfer Revenue. The Parties will develop and agree upon forecasts of Sound Transit-Local Boardings for the subsequent calendar year, based upon the most recent data from the research program described in Section 12(e)(ii) of this Agreement no later than the fifteenth of October of each calendar year of this Agreement. These forecasts shall detail, for both Sound Transit and each Party's service, Local-Sound Transit Boardings to allow Forecast Transfer Revenue to be developed for each Party, which shall include the transfer discounts specified in Section 11 of this Agreement.

e) Tracking and Reporting.

i) Tracking. Each Party shall be responsible for gathering data necessary to prepare Forecast and Earned Total Revenue.

ii) Annual Research Program Development. All Parties shall participate in the development of and agree upon an annual research program for the purposes of: (1) improving estimates/forecasts of transit boardings on and transfers between the services of the Parties, and (2) improving estimates/forecasts of average fare per boarding in total and on the service of each Party. This program shall focus on developing estimates/forecasts sufficient to support development by each Party of Forecast and Earned Transfer Revenue.

iii) Monthly Report. Each Party shall provide a monthly report to the Reconciliation Account Manager according to the schedule in Exhibit F.

Pass Inventory Activity.

Monthly reports shall include the following pass inventory information:

- Quantity and serial numbers or series of Regional Passes received by pass type;
- Quantity of Regional Passes distributed to sales outlets and to consignment accounts by pass type;
- Quantity of Regional Passes returned by the monthly reporting date by pass type;
- Quantity of Regional Passes either sold, or not returned and not reported as sold by the monthly reporting date, by pass type;
- Adjustments to inventory by pass type, with corresponding documentation of disposition, i.e., miscellaneous inventory not received from vendor; quantity of passes lost in mail to individuals, retail or employer accounts by pass type, quantity of passes damaged or samples used for training, etc.; and
- Quantity of Regional Passes unsold and destroyed or disposed of by pass type.

Monthly reports shall update previous monthly reports as significant change in outstanding items occur, until all outstanding reconciling items, such as passes distributed on consignment and not returned or reported as sold, are accounted for.

Fare Revenue Recognized

Revenue recognized from pass sales shall be reported in accordance with the accounting methodology of each agency. Agencies that record revenue from pass sales at month's end when reports are received from employers and consignment outlets shall report the recorded revenue to the Reconciliation Account Manager. Agencies that record revenue when passes are distributed to employers and consignment outlets and then debit back returns shall report revenue recorded that month, revenue debited back that month, and net revenue. In addition, agencies that record sales of 3-month and annual passes as deferred revenue shall maintain both cash and liability from these pass

sales, except the one-third of 3-month pass or one-twelfth of annual pass sales recorded as current revenue each month. Monthly reports shall include the following information about Fare Revenue Recognized:

- Revenue recognized from Regional Pass sales;
- All other Fare Revenue Recognized by Fare Media Type, except for any revenue excluded pursuant to Exhibit G;
- Discretionary amounts incurred for Regional Pass commissions beyond the regional standards set in Exhibit C to the extent that these go beyond the commissions included in a Party's Forecast Total Revenue;
- Discretionary amounts incurred for Regional Pass refunds or employer discounts beyond the regional standards set in Exhibits D and E to the extent that these go beyond the discounts included in a Party's Forecast Total Revenue;
- Comparison of Fare Revenue Recognized (plus discretionary expenses if deducted from Regional Pass sales) to monthly Forecast Total Revenue; and
- Remittance advice for the balance to/from the Reconciliation Account Manager.

iv) Periodic. Each Party shall prepare a report of Earned Baseline Revenue based on estimated actual boardings pursuant to Exhibit G and shall provide these reports to the Reconciliation Account Manager according to the schedule shown in Exhibit F.

v) Annual. Each Party shall incorporate the results of the Annual Research Program or the best data available to develop estimates of Earned Transfer Revenue for Annual Revenue Reconciliation.

vi) Reconciliation Account Manager. The Reconciliation Account Manager shall prepare and distribute reports to the other Parties pursuant to Section 14 of this Agreement.

Section 13 RECONCILIATION EVENTS AND LATE FEES.

a) Reconciliation Events.

i) Monthly Revenue Reconciliation. Pursuant to the schedule in Exhibit F each Party will send a monthly report to the Reconciliation Account Manager comparing Fare Revenue Recognized with the Forecast Total Revenue for that month. This report will be accompanied by a remittance advice for the balance to or from the Revenue Reconciliation Account. Thus, each Party will retain all Fare Revenue Recognized up to that Party's Forecast Total Revenue for that month. If a Party's monthly Fare Revenue Recognized is greater than the Forecast Total Revenue for that month, the Reconciliation Account Manager will issue an invoice to that Party for the difference between these two amounts. If a Party's monthly Fare Revenue Recognized is less than the Forecast Total Revenue for that month, the Reconciliation Account Manager will disburse funds from

the Revenue Reconciliation Account to that Party for the difference between these two amounts.

ii) Periodic Revenue Reconciliation. Pursuant to the schedule in Exhibit F, each Party will send a report to the Reconciliation Account Manager comparing that Party's Forecast Baseline Revenue to the Earned Baseline Revenue for the specified preceding months. This report will be accompanied by a remittance advice for the balance to or from the Revenue Reconciliation Account. If the sum of a Party's monthly Forecast Baseline Revenue for the period is greater than the sum of the Earned Baseline Fare Revenue for this period, the Reconciliation Account Manager will issue an invoice to that Party for the difference between these two amounts. If the sum of a Party's monthly Forecast Baseline Revenue for the period is smaller than the sum of the Earned Baseline Fare Revenue for this period, the Reconciliation Account Manager will disburse funds from the Revenue Reconciliation Account to that Party for the difference between these two amounts.

iii) Annual Reconciliation. When available, the Parties shall use the results of the Annual Research Program described in Section 12 (e) (ii) of this Agreement to develop and agree upon monthly estimates of Local-Sound Transit Boardings and Earned Transfer Revenue. Pursuant to the schedule in Exhibit F, each Party will send an annual report to the Reconciliation Account Manager comparing that Party's annual Forecast Transfer Revenue to the Earned Transfer Revenue for that year. This report will be accompanied by a remittance advice for the balance to or from the Revenue Reconciliation Account. If the sum of a Party's monthly Forecast Transfer Revenue for the year is greater than the sum of the monthly Earned Transfer Revenue for the year, the Reconciliation Account Manager will issue an invoice to that Party for the difference between these two amounts. If the sum of a Party's monthly Forecast Transfer Revenue for the year is smaller than the sum of the monthly Earned Transfer Revenue for the year, the Reconciliation Account Manager will disburse funds from the Revenue Reconciliation Account to that Party for the difference between these two amounts.

b) Timeliness of Payment.

i) If a Party's monthly report is received by the Reconciliation Account Manager by the dates specified in Exhibit F, it shall be considered timely. If a Party's monthly report is received after the dates specified in Exhibit F, it shall be considered late.

ii) If a Party's monthly report is timely and includes a remittance advice for a balance due the Party, the Reconciliation Account Manager shall issue payment to the Party according to the schedule in Exhibit F. If a Party's monthly report is late and includes a remittance advice for a balance due the Party, the Reconciliation Account Manager shall issue payment to the Party within two weeks of the date of receipt.

iii) If a Party's monthly report is timely and includes a remittance advice for a balance due the Revenue Reconciliation Account, the Reconciliation Account Manager shall issue an invoice for payment to the Party according to the schedule in Exhibit F. If

a Party's monthly report is late and includes a remittance advice for a balance due the Revenue Reconciliation Account , the Reconciliation Account Manager shall issue an invoice to the Party within two weeks of the date of receipt.

c) Late Fees.

i) If a Party's monthly report is timely and includes a remittance advice for disbursement from the Revenue Reconciliation Account and the Reconciliation Account Manager does not issue payment to the Party according to the schedule in Exhibit F, the Reconciliation Account Manager shall make payment to the Party for late fees equal to annual interest of 5% calculated daily on a 360 day basis on the amount due until payment is issued.

ii) If a Party's monthly report is late and includes a remittance advice for disbursement from the Revenue Reconciliation Account and the Reconciliation Account Manager does not issue payment to the Party within three (3) weeks of the date of issue of said remittance advice, the Reconciliation Account Manager shall make payment to the Party for late fees equal to the annual interest of 5 % calculated daily on a 360 day basis on the disbursement due each day beyond three (3) weeks of the date of issue of said remittance advice until payment is issued.

iii) If a Party's monthly report is late and includes a remittance advice for a balance due the Revenue Reconciliation Account, and if as a result the Party's payment on an invoice from the Reconciliation Account Manager for balance due the Revenue Reconciliation Account is not made within three (3) weeks of the date scheduled for the invoice in Exhibit F , the Party shall make payment for late fees to the Revenue Reconciliation Account equal to annual interest of 5% calculated daily on a 360 day basis on the amount due for each day beyond the scheduled payment date until the payment is received .

iv) If a Party does not make payment on an invoice from the Reconciliation Account Manager for balance due the Revenue Reconciliation Account within three (3) weeks of issue of said invoice, the Party shall make payment for late fees to the Revenue Reconciliation Account equal to annual interest of 5% calculated daily on a 360 day basis on the amount invoiced for each day beyond three (3) weeks of the date of issue of said invoice until payment is received.

Section 14 RECONCILIATION ACCOUNT MANAGER

Sound Transit, at its sole expense, shall serve as the Reconciliation Account Manager. The Reconciliation Account Manager shall manage the Revenue Reconciliation Account pursuant to this Agreement.

a) Accounting Functions. The Reconciliation Account Manager shall perform the following accounting functions:

i) Regional Pass Activity Tracking. On a monthly basis, the Reconciliation Account Manager shall review the monthly reports provided by the Parties to verify that the revenues, quantities, and serial numbers or series of Regional Passes received corresponds with the quantities sold, unreturned from consignment, lost, disposed of or destroyed.

ii) Monthly Revenue Reconciliation. On a monthly basis, the Reconciliation Account Manager shall invoice and collect payments from each Party for any and all Fare Revenue Recognized in excess of Forecast Total Revenue for the month in question. Additionally, on a monthly basis, the Reconciliation Account Manager shall make payment to any Party upon receipt of a remittance advice for any and all Forecast Total Revenue in excess of Fare Revenue Recognized for the month in question.

iii) Periodic Revenue Reconciliation. Pursuant to the schedule in Exhibit F, the Reconciliation Account Manager shall compare each Party's Forecast Baseline Revenue to the Earned Baseline Revenue for the specified preceding months. The Reconciliation Account Manager shall invoice any Party whose Earned Baseline Revenue is less than their Forecast Baseline Revenue for the preceding months. Additionally, the Reconciliation Account Manager shall make payment upon receipt of a remittance advice to any Party whose Earned Baseline Revenue is greater than their Forecast Baseline Revenue for the preceding period as specified in Exhibit F. Finally, as necessary to fulfill the Reimbursement Principles outlined in Section 11 of this Agreement, the Reconciliation Account Manager shall invoice Sound Transit for issuance of payment from the Sound Transit Fare Integration Budget.

iv) Annual Revenue Reconciliation. Pursuant to the schedule in Exhibit F, the Reconciliation Account Manager shall invoice any Party whose Earned Total Revenue is less than their Forecast Total Revenue for the preceding calendar year. Additionally, the Reconciliation Account Manager shall make payment upon receipt of a remittance advice to any Party whose Earned Total Revenue is greater than their Forecast Total Revenue for the calendar year. Finally, as necessary to fulfill the Reimbursement Principles outlined in Section 11 of this Agreement, the Reconciliation Account Manager shall invoice Sound Transit for issuance of payment from the Sound Transit Fare Integration Budget.

v) Distribution of End of Year Surplus. The Reconciliation Account Manager shall make payment of any End of Year Surplus to the Parties pursuant to the Reimbursement Principles outlined in Section 11(d) of this Agreement and Exhibit I.

b) Reporting Functions. For each calendar year quarter, the Reconciliation Account Manager shall provide a report summarizing the regional pass inventory and revenue received and payments made by the Revenue Reconciliation Account occurring since the previous report. The Revenue Reconciliation Account manager shall issue this report no later than two weeks after the receipt of the final monthly, periodic, and/or annual report(s) due from the Parties during the calendar year quarter in question.

i) Pass Inventory Activity. Reports by the Reconciliation Account Manager shall include the following pass inventory activity information:

- Quantity and serial numbers or series of Regional Passes distributed by Party and pass type;
- Quantity of Regional Passes distributed to sales outlets, consignment accounts, and corporate annual accounts by Party and pass type;
- Quantity of Regional Passes returned for each sales month since the last periodic report by Party and pass type;
- Quantity of Regional Passes either sold, or not returned and not reported as sold, for each sales month since the last period report by Party and pass type;
- Adjustments to inventory by Party and pass type, including but not limited to miscellaneous inventory not received from vendor; quantity of passes lost in mail to individuals, retail or employer accounts, quantity damaged and quantity used as samples for training; and
- Quantity of Regional Passes unsold and destroyed or disposed of by Party and pass type.

Previous reports shall be updated with the next report until all outstanding reconciling items, such as passes distributed on consignment and not returned or reported as sold, are accounted for.

(ii) Reconciliation Account Activity. Reports by the Reconciliation Account Manager shall include the following information about the Reconciliation Account:

- Summary of Monthly Reconciliations by Party;
- Summary of Periodic Reconciliations by Party;
- Summary of invoices to and payments from the Sound Transit Fare Integration Budget; and
- Monthly and periodic summary of total revenue received and disbursed by the Revenue Reconciliation Account.

c) Recordkeeping Functions. The Reconciliation Account Manager shall maintain any and all records required to fulfill its accounting and reporting functions. Further, the Reconciliation Account Manager shall retain these records in accordance with the provisions of Section 20 of this Agreement.

Section 15 FARE MEDIA DESIGN AND PRODUCTION

a) Shared Cost. Except as provided in Section 19(f) or in any other written agreements regarding pass production costs, the Parties shall share the cost of Regional Passes production. Each Party, except Sound Transit, shall pay a share of the pass production cost equivalent to the product of that Party's ridership during the year and its September 1, 1998 to August 31, 1999 pass production cost per boarding for those passes that were replaced by Regional Passes as inflated by a factor equal to the Consumer Price Index for All Urban Consumers since September

1999. Additionally, each Party shall pay a share of the production cost of all Regional Passes it orders but does not sell or distribute to another Party during the calendar year. Sound Transit will pay the remaining pass production cost for Regional Passes not sold. The calculation of each party's share of this production shall be developed pursuant to Exhibit J.

b) Shared Cost and Payment Timeline. The procuring Party shall issue an invoice accompanied by substantiating documentation to the other Parties for their share of the Regional Pass production costs. Remittance shall be due and payable to the procuring Party within 30 days of receipt.

c) Denominations. All Regional Pass denominations shall be in twenty-five cent (\$0.25) increments. Regional Passes shall be produced with denominations and prices as listed in Exhibit B.

d) Design. The design of the Regional Pass will be subject to approval of each Party. The design will include a clearly identified face value, start and end date, an unique serial number, and a magnetic stripe readable by King County Metro, Everett Transit, and Sound Transit fareboxes. The magnetic stripe shall be encoded with the face value, serial number, appropriate account codes and start and end dates of the Regional Pass.

e) Quantities. The Parties shall agree upon the number of Regional Passes of each face value and duration to be produced for January 1 to June 30 of each year by the first business day of September of the preceding year. The Parties shall agree upon the number of Regional Passes of each face value and duration to be produced for July 1 to December 31 of each year by the first business day of March. In addition, the Parties may also periodically agree to adjustments to the number of Regional Passes to be produced for reasons including but not limited to support of fare changes.

f) Cash Transfers. The Parties agree that uniform transfer design is not required by this Agreement. However, the Parties agree to coordinate the letter and color of the day for cash transfers in order to facilitate intersystem cash transfers. Each Party's cash transfers will clearly indicate the time of expiration.

Section 16 FARE MEDIA DISTRIBUTION AND ACCOUNTING

a) Pass Distribution: Vendor to Parties. Distribution of Regional Passes to a Party shall be provided for through direct distribution from the production vendor. In accordance with a reasonable timeline established by the Party administering the contract with the production vendor, each Party shall identify the quantity and serial numbers of Regional Passes of each pass type to be delivered by the vendor for that month. The production vendor and the receiving party shall jointly produce a single written record of the transaction that identifies the quantity and serial numbers of passes distributed by pass type and the date of receipt. That Party shall maintain the original of this record and provide a copy to the Reconciliation Account Manager to keep on file. Each Party shall provide the Reconciliation Account Manager and the vendor with

a written notice of any discrepancies discovered after time of delivery. Each Party shall be responsible for all fare media it receives from the production vendor.

b) Pass Distribution: Party to Party. Distribution of Regional Passes may be facilitated through the redistribution of Regional Passes from Party to Party. A single written record of the transaction that identifies the quantity and serial numbers of passes redistributed by pass type and the date of receipt shall be jointly produced by the Parties. The receiving Party shall maintain the original of this record. Upon request, the receiving Party shall provide a copy to the Reconciliation Account Manager to keep on file. Each Party shall be responsible for all fare media it receives from another Party.

c) Pass Distribution to Outlets. Each Party shall distribute Regional Passes to the retail, over the counter, and employer outlets for which it is responsible as defined in Section 17.

d) Pass Revenue Collection. Each Party shall collect Regional Pass sales revenue and unsold Regional Passes from their outlets as defined in Section 17 in a timely fashion. Each Party shall maintain written records of Regional Passes sold by and unsold/returned from its outlets for each calendar month.

e) Discretionary Amount. Each Party shall maintain written records of any Discretionary Amounts it incurs for Regional Pass distribution or promotional activities beyond the discretionary expenses incorporated into the Party's Total Forecast Revenue.

f) Destruction of Unsold Media. Each Party shall manage at its own expense destruction or disposal of unsold regional fare media.

g) Reporting to Reconciliation Account Manager. Each Party shall provide the Reconciliation Account Manager with a monthly written report as outlined in Section 12(e) and according to the schedule outlined in Exhibit F.

h) Additional Administrative Cost. No later than the thirtieth (30th) of June of each calendar year of this Agreement following 2002, any Party experiencing additional administrative cost in the previous calendar year shall submit documentation of these costs to the Designated Representatives for reimbursement. The additional administrative costs that result from sales and distribution of passes not associated with or used on a Party's service shall be calculated according to the formula provided in Exhibit H.

Section 17 PASS SALES

a) Sales Policies. Each Party shall, at its own expense, sell Regional Passes through its network of retail, over the counter, and consignment outlets. Each Party shall determine the variety of denominations of Regional Passes sold through its network of sales outlets and shall be responsible for revenue lost due to purchases made on accounts with insufficient funds.

i) Commissions. The regional policy on issuance of commissions to Regional Pass consignees and resellers for the sale of Regional Passes is outlined in Exhibit C. Each Party may at its own discretion continue its existing policies or adopt future policies different than the regional policy on issuance of commissions. Such deviations shall be either incorporated into an Agency's calculation of Total Forecast, Recognized and Earned Revenue or reported as a discretionary expense with each Monthly Reconciliation report. Revision of the regional policy on issuance of commissions shall require the prior written approval of the General Manager or Executive Director of each of the Parties. Following such action, the designated representatives shall revise Exhibit C as appropriate.

ii) Exchange and Refund Policies. The regional policy on issuance of exchanges or refunds to customers for returned, or replacements for lost, or stolen Regional Passes is outlined in Exhibit D. Each Party may at its own discretion adopt policies different than the regional policy on issuance of exchanges or refunds. Such deviations shall be either incorporated into an Agency's calculation of Total Forecast, Recognized and Earned Revenue or reported as a discretionary expense with each Monthly Reconciliation report. Revision of the regional policy on issuance of exchanges, refunds and replacements shall require the prior written approval of the General Manager or Executive Director of each of the Parties. Following such action, the Designated Representatives shall revise Exhibit D as appropriate.

iii) Relationships with Retailers. With the exception of Sound Transit, the Parties shall be responsible for managing the network of retail fare media sales outlets in their Service Areas. Only one agency will be responsible for and provide passes to a given retailer.

b) Employer Consignment Sales. Each Party shall, at its own expense, allow employers to purchase Regional Passes at full price for their employees. Each Party may, at its own expense, allow any employer to consign passes for sale to employees. As part of an employer consignment program, each Party may allow any or all employers it serves to pay for annual Regional Passes through twelve equal monthly installments.

i) Party Responsibility. Each Party shall be responsible for administering employer pass consignment and prepayment programs for those employers located in its Service Area. In cases where an employer has employment sites located in the Service Area of more than one Party, the Parties will mutually resolve which Party shall have responsibility for the employer in question. Further, in situations where benefits will be derived for both the Parties and employer, the Parties may mutually resolve that a Party has responsibility for an employer outside of its Service Area. Regardless, the Parties intend that only one Party will be responsible for and provide passes to a given employer.

ii) Employer Discount Programs. The regional policy on issuance of discounts to employers for Regional Pass sales is outlined in Exhibit E. Each Party may at its own discretion provide additional discounts beyond those established in the regional policy at its own expense to the extent such discounts are not reflected in an agency's average fare

per boarding. Revision of the regional policy on issuance of discounts to employers for Regional Pass sales shall require the prior written approval of the General Manager or Executive Director of each of the Parties. Following such action, the designated representatives shall revise Exhibit E as appropriate.

iii) Employer/Institutional Specific Pass Programs. As outlined in Section 12, Employer/Institutional Specific Pass Programs will be governed by separate agreements, and revenue from these Programs may be excluded from Forecast Total Revenues and Earned Total Revenues pursuant to Exhibit G.

Section 18 FARE MEDIA ACCEPTANCE POLICIES

a) Regional Passes. Each Party shall accept Regional Passes at face value as payment for Transportation Service. When the fare of a Party's Transportation Service is equal to or less than the face value of the Regional Pass, the customer shall be able to use this service at no additional charge. When the fare of a Party's Transportation Service is greater than the Regional Pass face value, the customer shall pay an upgrade equal to the difference between the fare and the face value of the Regional Pass.

b) Reduced fares. Each Party may accept Regional Passes at face value for reduced fare payment for Transportation Service pursuant to its standard operating procedures.

c) Vanpools. Regional Passes shall not be accepted as partial or full payment towards vanpool fares by any Party, except that the Parties expressly agree to allow Regional Pass revenue share from Regional Ship-to-Shore Passes to be applied towards vanpool fare payment.

d) Paratransit. Each Party shall accept Regional Passes at face value for paratransit service. When the fare of a Party's paratransit service is equal to or less than the face value of the Regional Pass, the customer shall be able to use the service at no additional charge. When the fare of a Party's paratransit service is greater than the Regional Pass face value, the customer shall pay an upgrade equal to the difference between the paratransit fare and the face value of the Regional Pass. This Agreement in no way shall infringe upon each Party's authority to establish paratransit policies and administer a paratransit program pursuant to those policies.

e) Cash Transfers. Each Party shall accept valid cash transfers from any other Party at the accepting Party's base fare on its fixed route bus, trolley, streetcar and/or commuter rail services. Cash transfers are valid when used on the same day of issue and prior to the transfer's time of expiration. The definition of a base fare is as follows:

- Community Transit – local fare
- Everett Transit – local fare
- King County Metro – 1-zone fare
- Pierce Transit – local fare
- Sound Transit – 1-zone Regional Express bus fare

When a customer with a valid cash transfer boards fixed route bus, trolley, streetcar and/or commuter rail service requiring a base fare operated by a Party, the customer shall owe no additional fare. When a customer with a valid cash transfer boards fixed route bus, trolley, streetcar and/or commuter rail service requiring a fare greater than a base fare, the customer shall pay a transfer upgrade equal to the difference between the fare for that service and the accepting Party's base fare.

Section 19 FARE CHANGES

a) Coordination. Each Party shall notify all other Parties if a fare change is anticipated to be required to support the revenue requirements in a proposed budget at the time the budget is proposed, and in an adopted budget as soon as possible following the adoption of that budget. This notification will identify the proposed fare change and will include the magnitude of the revenue to be raised/reduced through increased/decreased fares and the anticipated timing of such fare change.

b) Additional Regional Pass Denominations. Any Party may add pass denominations to the Regional Passes shown in Exhibit B in order to accommodate a fare change adopted by that Party's board, as long as the price of the pass is such that the proportional difference between the pass face value and the pass face values of the adjacent pass categories is equal to the proportional difference between the number of cash rides per pass for this pass and those adjacent pass categories. Any Party anticipating a fare change that results in the requirement of new pass denomination(s) must notify the procuring Party's Contract Administrator at least six (6) months prior to the effective date of said pass(es) in order to ensure identical reproduction methods and, thus, pass likeness, or four (4) months prior in order to ensure a reasonable facsimile thereof.

c) Regional Pass Production Cost. The cost of producing any and all Regional Passes in support of a Party's anticipated or adopted fare change will be the sole responsibility of that Party less any realized production cost saving from reduced production in other pass categories that are a direct result of an adopted fare change.

Section 20 AUDIT AND REPORTING REQUIREMENTS

a) Audit Record Retention. In keeping with the requirements of the Federal Transit Administration (FTA), established in 49 CFR 18.36 and OMB Circular A-110, during the term of this Agreement and for three (3) years thereafter, the Parties agree to retain intact and to provide any data, documents, reports, records, contracts, and supporting materials relating to the Agreement as the FTA may require. Termination of this Agreement does not alter these requirements.

b) Federal (FTA) Reporting Requirements. Each of the Parties shall be independently responsible for reporting accurate ridership and revenue data to the National Transit Database,

and any other such reporting requirements which are or may be imposed by the Federal government for recipients of Federal funds.

c) Audit Report. Each Party shall provide to the Reconciliation Account Manager its annual audit by the Washington State Auditor's Office and will notify the Reconciliation Account Manager upon completion of any additional comparable audits by a qualified outside auditing firm of the data, documents, reports, records, contracts, and supporting materials relating to this Agreement

d) Audit by Reconciliation Account Manager. Each Party hereby authorizes the Reconciliation Account Manager to audit its data, documents, reports, records, contracts, and supporting materials relating to this Agreement. Each Party shall provide the Reconciliation Account Manager with all documents and information necessary or useful in conducting the audit. The Reconciliation Account Manager shall make said documents and information available to any Party for inspection, upon provision of reasonable advance notice. The Reconciliation Account Manager hereby authorizes any other Party to audit its data, documents, reports, records, contracts, and supporting materials relating to this Agreement. Thirty days advance notice shall be provided before any audit occurring pursuant to this subsection.

e) Costs. Each Party shall bear its own staff and out-of-pocket expenses in complying with the reporting and audit provisions of this Agreement.

Section 21 DISPUTE RESOLUTION

In the event of any dispute concerning any provision of this Agreement or upon the request of any Party, the dispute shall first be referred to the Transit Integration Group for resolution. In the event the Transit Integration Group is unable to resolve the dispute then the General Managers and Executive Directors of the Parties shall confer to resolve the dispute. In the event the Parties are unable to resolve the dispute, the Parties may submit the matter to a mutually agreed upon, non-binding mediator who shall recommend a resolution within 30 days of receipt of the dispute.

Section 22 TERMINATION

Any Party for its convenience, and without cause or for any reason whatsoever, may withdraw from participation in this Agreement by providing written notice of termination, sent certified mail, return receipt requested, to all of the other Parties at least ninety (90) days in advance of the effective date of the withdrawal; provided, however, that a withdrawing Party shall be subject to the next occurring Periodic and Annual Reconciliation and shall make such payments or shall be eligible to receive such disbursements as may result from the Periodic and Annual Reconciliation. A withdrawing Party shall (i) pay any amounts it became obligated to pay the other Parties or any one of them as a result of this Agreement including the cost of its share of Regional Passes that may have been produced up to the time of receipt of notification; (ii) make any contributions required to be paid to other Parties under this Agreement for costs

which such other Parties became obligated to pay prior to the time of receipt of notification; (iii) assign all rights to any grants related to the Regional Pass Program covered under this Agreement as directed by the remaining Parties. In the event a Party withdraws, the remaining Parties shall amend this Agreement as necessary to reflect changes in cost and revenue allocations. In the event of withdrawal by a Party, this Agreement shall terminate as to that Party but shall continue in effect with respect to the remaining Parties. However, the termination of this Agreement with respect to one or more Parties shall not affect any of the Parties' rights or obligations, including any rights or obligations of a withdrawing Party, that are expressly intended to survive termination.

Section 23 LEGAL RELATIONS

a) Indemnification. To the maximum extent permitted by law, each Party shall defend, indemnify and hold harmless the other Parties and their officials, employees, agents and representatives from and against all claims, demands, suits, actions, costs, damages, and liability of any kind whatsoever that arise out of or are related to the negligent acts or omissions of the indemnifying Party and its officials, employees, agents and contractors in performing work under this Agreement. The indemnifying Party specifically assumes liability for actions brought by its own employees against the other Parties and for that purpose the indemnifying Party specifically waives, as respects the other Parties only, any immunity under the Worker's Compensation Act, RCW Title 51. The indemnifying Party recognizes that this waiver was the subject of mutual negotiation and is expressly entered into pursuant to the provisions of RCW 4.24.115, if applicable. In the event a Party incurs attorney's fees, costs or other legal expenses to enforce the provisions of this section against another Party, all such fees, costs and expenses shall be recoverable by the prevailing Party.

b) Severability. If any portion of this Agreement is found to be unenforceable by a court of competent jurisdiction, the remaining terms and provisions unaffected thereby shall remain in full force and effect. This Agreement shall be governed by the laws of the State of Washington.

c) No Third Party Beneficiaries. The Parties agree this Agreement is solely for the benefit of the Parties hereto and is not intended to grant any rights or benefits to any other parties.

d) Assignment. No Party may assign or transfer in any manner any interest, obligation or benefit under this Agreement without the prior written consent of all the Parties.

e) Amendment. This Agreement shall be modified or amended only by written amendment which includes the signatures of the duly authorized representatives of the Parties; provided, however, that the Exhibits attached hereto and identified in Section 4 may be amended or modified by the Designated Representatives pursuant to the process and limitations identified in Section 9.

f) Entire Agreement. Except for the prior obligations of the Parties which are described in Exhibit K and incorporated into this Agreement, this Agreement embodies the Parties' entire agreement on the issues covered by it. However, this Agreement may be supplemented by subsequent written agreements that the Parties make. All prior negotiations and draft written agreements are merged into and superseded by this Agreement.

g) Independent Agencies. No joint venture or partnership is formed as a result of this Agreement. No employees or agents of one Party or any of its contractors or subcontractors shall be deemed, or represent themselves to be, employees or agents of any other Party.

h) Counterparts. This Agreement may be executed in several counterparts, each of which shall be considered for all purposes as an original.

i) Excused Performance. Each Party shall be excused from performance of its obligations under this Agreement and shall not be liable for damages to the other Parties to the extent it is unable to perform as a result of circumstances beyond the reasonable control of that Party, including but not limited to acts of God, acts of war or civil disturbances, riots, strikes, labor actions, accident, fire and water damage.

j) Survival. The Provisions of this section shall survive any expiration or termination of this Agreement.

IN WITNESS WHEREOF, each Party has caused this Agreement to be signed by its duly authorized officer or representative as of the date set forth below its signature.

CENTRAL PUGET SOUND REGIONAL
TRANSIT AUTHORITY

CITY OF EVERETT

By _____
Joan Earl, Executive Director

By _____
Edward D. Hansen, Mayor

Date _____

Approved as to Form:

By _____
Mark Soine, City Attorney

KING COUNTY

By _____
Rick Walsh
General Manager, Transit Division

Attest: _____
Sharon Marks, City Clerk

Date _____

PIERCE COUNTY PUBLIC
TRANSPORTATION BENEFIT AREA
CORPORATION

SNOHOMISH COUNTY PUBLIC TRANSIT
BENEFIT AREA CORPORATION

By _____
Don S. Monroe
Chief Executive Officer

By _____
Joyce Olson, Executive Director

By _____
Wayne Fanshier
Vice President, Finance & Administration

Date _____

ATTEST:

By _____
Sandy Byers, CMC
Clerk of the Board

Date _____

EXHIBIT A

Designated Representatives

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Information
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(253) 984-8215 (fax)
jpeterson@piercetransit.org

EXHIBIT B

Regional Passes will be produced in the following denominations and with the following prices.

Denominations (Face Value)	Monthly Pass	Three Month Passes	Annual Pass
\$.50	\$18		
\$.75	\$27		
\$1.00	\$36		\$396
\$1.25	\$45		\$495
\$1.50	\$54	\$162	\$594
\$1.75	\$63		
\$2.00	\$72	\$216	\$792
\$2.25	\$81		
\$2.50	\$90		\$990
\$2.75	\$99		
\$3.00	\$108		\$1188.00
\$3.50	\$126		
\$3.75	\$135		\$1485.00
\$4.00	\$144		\$1584.00

One Day, One-week, and Two-week Regional Passes will be available from Sounder Ticket Vending Machines in the following denominations with the following prices.

Denominations (Face Value)	One Day	One-week	Two-week
\$1.00	\$2.00	\$10	\$20
\$1.50	\$3.00	\$15	\$30
\$2.00	\$4.00	\$20	\$40
\$2.25	\$4.50	\$22.50	\$45
\$3.00	\$6.00	\$30	\$60
\$4.00	\$8.00	\$40	\$80

Regional Ship-to-Shore Passes will be produced in the following Pass Types and with the following revenue share from the sale of each pass to be recognized as regional pass revenue and subject to the revenue reconciliation procedures pursuant to this Agreement. The total cost of these Regional Ship-to-Shore passes shall be the Regional Pass Revenue Share shown here, plus

additional revenue shares accruing to the Washington State Ferries and Kitsap Transit, which shall not be subject to the revenue reconciliation procedures of this Agreement. Participants may choose to allow the monthly Regional Pass share from Regional Ship-to-Shore Passes to be applied towards Vanpool fare payment. The value of Regional Pass shares of Regional Ship-to-Shore Passes applied towards vanpool fare payment by any Party shall not be included in that Party's fare revenue recognized.

Regional Ship-to-Shore Pass Type	Regional Pass Share
Regional Pass \$1.50/WSF Central Sound	\$54.00
Regional Pass \$1.50/WSF Fauntleroy-Southworth	\$54.00
Regional Pass \$1.50/WSF Passenger Only	\$54.00
Regional Pass \$1.50/WSF Central Sound/Kitsap Local	\$54.00
Regional Pass \$1.50/WSF Passenger Only/Kitsap Local	\$54.00
Regional Pass \$1.50/WSF Vashon Island	\$54.00
Regional Pass \$0.75/WSF Mukilteo – Clinton	\$27.00
Regional Pass \$3.00/WSF Mukilteo – Clinton	\$108.00
Regional Pass \$2.00/WSF Vashon Island	\$72.00

EXHIBIT C

REGIONAL POLICY

on issuance of commissions to Regional Pass consignees
and resellers for the sale of regional fare media.

The regional policy on issuance of commission to Regional Pass consignees and resellers for the sale of regional fare media shall be that no commission is paid.

EXHIBIT D

REGIONAL POLICY

on issuance of exchanges to customers for returned passes and refunds to customers for returned, lost, or stolen Regional Passes.

Monthly and Three Month Passes

The regional policy on issuance of refunds or replacements to customers for returned, lost, or stolen Monthly and Three Month Regional Passes shall be that no refunds or replacements are issued.

Annual Passes

Annual pass refunds and replacements will be issued only at the agency where purchased and registered.

Identification shall be required for any annual pass refund or replacement. Refunds will only be issued to the original purchaser of the pass.

Refunds: The regional policy on the issuance of refunds to customers for returned annual passes shall be that refunds will be calculated on the remaining full months only, and a monthly deduction equivalent to the full monthly pass price will be deducted from the purchase price. No refunds will be given on annual passes for the last month of use (purchaser pays for 11 months, gets one month free). A \$10 processing fee shall be assessed on all refunds.

Refund Schedule

Face Value		\$1.00	\$1.25	\$1.50	\$1.75	\$2.00	\$2.50	\$3.00	\$3.75	\$4.00
Purchase Price		\$396	\$495	\$594	\$693	\$792	\$990	\$1188	\$1485	\$1,584
Month	1	\$360	\$450	\$540	\$630	\$720	\$900	\$1080	\$1,350	\$1,440
Month	2	\$324	\$405	\$486	\$567	\$648	\$810	\$972	\$1,215	\$1,296
Month	3	\$288	\$360	\$432	\$504	\$576	\$720	\$864	\$1,080	\$1,152
Month	4	\$252	\$315	\$378	\$441	\$504	\$630	\$756	\$ 945	\$1,008
Month	5	\$216	\$270	\$324	\$378	\$432	\$540	\$648	\$ 810	\$864
Month	6	\$180	\$225	\$270	\$315	\$360	\$450	\$540	\$ 675	\$720
Month	7	\$144	\$180	\$216	\$252	\$288	\$360	\$432	\$ 540	\$576
Month	8	\$108	\$135	\$162	\$189	\$216	\$270	\$324	\$ 405	\$432
Month	9	\$72	\$90	\$108	\$126	\$144	\$180	\$216	\$ 270	\$288
Month	10	\$36	\$45	\$54	\$63	\$72	\$90	\$108	\$ 135	\$144
Month	11	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Month	12	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Replacements: The regional policy on the issuance of replacements to customers for lost or stolen annual passes shall be that the replacement fee will be 50% of the remaining value rounded up to the nearest \$5 subject to a minimum replacement fee of 25% of the full value of the annual pass rounded up to the nearest \$5. One replacement of a lost/stolen/misplaced annual pass is allowed. Replacement fees will be refunded only if the original annual pass is found and returned within 30 days of the replacement purchase. This refund is subject to a processing fee of \$10.00.

Replacement Fee Schedule

Face Value		\$1.00	\$1.25	\$1.50	\$1.75	\$2.00	\$2.50	\$3.00	\$3.75	\$4.00
Purchase Price		\$396	\$495	\$594	\$693	\$792	\$990	\$1,188	\$1,485	\$1,584
Month	1	\$200	\$250	\$300	\$350	\$400	\$495	\$595	\$745	\$795
Month	2	\$185	\$230	\$275	\$320	\$365	\$455	\$545	\$685	\$730
Month	3	\$165	\$210	\$250	\$290	\$330	\$415	\$495	\$620	\$660
Month	4	\$150	\$190	\$225	\$260	\$300	\$375	\$450	\$560	\$595
Month	5	\$135	\$165	\$200	\$235	\$265	\$330	\$400	\$495	\$530
Month	6	\$120	\$145	\$175	\$205	\$235	\$290	\$350	\$435	\$465
Month	7	\$100	\$125	\$150	\$175	\$200	\$250	\$300	\$375	\$400
Month	8	\$100	\$125	\$150	\$175	\$200	\$250	\$300	\$375	\$400
Month	9	\$100	\$125	\$150	\$175	\$200	\$250	\$300	\$375	\$400
Month	10	\$100	\$125	\$150	\$175	\$200	\$250	\$300	\$375	\$400
Month	11	\$100	\$125	\$150	\$175	\$200	\$250	\$300	\$375	\$400
Month	12	\$100	\$125	\$150	\$175	\$200	\$250	\$300	\$375	\$400

EXHIBIT E

REGIONAL POLICY

on issuance of discounts to employers for Regional Pass sales.

The regional policy on issuance of discounts to employers for Regional Pass sales shall be that no discount is provided.

EXHIBIT F

Regional Fare Revenue Reconciliation Schedule

Monthly Reconciliation

Party	Monthly Reconciliations		Reconciliation Account Manager Payment/Invoice
	Dates	Report for Monthly Revenue Reconciliation Due to RAM	
KCM	Reporting Month	End of month following the reporting month	The 15 th of the 2nd month following the reporting month
ST	Reporting Month	15 th day of 2 nd Month following the reporting month	End of the month of the 2 nd Month following the reporting month
CT, ET, and PT	Reporting Month	End of the month following the reporting month	The 15 th of the 2nd month following the reporting month or within two weeks of receiving Report for Monthly Revenue Reconciliation

2001 Periodic Reconciliation

Party	Periodic Reconciliation 6		Periodic Reconciliation 7		Periodic Reconciliation 8		Periodic Reconciliation 9		
	Dates	Earned Baseline Revenue Report to RAM	Dates	Earned Baseline Revenue Report to RAM	Dates	Earned Baseline Revenue Report to RAM	Dates	Earned Baseline Revenue Report to RAM	
KCM	1/1/01-5/31/01	7/13/01	8/15/01	N/A	N/A	6/1/01-8/31/01	9/1/01-12/31/01	3/10/02	4/10/02
ST	1/1/01-3/31/01	5/15/01	6/15/01	4/1/01-6/30/01	8/15/01	7/1/01-9/30/01	10/1/01-12/31/01	2/15/02	3/15/02
CT, ET and PT	1/1/01-3/31/01	4/30/01	5/31/01	4/1/01-6/30/01	7/31/01	7/1/01-9/30/01	10/1/01-12/31/01	1/31/02	2/28/02

2001 Annual Reconciliation

Party	Dates	Earned Transfer Revenue Report to RAM	Reconciliation Account Manager Payment/ Invoice
KCM	1/1/01-12/31/01	3/10/02	4/10/02
ST	1/1/01-12/31/01	2/15/02	3/15/02
CT, ET and PT	1/1/01-12/31/01	1/31/02	2/28/02

Key:
 EABFR – Estimated Actual Baseline Fare Revenue Report
 RAM – Reconciliation Account Manager
 EAITFR – Estimated Actual Interagency Transfer Fare Revenue

Periodic Reconciliation Schedule for Subsequent Calendar Years

Party	Periodic Reconciliation			Periodic Reconciliation			Periodic Reconciliation					
	Dates	Earned Baseline Revenue Report to RAM	Reconciliation Account Manager Payment/ Invoice	Dates	Earned Baseline Revenue Report to RAM	Reconciliation Account Manager Payment/ Invoice	Dates	Earned Baseline Revenue Report to RAM	Reconciliation Account Manager Payment/ Invoice			
KCM	1/1/ - 5/31 of Reporting Year	The 15 th of the 2 nd month following the end of the reporting period	The 15 th of the 3 rd month following the end of the reporting period	N/A	N/A	N/A	6/1 - 8/31 of Reporting Year	The 15 th of the 3 rd month following the end of the reporting period	The 15 th of the 4 th month following the end of the reporting period	9/1 - 12/31 of Reporting Year	The 15 th of the 3 rd month following the end of the reporting period	The 15 th of the 4 th month following the end of the reporting period
ST	1/1 - 3/31 of Reporting Year	The 15 th of the 2 nd month following the end of the reporting period	The 15 th of the 3 rd month following the end of the reporting period	4/1 - 6/30 of Reporting Year	The 15 th of the 2 nd month following the end of the reporting period	The 15 th of the 3 rd month following the end of the reporting period	7/1 - 9/30 of Reporting Year	The 15 th of the 2 nd month following the end of the reporting period	The 15 th of the 3 rd month following the end of the reporting period	10/1 - 12/31 of Reporting Year	The 15 th of the 2 nd month following the end of the reporting period	The 15 th of the 3 rd month following the end of the reporting period
CT, ET and PT	1/1 - 3/31 of Reporting Year	The end of the month following the end of the reporting period	The end of the second month following the end of the reporting period	4/1 - 6/30 of Reporting Year	The end of the month following the end of the reporting period	The end of the second month following the end of the reporting period	7/1 - 9/30 of Reporting Year	The end of the month following the end of the reporting period	The end of the second month following the end of the reporting period	10/1 - 12/31 of Reporting Year	The end of the month following the end of the reporting period	The end of the second month following the end of the reporting period

Subsequent Annual Reconciliations

Party	Earned Transfer Revenue Report to RAM	Reconciliation Account Manager Payment/ Invoice
KCM	The 15 th of the 3 rd month following the end of the calendar year	The 15 th of the 4 th month following the end of the calendar year
ST	The 15 th of the 2 nd month following the end of the calendar year	The 15 th of the 3 rd month following the end of the calendar year
CT, ET and PT	The end of the month following the end of the calendar year	The end of the 2 nd month following the end of the calendar year

Key:
 EABFR – Estimated Actual Baseline Fare Revenue Report
 RAM – Reconciliation Account Manager
 EAITFR – Estimated Actual Interagency Transfer Fare Revenue

EXHIBIT G

Revenue Reconciliation Methodology

Methodology for Establishing Average Fare per Boarding, and Forecasted and Actual Baseline, Total and Transfer Revenue.

1. Average Fare per Boarding.

Each Party will base its estimates of average fare per boarding on its most recent data available on Fare Revenue Recognized as well as adjusted assumptions due to applicable policy decisions, additional data resulting from the Annual Research Program or other research efforts, and other relevant information available to the Parties. Further, each Party will identify whether discretionary decisions on issuance of commissions, refunds, and/or any other revenue adjustments due to deviation from policies outlined in this Agreement are reflected in its Average Fare per Boarding estimate. Each Party may exclude revenue and boardings from clearly identified services, customers, or programs, such as an Employer/Institutional Specific Pass Program, however, the services or customers are excluded from the estimate must be clearly identified and the Party must be able to separate revenue and boardings from those excluded customers and/or services when fulfilling the reporting requirements of this Agreement. Each Party has this discretion to create and submit separate estimates of Average Fare per Boarding for different fare media usage, customer type, service type, or other form if appropriate data are available and that Party can reasonably expect to collect consistent data on boardings by the identified category. Finally, any estimate of Average Fare per Boarding submitted in accordance with the terms of this Agreement and the methodology used to develop any such estimates are subject to review and approval by all Parties to this Agreement prior to acceptance.

2. Forecast and Actual Boardings

Each Party shall estimate forecast and actual total boardings in a manner consistent with its National Transit Database reports.

3. Forecast Baseline and Total Revenue

Each Party's Forecast Total Revenue shall follow the general form of:

Forecast Total Revenue = Forecast Baseline Revenue + Forecast Transfer Revenue

Where:

- Forecast Baseline Revenue = forecasted $\{[(\text{average fare}/\text{non Local-Sound Transit Boarding}) \times (\text{number of "non Local-Sound Transit Boardings"})]\}$
- Forecast Transfer Revenue = forecasted $[2/3 \times (\text{average fare}/\text{Local-Sound Transit Boarding}) \times (\text{number of "Local-Sound Transit Boardings"})]$
- fares and boardings from Employer/Institutional Specific Pass Programs may be excluded to the extent data are available.

- Average fare/boarding and boardings may be disaggregated by pass, cash, service and customer category to the extent data are available.

4.. Earned Revenue

Each Party's Earned Total Revenue shall follow the general form of:

$$\text{Earned Total Revenue} = \text{Earned Baseline Revenue} + \text{Earned Transfer Revenue}$$

Where:

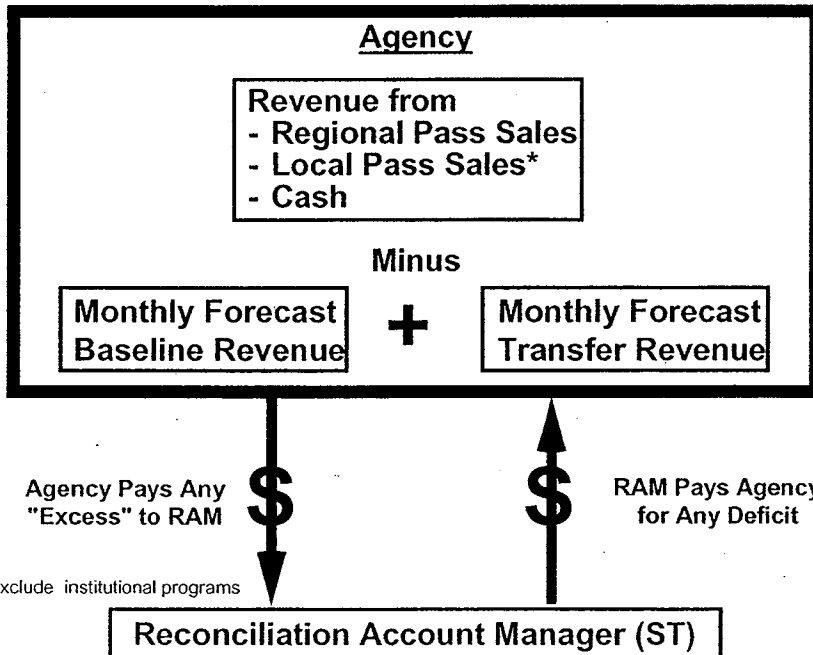
- Earned Baseline Revenue = (average fare/boarding)x (number of "non Local-Sound Transit Boardings")
- Earned Transfer Revenue = [2/3x(average fare/"Local-Sound Transit Boarding")x(number of "Local-Sound Transit Boardings)]
- fares and boardings from Employer/Institutional Specific Pass Programs may be excluded to the extent data are available.
- Average fare/boarding and boardings may be disaggregated by pass, cash, service and customer category to the extent data are available.

5. Local-Sound Transit Boarding Estimate.

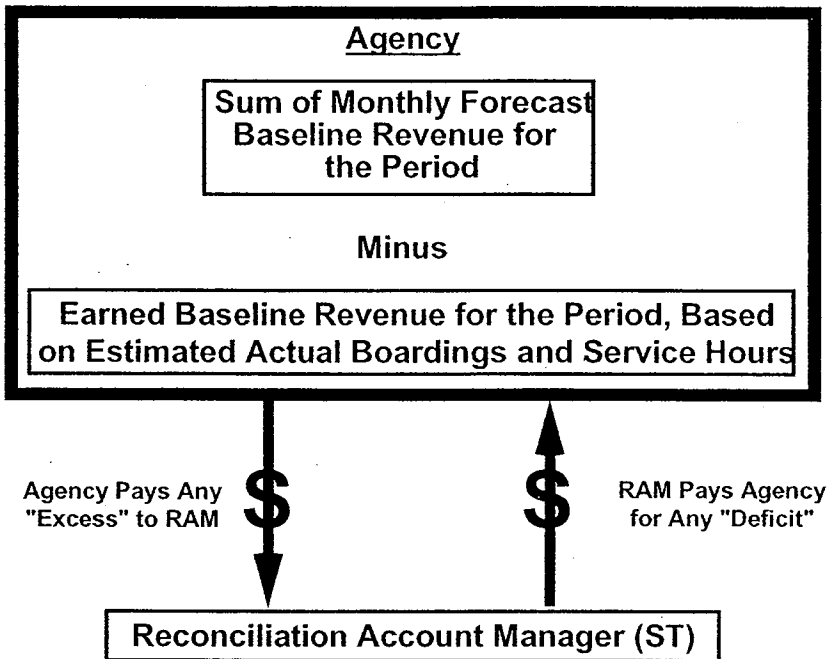
The estimate of Local-Sound Transit Boardings will be based on the best data available at the time of development of the Forecast of Total Revenue. Estimates will incorporate the results of the Annual Research Program where appropriate.

Conceptual Summary of Reconciliation Events

Monthly Reconciliation—Pass Sales



Periodic Reconciliation—Baseline



Annual Reconciliation—Transfer

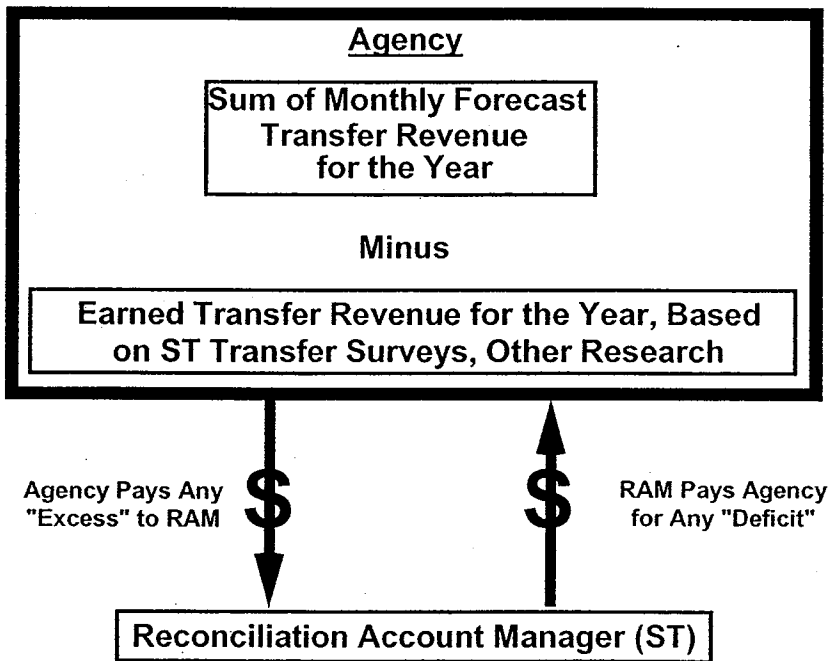


EXHIBIT H**Additional Administrative Cost Methodology**

Methodology for establishing additional administrative cost that an agency accrues as a result of sales and distribution of passes not associated with or used on their service.

The amount of reimbursement an agency receives shall follow the general form of:

$$\text{Amount of Agency Reimbursement} = \text{Percent of Non-Agency Pass Sales} \times \text{Fare Collection Expense}$$

Where

- Percent of Non-Agency Pass Sales = $(\text{Fare Recognized Revenue} - \text{Earned Total Revenue} - \text{Share of End of Year Surplus}) / \text{Fare Recognized Revenue}$
- Fare Collection Expense is shown in each agency's National Transit Database report as Line 15, Column d of Form 301 for each mode on which a PugetPass might be used

EXHIBIT I**End of Year Surplus Methodology**

This exhibit outlines the process for determining and distributing any End of Year Surplus that may occur during the life of this Agreement. This shall include any surplus accrued during the term of the previous Interim Regional Fare Agreement. Generally, in the event that the Fare Revenue Recognized during the year exceeds Earned Total Revenue, the surplus revenue will be provided to the partner agencies based on their ridership during the year weighted by their average fare per boarding.

Determination

An End of Year Surplus exists if in a given calendar year the Fare Revenue Recognized during the year is greater than the Earned Total Revenue for the year. The determination of the existence of an End of Year Surplus shall be made by the RAM no later than the first business day of May following the calendar year in question.

Distribution

In the event that an End of Year Surplus exists, the RAM shall distribute the surplus among the parties based on the following methodology no later than 30 days after the determination of an End of Year Surplus:

Agency Share of End of Year Surplus = Share of Total Weighted Boardings X End of Year Surplus; where

Share of Total Weighted Boardings = Agency Weighted Boardings/Total Weighted Boardings;
and

Total Weighted Boardings = The Sum of all Agency Weighted Boardings; and

Agency Weighted Boardings = Total Boardings Reported by the Agency x (Earned Total Revenue/Total Boardings Report by the Agency)

EXHIBIT J**Regional Passes Not Sold Cost Sharing Methodology**

The cost of production for all Regional Passes ordered by a Party that are not sold or distributed to another party shall be shared by that Party and Sound Transit.

The ratio between a Party's Regional Passes Not Sold and Regional Passes ordered is the Party's Pass Destruction Rate. The Pass Destruction Rate for any given party for calendar year 2000 shall be that party's Baseline Pass Destruction Rate.

For any calendar year of this Agreement, Sound Transit shall pay the pass production costs for Regional Passes Not Sold at a rate equal to ninety-five percent (95%) of the Baseline Pass Destruction Rate for each individual Party. Each Party shall be responsible for the full production costs for Regional Passes Not Sold that are above and beyond the Sound Transit cost responsibility outlined.

EXHIBIT K**Obligations Carried Forward from Interim Agreement**

Each party is responsible for obligations carried forward from the previous Interim Regional Fare Agreement. These obligations include:

1. Average Fare per Boarding Estimate for each Party - November 15, 2001.
2. Total Fare Revenue Forecast for each Party - November 15, 2001.
3. Outstanding Fare Media Quantities Ordered by each Party – December 31, 2001.

