



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

May 22, 2007

Ordinance 15779

Proposed No. 2007-0190.1

Sponsors Ferguson

1 AN ORDINANCE authorizing the issuance of the county's
2 limited tax general obligation bonds (payable from sewer
3 revenues) in the aggregate principal amount of not to
4 exceed \$440,000,000 to provide funds for refunding certain
5 bonds of the county payable from sewer revenues;
6 providing for the form, terms and covenants of such bonds
7 and for a plan of refunding; providing for the sale of the
8 bonds; establishing funds for the receipt and expenditure of
9 bond proceeds and for the payment of the bonds; providing
10 for the annual levy of taxes to pay the principal thereof and
11 interest thereon; and pledging sewer revenues as additional
12 security for the bonds.

13
14 **PREAMBLE:**

15 The county owns and operates facilities for the conveyance and treatment
16 of sewage and control of combined sewer overflows that include, but are
17 not limited to, wastewater treatment plants, interceptor and trunk sewers,

18 pumping stations, regulator stations, outfall sewers, storm sewers to divert
19 stormwater from sanitary sewers, lands for application of biosolids,
20 property rights, and buildings and other structures (collectively the "Sewer
21 System" or the "System"), all in accordance with a comprehensive plan for
22 metropolitan water pollution abatement under the authority of chapters
23 36.56 and 35.58 of the Revised Code of Washington ("RCW").

24 Long term service agreements with participating municipalities (the
25 "Participants") obligate the county, to treat and dispose of sewage
26 collected by the Participants. The Participants must pay the costs of such
27 services including debt service on sewer revenue bonds, including the
28 bonds authorized herein, and other indebtedness payable from and secured
29 by sewer revenues.

30 The county has issued the following series of sewer revenue bonds with a
31 senior lien on revenues of the Sewer System (the "Parity Bonds"):

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (1/1/2007)
1999 (2 nd) Bonds	13650	11/01/1999	60,000,000	2,270,000
2001 Bonds	14225	11/28/2001	270,060,000	229,925,000
2002A Bonds	14406	8/14/2002	100,000,000	94,960,000
2002B Bonds	14406	10/03/2002	346,130,000	291,715,000
2003A Bonds	14406	4/24/2003	96,470,000	93,005,000
2004A Bonds	14753	3/18/2004	185,000,000	185,000,000

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Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (1/1/2007)
2004B Bonds	14753	3/18/2004	61,760,000	59,840,000
2006 Bonds	15385	5/16/2006	124,070,000	124,070,000
2006 (2 nd) Bonds	15385	11/30/2006	193,435,000	193,435,000

32 The county has issued the following series of limited tax general
 33 obligation bonds additionally secured by a lien on revenues of the Sewer
 34 System junior and subordinate to the lien thereon of the Parity Bonds (the
 35 "Parity Lien Obligations"):

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (1/1/2007)
Series 1996	12314	12/15/1996	\$ 130,965,000	\$ 2,730,000
Series 1998	13256	9/15/1998	261,625,000	247,810,000
Series 2005	15033	4/21/2005	200,000,000	200,000,000

36 The county may have opportunities to refund certain of the currently
 37 outstanding Parity Bonds and Parity Lien Obligations (the "Refunding
 38 Candidates") and thereby realize savings to the county and to ratepayers of
 39 the Sewer System. It is deemed necessary and advisable that the county
 40 authorize the issuance and sale of not to exceed \$440,000,000 principal
 41 amount of additional Parity Lien Obligations for such refunding
 42 opportunities, as provided herein (the "Bonds").

43 To maximize the savings from refunding any of the Refunding
44 Candidates, it is in the best interest of the county to delegate to the
45 county's Finance Director authority to sell the Bonds in one or more series
46 by competitive bid or negotiated sale, as provided in this ordinance.

47 The ordinances that authorized the issuance of the currently outstanding
48 Parity Lien Obligations provide that the county may issue additional Parity
49 Lien Obligations if certain conditions are met. The county council has
50 found and determined that such parity conditions have been or will be met,
51 and therefore the pledge of revenues of the Sewer System additionally to
52 secure the Bonds shall be on a parity with the pledge of such revenues to
53 secure the outstanding Parity Lien Obligations.

54 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

55 SECTION 1. DefinitionsError! Bookmark not defined.. The following words
56 and terms as used in this ordinance shall have the following meanings for all purposes of
57 this ordinance, unless some other meaning is plainly intended.

58 "Accreted Value" means with respect to any Parity Bonds that are Capital
59 Appreciation Bonds, as of any date of calculation, the sum of the amounts set forth in the
60 ordinance, resolution or motion authorizing such bonds as the amounts representing the
61 initial principal amount of such bonds plus the interest accumulated, compounded and
62 unpaid thereon as of the most recent compounding date, as provided in the ordinance,
63 resolution or motion authorizing the issuance of such bonds; provided that if such
64 calculation is not made as of a compounding date, such amount shall be determined by

65 straight-line interpolation as of the immediately preceding and the immediately
66 succeeding compounding dates.

67 "Additional Subordinate Lien Obligations" means those revenue bonds or other
68 revenue obligations that may be issued by the county in the future with a lien on Revenue
69 of the System equal to the lien thereon of the Commercial Paper Notes and the Bank
70 Note.

71 "Annual Debt Service" means, with respect to any calendar year, the sum of the
72 following:

73 (1) The interest due for all outstanding Parity Bonds and Parity Lien Obligations
74 (i) on all interest payment dates (other than January 1) in such calendar year, and (ii) on
75 January 1 of the next succeeding year, and any Payment Agreement Payments due on
76 such dates in respect of any Parity Payment Agreements and Parity Lien Obligation
77 Payment Agreements, minus any Payment Agreement Receipts due in such period in
78 respect of any Parity Payment Agreements and Parity Lien Obligation Payment
79 Agreements.

80 (i) For purposes of calculating the amounts required to pay interest on Parity
81 Bonds or Parity Lien Obligations, capitalized interest and accrued interest paid to the
82 county upon the issuance of Parity Bonds or Parity Lien Obligations shall be excluded.

83 (ii) The amount of interest deemed to be payable on any issue of Variable Rate
84 Parity Bonds or Variable Rate Parity Lien Obligations shall be calculated on the
85 assumption that the interest rate on those bonds would be equal to the rate (the "assumed
86 RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or comparable
87 index during the fiscal quarter preceding the quarter in which the calculation is made;

88 provided, however, that for purposes of determining actual compliance in any past
89 calendar year with the rate covenant made in Section 16 of this ordinance, the actual
90 amount of interest paid on any issue of Variable Rate Parity Bonds or Parity Lien
91 Obligations shall be taken into account.

92 (2) The principal due (at maturity or upon the mandatory redemption of Term
93 Bonds prior to their maturity) for all outstanding Parity Bonds and Parity Lien
94 Obligations (i) on all principal payment dates (other than January 1) of such calendar year
95 and (ii) on January 1 of the next succeeding year.

96 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or
97 upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation
98 Bonds shall be included in the calculation of Annual Debt Service, and references in this
99 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or
100 upon the mandatory redemption of any Capital Appreciation Bonds.

101 Notwithstanding the foregoing, debt service on Parity Bonds or Parity Lien
102 Obligations with respect to which a Payment Agreement is in force shall be calculated by
103 the county to reflect the net economic effect on the county intended to be produced by the
104 terms of the Parity Bonds or Parity Lien Obligations and the terms of the applicable
105 Payment Agreement, in accordance with the requirements for Payment Agreements set
106 forth in the ordinances authorizing issuance of such Parity Bonds or Parity Lien
107 Obligations.

108 "Bank Note" means the bank note authorized to be issued by Ordinance No.
109 12057 of the county, as amended, to secure payment of the Commercial Paper Notes.

110 "Bond Fund" means the "Water Quality Limited Tax General Obligation Bond
111 Redemption Fund" established pursuant to Section 8 of Ordinance 11241 of the county
112 for the purpose of paying the Parity Lien Obligations.

113 "Bond Register" means the registration books maintained by the Bond Registrar
114 for purposes of identifying ownership of the Bonds.

115 "Bond Registrar" means the fiscal agency of the State of Washington in either
116 Seattle, Washington, or New York, New York, for the purposes of registering and
117 authenticating the Bonds, maintaining the Bond Register, effecting the transfer of
118 ownership of the Bonds and paying the principal of and interest and premium, if any, on
119 the Bonds.

120 "Bonds" means all or a portion of the limited tax general obligation bonds
121 (payable from sewer revenues) of the county authorized to be issued in an aggregate
122 principal amount of not to exceed \$440,000,000, in one or more series, pursuant to this
123 ordinance to refund certain bonds of the county payable from Revenue of the System.

124 "Capital Appreciation Bonds" means any Parity Bonds the interest on which is
125 compounded, accumulated and payable only upon redemption or on the maturity date of
126 such Parity Bonds; provided, however, that Parity Bonds may be deemed to be Capital
127 Appreciation Bonds for only a portion of their term pursuant to the ordinance, resolution
128 or motion authorizing their issuance. On the date on which Parity Bonds no longer are
129 Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount
130 equal to their Accreted Value.

131 "Certified Public Accountant" means an independent certified public accountant
132 (or firm of certified public accountants) selected by the county and having a favorable
133 national reputation.

134 "Closing" means the delivery of a series of the Bonds to, and payment of the
135 purchase price therefor by, the initial purchasers of such series of the Bonds.

136 "Code" means the Internal Revenue Code of 1986, as amended, together with
137 corresponding and applicable final, temporary or proposed regulations and revenue
138 rulings issued or amended with respect thereto by the United States Treasury Department
139 or the Internal Revenue Service, to the extent applicable to the Bonds.

140 "Commercial Paper Notes" means the King County, Washington, Sewer Revenue
141 Bond Anticipation Notes, Commercial Paper Series A, authorized, issued, and
142 outstanding from time to time pursuant to Ordinance No. 12057 of the county, as
143 amended.

144 "Commission" means the United States Securities and Exchange Commission.

145 "Comprehensive Plan" means the county's comprehensive water pollution
146 abatement plan authorized by RCW 35.58.200 and defined in Section 28.82.150 of the
147 King County Code as the Comprehensive Sewage Disposal Plan adopted by Resolution
148 No. 23 of the Metro Council on April 22, 1959, and all amendments thereto, together
149 with any amendments hereafter approved by ordinance of the county.

150 "Construction Account" means the "Second Water Quality Construction
151 Account," as designated by Section 30 of Ordinance No. 12076 of the county.

152 "Credit Facility" means any letter of credit, standby bond purchase agreement,
153 line of credit, surety bond, insurance policy or other insurance commitment or similar

154 agreement (but not including a Payment Agreement), satisfactory to the county, that is
155 provided by a commercial bank, insurance company or other financial institution with a
156 current long term rating (or whose obligations thereunder are guaranteed by a financial
157 institution with a long term rating) from Fitch, Moody's and S&P not lower than the
158 credit rating of any series of Parity Lien Obligations, to provide support for a series of
159 Parity Lien Obligations (including Variable Rate Parity Lien Obligations), and shall
160 include any substitute therefor in accordance with the provisions of the ordinance
161 providing for the issuance of Parity Lien Obligations supported by a Credit Facility.

162 "Customers" means Residential Customers and Residential Customer Equivalents
163 as defined and determined in the existing Service Agreements.

164 "DTC" means The Depository Trust Company, New York, New York.

165 "Escrow Agent" means each corporate trustee chosen pursuant to the provisions of Section
166 14 of this ordinance to serve as escrow agent in connection with the refunding of
167 Refunded Bonds upon the issuance of any series of Bonds.

168 "Finance Director" means the director of the finance and business operations
169 division of the county or his or her designee, or the successor to the duties of such office.

170 "Fitch" means Fitch Inc., and its successors and assigns, except that if such
171 corporation shall be dissolved or liquidated or shall no longer perform the functions of a
172 securities rating agency, then the term "Fitch" shall be deemed to refer to any other
173 nationally recognized securities rating agency selected by the county.

174 "Future Parity Bonds" means any sewer revenue bonds, warrants or other
175 obligations that may be issued in the future as Parity Bonds.

176 "Government Obligations" means those obligations now or hereafter defined as
177 such in Chapter 39.53 RCW, as now in existence or hereafter amended or restated.

178 "Junior Lien Obligations" means the county's Junior Lien Variable Rate Demand
179 Sewer Revenue Bonds, Series 2001A and Series 2001B, issued under date of August 15,
180 2001, as authorized by Ordinances 14171 and 14172, the county's Junior Lien
181 Multi-Modal Sewer Revenue Bonds, Series 2006A and Series 2006B, issued under date
182 of October 4, 2006, as authorized by Ordinances 15584 and 15585, and any other revenue
183 bonds or other revenue obligations having a lien on Revenue of the System equal to the
184 lien thereon of such bonds.

185 "Moody's" means Moody's Investors Service, Inc., a corporation duly organized
186 and existing under and by virtue of the laws of the State of Delaware, and its successors
187 and assigns, except that if such corporation shall be dissolved or liquidated or shall no
188 longer perform the functions of a securities rating agency, then the term "Moody's" shall
189 be deemed to refer to any other nationally recognized securities rating agency selected by
190 the county.

191 "MSRB" means the Municipal Securities Rulemaking Board or any successor to
192 its functions.

193 "Net Revenue" means Revenue of the System less Operating and Maintenance
194 Expenses.

195 "NRMSIR" means a nationally recognized municipal securities information
196 repository.

197 "Operating and Maintenance Expenses" means all normal expenses incurred by
198 the county in causing the System to be maintained in good repair, working order and

199 condition and shall include payments to any private or governmental agency for the
200 operation or maintenance of facilities or for the disposal of sewage but shall exclude any
201 allowance for depreciation.

202 "Parity Bond Fund" means the "Water Quality Revenue Bond Account," as
203 designated by Section 30 of Ordinance No. 12076 of the county for the purpose of paying
204 and securing the payment of Parity Bonds.

205 "Parity Bond Ordinances" means the ordinances of the county authorizing the
206 issuance of the Parity Bonds.

207 "Parity Bond Reserve Account" means the bond reserve account in the Parity
208 Bond Fund.

209 "Parity Bonds" means the bonds identified as such in the Preamble to this
210 ordinance and any Future Parity Bonds. "Parity Bonds" include any Parity Payment
211 Agreements and parity reimbursement agreements entered into with the provider of a
212 credit facility serving any Parity Bonds.

213 "Parity Lien Obligation Payment Agreement" means a Payment Agreement under
214 which the county's payment obligations are expressly stated to constitute a charge and
215 lien on the Revenue of the System equal in rank with the charge and lien upon such
216 revenue securing amounts required to be paid into the Bond Fund to pay and secure the
217 payment of principal of and interest on the Parity Lien Obligations.

218 "Parity Lien Obligations" means the bonds identified as such in the Preamble to
219 this ordinance, the Bonds, and all bonds, notes or other evidences of indebtedness
220 payable in whole or in part from Revenue of the System and secured by a lien on such
221 Revenue on a parity with the lien thereon of the outstanding Parity Lien Obligations and

222 the Bonds. "Parity Lien Obligations" include any Parity Lien Obligation Payment
223 Agreements and parity reimbursement agreements entered into with the provider of a
224 Credit Facility.

225 "Parity Payment Agreement" means a Payment Agreement under which the
226 county's payment obligations are expressly stated to constitute a charge and lien on the
227 Revenue of the System equal in rank with the charge and lien upon such revenue securing
228 amounts required to be paid into the Parity Bond Fund to pay and secure the payment of
229 principal of and interest on the Parity Bonds.

230 "Parity Term Bonds" means Parity Bonds that are Term Bonds.

231 "Payment Agreement" means, to the extent permitted from time to time by
232 applicable law, a written agreement entered into by the county (i) in connection with or
233 incidental to the issuance, incurring or carrying of bonds or other obligations of the
234 county secured in whole or in part by a lien on Revenue of the System; (ii) for the
235 purpose of managing or reducing the county's exposure to fluctuations or levels of
236 interest rates, currencies or commodities or for other interest rate, investment, asset or
237 liability management purposes; (iii) with an entity that at the time the agreement is
238 entered into is a Qualified Counterparty; and (iv) which provides, on either a current or
239 forward basis, for an exchange of payments determined in accordance with a formula
240 specified therein.

241 "Payment Agreement Payments" means the amounts periodically required to be
242 paid by the county to the Qualified Counterparty pursuant to a Payment Agreement. The
243 term "Payment Agreement Payments" does not include any termination payment required
244 to be paid with respect to a Payment Agreement.

245 "Payment Agreement Receipts" means the amounts periodically required to be
246 paid by the Qualified Counterparty to the county pursuant to a Payment Agreement.

247 "Professional Utility Consultant" means a licensed professional engineer, a
248 Certified Public Accountant, or other independent person(s) or firm(s) selected by the
249 county having a favorable reputation for skill and experience with sewer systems of
250 comparable size and character to the System in such areas as are relevant to the purposes for
251 which they are retained.

252 "Public Works Trust Fund Loans" means loans to the county by the State of
253 Washington Department of Community, Trade and Economic Development under the
254 Public Works Trust Fund loan program pursuant to loan agreements in effect as of the
255 date of this ordinance and any loan agreements hereafter entered into by the county under
256 the Public Works Trust Fund loan program, the repayment obligations of which are
257 secured by a lien on Revenue of the System equal to the lien thereon established by such
258 loan agreements.

259 "Qualified Counterparty" means with respect to a Payment Agreement an entity
260 (i) whose senior long term debt obligations, other senior unsecured long term obligations
261 or claims paying ability or whose payment obligations under a Payment Agreement are
262 guaranteed by an entity whose senior long term debt obligations, other senior unsecured
263 long term obligations or claims paying ability are rated (at the time the Payment
264 Agreement is entered into) at least as high as A- by Fitch, A3 by Moody's and A- by
265 S&P, or the equivalent thereof by any successor thereto and (ii) who is otherwise
266 qualified to act as the other party to a Payment Agreement under any applicable laws of
267 the State.

268 "Rate Stabilization Fund" means the fund of that name created pursuant to Section
269 13.D of Ordinance 12314 of the county.

270 "RCW" means the Revised Code of Washington.

271 "Rebate Amount" means the amount, if any, determined to be payable with
272 respect to the Bonds by the county to the United States of America in accordance with
273 Section 148(f) of the Code.

274 "Refunded Bonds" means with respect to each series of Bonds, those Refunding
275 Candidates that shall be refunded from proceeds of such series of Bonds, as determined
276 by the Finance Director and identified in a Sale Motion in accordance with Section 14
277 hereof.

278 "Refunding Candidates" means any of the currently outstanding Parity Bonds and
279 Parity Lien Obligations.

280 "Refunding Account" means any account established pursuant to Section 14
281 hereof to provide for the refunding of any Refunded Bonds.

282 "Registered Owner" means any person or entity who shall be the registered owner
283 of any Bond.

284 "Revenue Fund" means the "Water Quality Operating Account," as designated by
285 Section 30 of Ordinance No. 12076 of the county.

286 "Revenue of the System" means all the earnings, revenues and money received by
287 the county from or on account of the operations of the Sewer System and the income
288 from the investment of money in the Revenue Fund or any account within such fund, but
289 shall not include any money collected pursuant to the Service Agreements applicable to
290 administrative costs of the county other than costs of administration of the System.

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

293 "S&P" means Standard and Poor's Ratings Services, a Division of The McGraw-
294 Hill Companies, duly organized and existing under and by virtue of the laws of the State
295 of New York, and its successors and assigns, except that if such corporation shall be
296 dissolved or liquidated or shall no longer perform the functions of a securities rating
297 agency, then the term "S&P" shall be deemed to refer to any other nationally recognized
298 securities rating agency selected by the county.

299 "Sale Motion" means a motion of the council approving each sale of a series of
300 the Bonds, in accordance with Section 22 hereof.

301 "Service Agreements" means the sewage disposal agreements entered between the
302 county and municipal corporations, persons, firms, private corporations, or governmental
303 agencies providing for the disposal by the county of sewage collected from such
304 contracting parties.

305 "SID" means a state information depository for the State of Washington (if one is
306 created).

307 "SRF Loans" means loans to the county by the State of Washington Department
308 of Ecology pursuant to loan agreements in effect as of the date of this ordinance and any
309 loans and loan agreements hereafter entered into by the county under the State of
310 Washington water pollution control revolving fund loan program, the repayment
311 obligations of which are secured by a lien on Revenue of the System equal to the lien
312 thereon established by such loan agreements.

313 "State" means the State of Washington.

314 "Subordinate Lien Obligations" means the Commercial Paper Notes, the Bank
315 Note and any Additional Subordinate Lien Obligations.

316 "System" or "Sewer System" means the sewers and sewage disposal facilities now
317 or hereafter acquired, constructed, used or operated by the county for the purpose of
318 carrying out the Comprehensive Plan.

319 Tax Certificate" means the Federal Tax Certificate with respect to certain federal
320 tax matters executed on behalf of the county upon the issuance of each series of the
321 Bonds.

322 "Term Bonds" means those bonds identified as such in the proceedings
323 authorizing their issuance, the principal of which is amortized by a schedule of
324 mandatory redemptions, payable from a bond redemption fund, prior to their maturity.

325 "Variable Rate Parity Bonds" means Parity Bonds bearing interest at a variable
326 rate of interest, provided that at least one of the following conditions is met: (i) at the
327 time of issuance the county has entered into a Payment Agreement with respect to such
328 Parity Bonds, which Agreement converts the effective interest rate to the county on the
329 Variable Rate Parity Bonds from a variable interest rate to a fixed interest rate, or (ii) the
330 Parity Bonds bear interest at a variable rate but are issued concurrently in equal par
331 amounts with other Parity Bonds bearing interest at a variable rate and which are required
332 to remain outstanding in equal amounts at all times, if the net effect of such equal par
333 amounts and variable rates at all times is a fixed rate of interest to the county.

334 "Variable Rate Parity Lien Obligations" means Parity Lien Obligations bearing
335 interest at a variable rate of interest, provided that at least one of the following conditions
336 is met: (i) at the time of issuance the county has entered into a Payment Agreement with

337 respect to such Parity Lien Obligations, which Agreement converts the effective interest
338 rate to the county on the Variable Rate Parity Lien Obligations from a variable interest
339 rate to a fixed interest rate or (ii) the Parity Lien Obligations bear interest at a variable
340 rate but are issued concurrently in equal par amounts with other Parity Lien Obligations
341 bearing interest at a variable rate and which are required to remain outstanding in equal
342 amounts at all times, if the net effect of such equal par amounts and variable rates at all
343 times is a fixed rate of interest to the county.

344 **SECTION 2. Findings.**

345 A. Refunding Opportunities. The county may be able to realize significant debt
346 service savings by refunding certain of the Refunding Candidates. Because market
347 conditions may change rapidly, the council finds that it is in the best interests of the
348 county and ratepayers of the System that a plan of refunding and the sale of the Bonds in
349 one or more series by competitive bid or negotiated sale, for current or future delivery, be
350 determined by the Finance Director in consultation with the county's financial advisors.
351 Each plan of refunding and sale of a series of Bonds will be ratified and confirmed by the
352 council in a Sale Motion.

353 B. Satisfaction of Parity Conditions. In accordance with the provisions of
354 Section 23 of Ordinance 12314, Section 22 of Ordinance 13256, and Section 19 of
355 Ordinance 15033, which permit the issuance of additional Parity Lien Obligations upon
356 compliance with the conditions set forth therein (the "Parity Conditions"), the county
357 council hereby finds and determines, as follows:

358 (i) The Bonds are to be issued for the purpose of refunding and retiring prior to
359 their maturity certain outstanding obligations of the county payable from Revenue of the
360 System.

361 (ii) There is not now, and when the Bonds are issued there shall not then be, any
362 deficiency in the Parity Bond Fund, the Bond Fund or any other bond fund or account
363 securing Parity Lien Obligations.

364 (iii) On or prior to the Closing of any series of Bonds, there shall have been
365 filed with the clerk of the county council a certificate of the Finance Director stating that
366 immediately after the issuance of such series of Bonds the annual debt service for each
367 year that such series of Bonds and any other Parity Lien Obligations are then outstanding
368 shall not be increased by more than \$5,000 by reason of the issuance of such series of
369 Bonds.

370 The applicable Parity Conditions having been complied with in connection with
371 the issuance of the Bonds, the pledge contained herein of Revenue of the System to pay
372 and secure the payment of the Bonds shall constitute a lien and charge upon such
373 Revenue equal in rank with the lien and charge upon the Revenue of the System to pay
374 and secure the payment of the outstanding Parity Lien Obligations.

375 **SECTION 3. Authorization of Bonds.** To provide funds to refund the Refunded
376 Bonds, the county shall issue the Bonds in an aggregate principal amount not to exceed
377 \$440,000,000. The Bonds shall be issued and sold in one or more series, as provided in
378 Section 22, each series to be designated as "King County, Washington, Limited Tax
379 General Obligation Refunding Bonds (Payable from Sewer Revenues)" with an
380 applicable year and series designation. The Bonds shall be fully registered as to both

381 principal and interest, shall be in the denomination of \$5,000 each or any integral
382 multiple thereof (but no Bond shall represent more than one maturity), shall be numbered
383 separately in such manner and with any additional designation as the Bond Registrar
384 deems necessary for purposes of identification, and shall be dated as of such date and
385 shall mature on the dates, in the years and the amounts established as provided in Section
386 22 hereof.

387 Each series of the Bonds shall bear interest (computed on the basis of a 360-day
388 year of twelve 30-day months) from their date or from the most recent interest payment
389 date for which interest has been paid or duly provided for, whichever is later, payable on
390 interest payment dates and at the rate or rates established as provided in Section 22 hereof
391 and ratified and confirmed by a Sale Motion.

392 **SECTION 4. Registration, Exchange and Payments.**

393 A. Registrar/Bond Register. In accordance with KCC 4.84, the county hereby
394 adopts for the Bonds the system of registration specified and approved by the
395 Washington State Finance Committee, which utilizes the fiscal agencies of the State of
396 Washington in Seattle, Washington, and New York, New York, as registrar,
397 authenticating agent, paying agent and transfer agent (collectively, the "Bond Registrar").
398 The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office,
399 sufficient books for the registration and transfer of the Bonds, which shall at all times be
400 open to inspection by the county. The Bond Registrar is authorized, on behalf of the
401 county, to authenticate and deliver the Bonds transferred or exchanged in accordance
402 with the provisions of such Bonds and this ordinance and to carry out all of the Bond
403 Registrar's powers and duties under this ordinance.

404 The Bond Registrar shall be responsible for its representations contained in the
405 Certificate of Authentication on the Bonds. The Bond Registrar may become the
406 Registered Owner of Bonds with the same rights it would have if it were not the Bond
407 Registrar, and to the extent permitted by law may act as depository for and permit any of
408 its officers or directors to act as a member of, or in any other capacity with respect to, any
409 committee formed to protect the rights of Registered Owners.

410 B. Registered Ownership. The county and the Bond Registrar, each in its
411 discretion, may deem and treat the Registered Owner of each Bond as the absolute owner
412 thereof for all purposes, and neither the county nor the Bond Registrar shall be affected
413 by any notice to the contrary. Payment of any such Bond shall be made only as described
414 in Section 4.G hereof, but such registration may be transferred as herein provided. All
415 such payments made as described in Section 4.G shall be valid and shall satisfy and
416 discharge the liability of the county upon such Bond to the extent of the amount or
417 amounts so paid. The county and the Bond Registrar shall be entitled to treat the person
418 in whose name any Bond is registered as the absolute owner thereof for all purposes of
419 this ordinance and any applicable laws, notwithstanding any notice to the contrary
420 received by the Bond Registrar or the county.

421 C. DTC Acceptance/Letter of Representations. The Bonds initially issued shall
422 be held in fully immobilized form by DTC acting as depository. To induce DTC to
423 accept the Bonds as eligible for deposit at DTC, the county has heretofore executed and
424 delivered to DTC a Blanket Issuer Letter of Representations.

425 Neither the county nor the Bond Registrar will have any responsibility or
426 obligation to DTC participants or the persons for whom they act as nominees with respect

427 to the Bonds in respect of the accuracy of any records maintained by DTC or any DTC
428 participant, the payment by DTC or any DTC participant of any amount in respect of the
429 principal of or interest on the Bonds, any notice which is permitted or required to be
430 given to Registered Owners under this ordinance (except such notices as shall be required
431 to be given by the county to the Bond Registrar or to DTC), or any consent given or other
432 action taken by DTC as the Registered Owner. For so long as any Bonds are held in fully
433 immobilized form hereunder, DTC or its successor depository shall be deemed to be the
434 Registered Owner for all purposes hereunder, and all references herein to the Registered
435 Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial
436 interest in the Bonds.

437 D. Use of Depository.

438 (1) The Bonds shall be registered initially in the name of "Cede & Co.," as
439 nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds of
440 each series in a denomination corresponding to the total principal therein designated to
441 mature on such date. Registered ownership of such immobilized Bonds, or any portions
442 thereof, may not thereafter be transferred except (i) to any successor of DTC or its
443 nominee, provided that any such successor shall be qualified under any applicable laws to
444 provide the service proposed to be provided by it; (ii) to any substitute depository
445 appointed by the county pursuant to subsection (2) below or such substitute depository's
446 successor; or (iii) to any person as provided in subsection (4) below.

447 (2) Upon the resignation of DTC or its successor (or any substitute depository or
448 its successor) from its functions as depository or a determination by the county to
449 discontinue the system of book entry transfers through DTC or its successor (or any

450 substitute depository or its successor), the county may hereafter appoint a substitute
451 depository. Any such substitute depository shall be qualified under any applicable laws
452 to provide the services proposed to be provided by it.

453 (3) In the case of any transfer pursuant to clause (i) or (ii) of subsection (1)
454 above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a
455 written request on behalf of the county, issue a single new Bond for each maturity of such
456 Bonds then outstanding, registered in the name of such successor or such substitute
457 depository, or their nominees, as the case may be, all as specified in such written request
458 of the county.

459 (4) In the event that (i) DTC or its successor (or substitute depository or its
460 successor) resigns from its functions as depository, and no substitute depository can be
461 obtained, or (ii) the county determines that it is in the best interest of the beneficial
462 owners of any of the Bonds that they be able to obtain such Bonds in the form of bond
463 certificates, the ownership of Bonds may then be transferred to any person or entity as
464 herein provided, and the Bonds shall no longer be held in fully immobilized form. The
465 county shall deliver a written request to the Bond Registrar, together with a supply of
466 definitive Bonds, to issue Bonds as herein provided in any authorized denomination.
467 Upon receipt of all then outstanding Bonds by the Bond Registrar together with a written
468 request on behalf of the county to the Bond Registrar, new Bonds shall be issued in such
469 denominations and registered in the names of such persons as are requested in such
470 written request.

471 E. Transfer or Exchange of Registered Ownership; Change in Denominations.

472 The registered ownership of any Bond may be transferred or exchanged, but no transfer

473 of any Bond shall be valid unless it is surrendered to the Bond Registrar with the
474 assignment form appearing on such Bond duly executed by the Registered Owner or such
475 Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar.
476 Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall
477 authenticate and deliver, without charge to the Registered Owner or transferee therefor, a
478 new Bond (or Bonds at the option of the new Registered Owner) of the same series, date,
479 maturity and interest rate and for the same aggregate principal amount in any authorized
480 denomination, naming as Registered Owner the person or persons listed as the assignee
481 on the assignment form appearing on the surrendered Bond, in exchange for such
482 surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar
483 and exchanged, without charge, for an equal aggregate principal amount of Bonds of the
484 same series, date, maturity and interest rate, in any authorized denomination. The Bond
485 Registrar shall not be obligated to transfer or exchange any Bond during a period
486 beginning at the opening of business on the 15th day of the month next preceding any
487 interest payment date and ending at the close of business on such interest payment date,
488 or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the
489 call of such Bonds for redemption.

490 F. Registration Covenant. The county covenants that, until all Bonds have been
491 surrendered and canceled, it will maintain a system for recording the ownership of each
492 Bond that complies with the provisions of Section 149 of the Code.

493 G. Place and Medium of Payment. Both principal of and interest on the Bonds
494 shall be payable in lawful money of the United States of America. For so long as all
495 Bonds are in fully immobilized form, payments of principal and interest thereon shall be

496 made as provided in accordance with the operational arrangements of DTC referred to in
497 the Letter of Representations. In the event that the Bonds are no longer in fully
498 immobilized form, interest on the Bonds shall be paid by check or draft mailed to the
499 Registered Owners at the addresses for such Registered Owners appearing on the Bond
500 Register on the 15th day of the month preceding the interest payment date; provided,
501 however, that if so requested in writing by the Registered Owner of at least \$1,000,000
502 principal amount of a series of Bonds, interest will be paid by wire transfer on the interest
503 payment date to an account with a bank located within the United States. Principal of the
504 Bonds shall be payable upon presentation and surrender of such Bonds by the Registered
505 Owners at the principal office of the Bond Registrar.

506 SECTION 5. Redemption of Bonds; Open Market Purchases. The county
507 may reserve the right to redeem outstanding Bonds prior to their maturity on the dates
508 and at the prices established as provided in Section 22 and ratified and confirmed by a
509 Sale Motion. Portions of the principal amount of any Bond, in increments of \$5,000 or
510 any integral multiple of \$5,000, may be redeemed.

511 If less than all of the Bonds subject to optional redemption are called for
512 redemption, the county shall choose the maturities to be redeemed. If less than a whole
513 of a maturity is called for redemption, the Bonds to be redeemed shall be chosen at
514 random by the Bond Registrar (or in such other manner as the Bond Registrar may
515 determine) or, so long as the Bonds are registered in the name of CEDE & CO. or its
516 registered assign, the Bonds to be redeemed shall be chosen in accordance with the
517 operational arrangements of DTC then in effect.

518 If less than all of the principal amount of any Bond is redeemed, upon surrender
519 of such Bond at the principal office of the Bond Registrar there shall be issued to the
520 Registered Owner, without charge therefor, for the then unredeemed balance of the
521 principal amount thereof, a new Bond or Bonds, at the option of the Registered Owner, of
522 like maturity and interest rate in any denomination authorized by this ordinance.

523 The county reserves the right to purchase any or all of the Bonds on the open
524 market at any time at any price.

525 **SECTION 6. Notice and Effect of Redemption.**

526 A. Notice of Redemption. Written notice of any redemption of Bonds shall be
527 given by the Bond Registrar on behalf of the county by first class mail, postage prepaid,
528 not less than 30 days nor more than 60 days before the redemption date to the Registered
529 Owners of Bonds that are to be redeemed at their last addresses shown on the Bond
530 Register. So long as the Bonds are in book-entry form, notice of redemption shall be
531 given as provided in the Letter of Representations. The Bond Registrar shall provide
532 additional notice of redemption (at least 30 days) to each NRMSIR and SID, if any, in
533 accordance with the ongoing disclosure provisions to be adopted by the Sale Motion.

534 The requirements of this section shall be deemed complied with when notice is
535 mailed, whether or not it is actually received by the owner.

536 Each notice of redemption shall contain the following information: (1) the
537 redemption date, (2) the redemption price, (3) if less than all outstanding Bonds are to be
538 redeemed, the identification (and, in the case of partial redemption, the principal
539 amounts) of the Bonds to be redeemed, (4) that on the redemption date the redemption
540 price will become due and payable upon each Bond or portion called for redemption, and

541 that interest shall cease to accrue from the redemption date, (5) that the Bonds are to be
542 surrendered for payment at the principal office of the Bond Registrar, (6) the CUSIP
543 numbers of all Bonds being redeemed, (7) the dated date of the Bonds, (8) the rate of
544 interest for each Bond being redeemed, (9) the date of the notice, (10) information
545 regarding the county's right to cancel an optional redemption prior to the designated
546 redemption date by giving notice of such cancellation, and (11) any other information
547 relating to the redemption or to the Bonds being redeemed.

548 Upon the payment of the redemption price of Bonds being redeemed, each check
549 or other transfer of funds issued for such purpose shall bear the CUSIP number
550 identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such
551 check or other transfer.

552 B. Cancellation of Redemption. The county may cancel any notice of an optional
553 redemption of Bonds by giving written notice of such cancellation no later than seven
554 days prior to the designated redemption date to all parties who were given notice of
555 redemption in the same manner as such notice was given.

556 C. Effect of Redemption. Unless the county has cancelled a notice of
557 redemption, the county shall transfer to the Bond Registrar amounts that, in addition to
558 other money, if any, held by the Bond Registrar, will be sufficient to redeem, on the
559 redemption date, all the Bonds to be redeemed. From the redemption date interest on
560 each Bond to be redeemed shall cease to accrue.

561 D. Amendment of Notice Provisions. The foregoing notice provisions of this
562 section, including but not limited to the information to be included in redemption notices
563 and the persons designated to receive notices, may be amended by additions, deletions

564 and changes in order to maintain compliance with duly promulgated regulations and
565 recommendations regarding notices of redemption of municipal securities.

566 **SECTION 7. Form of Bonds; Execution of Bonds.** The Bonds shall be in
567 substantially the form set forth on Exhibit A of this Ordinance. The Bonds shall be
568 executed on behalf of the county with the manual or facsimile signatures of the county
569 executive and the clerk of the county council, and shall have the seal of the county
570 impressed or imprinted thereon.

571 In case either or both of the officers who shall have executed the Bonds shall
572 cease to be an officer or officers of the county before the Bonds so signed shall have been
573 authenticated or delivered by the Bond Registrar, or issued by the county, such Bonds
574 may nevertheless be authenticated, delivered and issued and upon such authentication,
575 delivery and issuance, shall be as binding upon the county as though those who signed
576 the same had continued to be such officers of the county. Any Bond also may be signed
577 and attested on behalf of the county by such persons as at the actual date of execution of
578 such Bond shall be the proper officers of the county although at the original date of such
579 Bond any such person shall not have been such officer of the county.

580 Only such Bonds as shall bear thereon a Certificate of Authentication in the form
581 set forth on Exhibit A of this ordinance, manually executed by the Bond Registrar, shall
582 be valid for any purpose or entitled to the benefits of this ordinance. Such Certificate of
583 Authentication shall be conclusive evidence that the Bonds so authenticated have been
584 duly executed, authenticated and delivered hereunder and are entitled to the benefits of
585 this ordinance.

586 **SECTION 8. Mutilated, Lost, or Destroyed Bonds.** If any Bond shall become
587 mutilated, the Bond Registrar shall authenticate and deliver a new Bond of like series,
588 amount, date, interest rate and tenor in exchange and substitution for the Bond so
589 mutilated, upon the owner's paying the expenses and charges of the county and the Bond
590 Registrar in connection therewith and upon surrender to the Bond Registrar of the Bond
591 so mutilated. Every mutilated Bond so surrendered shall be canceled and destroyed by
592 the Bond Registrar.

593 In case the Bonds or any of them shall be lost, stolen or destroyed, the Bond
594 Registrar may authenticate and deliver a new Bond or Bonds of like series, amount, date,
595 and tenor to the Registered Owner thereof upon the owner's paying the expenses and
596 charges of the county and the Bond Registrar in connection therewith and upon his/her
597 filing with the Bond Registrar evidence satisfactory to the Bond Registrar that such Bond
598 or Bonds were actually lost, stolen or destroyed and of his/her ownership thereof, and
599 upon furnishing the county and Bond Registrar with indemnity satisfactory to the Finance
600 Director and the Bond Registrar.

601 **SECTION 9. Bond Fund.** There has heretofore been created a special fund of the
602 county known as the "Water Quality Limited Tax General Obligation Bond Redemption
603 Fund" (the "Bond Fund"). The Bond Fund is at all times completely segregated and set
604 apart from all other funds and accounts of the county and is a trust fund for the security
605 and payment of the principal of and interest and any premium on the Parity Lien
606 Obligations. All money credited to the Bond Fund is pledged and ordered to be used for
607 the sole purpose of paying the principal of and interest and any premium on the Parity
608 Lien Obligations.

609 A. Debt Service Account. A "Debt Service Account" has heretofore been
610 established in the Bond Fund. The county hereby obligates and binds itself to set aside
611 and pay into said Account out of the Revenue of the System amounts sufficient, together
612 with accrued interest, if any, received at the time of delivery of the Bonds and deposited
613 therein, income from the investment of money in the Debt Service Account and any other
614 money on deposit in the Debt Service Account and legally available, to pay the principal
615 of and interest on outstanding Bonds as the same become due and payable.

616 For each series of the Bonds, there is hereby authorized to be created a special
617 subaccount in the Debt Service Account. All money required by this Section 9.A to be
618 deposited into the Debt Service Account for the payment of principal of and interest on
619 such series of the Bonds shall be deposited into the subaccount created for such series.
620 Money in such subaccount shall be treated in all respects as all other money in the Debt
621 Service Account, but shall be accounted for separately for the purpose of calculating any
622 Rebate Amount payable with respect to such series of the Bonds.

623 Payments on account of each series of the Bonds shall be made out of the
624 Revenue of the System into the applicable debt service subaccount in the Bond Fund on
625 or before the day each payment of interest on or principal of such Bonds is due.

626 B. Term Bond Provisions. If any Bonds are designated as Term Bonds pursuant
627 to Section 22 hereof, the Sale Motion for such series of Bonds shall set forth a mandatory
628 redemption schedule to amortize the principal of such Term Bonds. Payments of
629 principal of Term Bonds under any such mandatory redemption schedule shall be made
630 from the Debt Service Account, as provided in Section 9.A above; provided, however,
631 that if more than the required principal amount of such Term Bonds is retired by purchase

632 or optional redemption in any given year, the mandatory redemption amount in the next
633 succeeding year or years may be reduced accordingly.

634 The county covenants that in the event it issues any additional Parity Lien
635 Obligations that are Term Bonds, it will identify such Parity Lien Obligations as Term
636 Bonds in the proceedings authorizing their issuance and establish a schedule of
637 mandatory redemptions, payable from the Debt Service Account, to amortize the
638 principal of such Term Bonds prior to their maturity.

639 **SECTION 10. Pledge of Taxation and Credit.** The county hereby irrevocably
640 covenants and agrees for as long as any of the Bonds are outstanding and unpaid, that
641 each year it will include in its budget and levy an *ad valorem* tax upon all the property
642 within the county subject to taxation in an amount that will be sufficient, together with all
643 other revenues and money of the county legally available for such purposes, to pay the
644 principal of and interest on the Bonds as the same shall become due. All of such taxes so
645 collected shall be paid into the Bond Fund no later than the date such funds are required
646 for the payment of principal and interest on the Bonds.

647 The county hereby irrevocably pledges that the annual tax herein authorized to be
648 levied for the payment of such principal and interest shall be within and a part of the tax
649 levy permitted to counties without a vote of the people, and that a sufficient portion of the
650 taxes to be levied and collected annually by the county prior to the full payment of the
651 principal of and interest on the Bonds will be and is hereby irrevocably set aside, pledged
652 and appropriated for the payment of the principal of and interest on the Bonds.

653 The full faith, credit and resources of the county are hereby irrevocably pledged
654 for the annual levy and collection of said taxes and for the prompt payment of the
655 principal of and interest on the Bonds as the same shall become due.

656 SECTION 11. Pledge of Sewer Revenues. The amounts covenanted to be paid
657 out of the Revenue of the System into the Bond Fund and the accounts therein shall
658 constitute a lien and charge on such Revenue subject to Operating and Maintenance
659 Expenses, and junior, subordinate and inferior to the lien and charge on such Revenue for
660 the payments required by the Parity Bond Ordinances to be made into the Parity Bond
661 Fund and the accounts therein, and equal to the lien and charge on such Revenue of the
662 payments required to be made by the ordinances authorizing the issuance of the
663 outstanding Parity Lien Obligations and any additional Parity Lien Obligations, and
664 superior to all other liens and charges on such Revenue whatsoever.

665 SECTION 12. Revenue Fund. A special account of the county designated as the
666 "Water Quality Operating Account" (the "Revenue Fund") has heretofore been
667 established and maintained for the deposit of all Revenue of the System. All Operating
668 and Maintenance Expenses shall be paid out of the Revenue Fund or appropriate reserves
669 therein.

670 A special fund of the county designated as the "Sewer Rate Stabilization Fund"
671 (the "Rate Stabilization Fund") has been established in anticipation of increases in
672 revenue requirements of the System. In accordance with the provisions of Section 13 of
673 this ordinance, the county may from time to time appropriate or budget amounts in the
674 Revenue Fund for deposit in the Rate Stabilization Fund and may from time to time

675 withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate
676 sewer rate increases or for other lawful purposes of the county related to the System.

677 SECTION 13. Sewer Revenue Priorities of Payment. So long as any Bond is
678 outstanding, the Revenue of the System shall be deposited into the Revenue Fund and
679 used and applied in the following order of priority:

680 First, to pay all Operating and Maintenance Expenses;

681 Second to make all required payments of principal and interest on Parity Bonds as
682 the same shall become due and payable and to make any Payment Agreement Payments
683 with respect to any Parity Payment Agreements;

684 Third, to make all payments required to be made pursuant to a reimbursement
685 agreement or agreements (or other equivalent documents) in connection with any surety
686 bond or letter of credit obtained for the Parity Bond Reserve Account, provided that if
687 there is not sufficient money to make all payments under such reimbursement agreements
688 the payments will be made on a pro rata basis;

689 Fourth, to establish and maintain the Parity Bond Reserve Account (including the
690 cost of obtaining surety bonds or letters of credit therefor);

691 Fifth, to make all required payments of principal and interest on the Parity Lien
692 Obligations and to make any Payment Agreement Payments with respect to any Parity
693 Lien Obligation Payment Agreements;

694 Sixth, to make all required payments of principal of and interest on the Junior
695 Lien Obligations as the same shall become due and payable, to make all Payment
696 Agreement Payments with respect to any Payment Agreements entered into with respect

697 to Junior Lien Obligations, and to make any payments required to be made to providers
698 of any credit enhancement or liquidity facilities for Junior Lien Obligations;

699 Seventh, to make all required payments of principal of and interest on the
700 Subordinate Lien Obligations as the same shall become due and payable;

701 Eighth, to make all required payments of principal and interest on bonds, notes,
702 warrants and other evidences of indebtedness, the lien and charge against Revenue of the
703 System of which is junior and inferior to the Subordinate Lien Obligations, as the same
704 shall become due and payable;

705 Ninth, to make all required payments of principal and interest due on the SRF
706 Loans and the Public Works Trust Fund Loans; and

707 Tenth, to accumulate in the special reserve account for the SRF Loans the amount
708 required to be accumulated therein pursuant to the terms of the SRF Loans.

709 Any surplus money that the county may have on hand in the Revenue Fund after
710 making all required payments set forth above may be used by the county (i) to make
711 necessary improvements, additions and repairs to and extensions and replacements of the
712 System, (ii) to purchase or redeem and retire outstanding sewer revenue bonds of the
713 county, (iii) to make deposits into the Rate Stabilization Fund, or (iv) for any other lawful
714 purposes of the county related to the System.

715 **SECTION 14. Refunding Account; Plan of Refunding.**

716 A. Refunding Account; Guidelines for Refunding. There is hereby authorized to
717 be established one or more special accounts of the county to be maintained with the
718 Escrow Agent (as hereinafter defined) each to be known as the "King County
719 [appropriate year and series designation] Sewer Revenue Bonds Refunding Account"

720 (each a "Refunding Account"). Each Refunding Account shall be drawn upon for the
721 sole purpose of paying the principal of and interest on the applicable Refunded Bonds
722 and of paying costs related to issuance of such series of Bonds and to refunding the
723 applicable Refunded Bonds. Proceeds of the sale of any Bonds, together with other
724 county funds that may be designated for such purpose, shall be deposited into each
725 Refunding Account to provide for refunding Refunded Bonds, as authorized by the
726 ordinances authorizing the Refunded Bonds, and to pay the costs of issuance of such
727 Bonds.

728 The Finance Director is authorized to determine, in consultation with the county's
729 financial advisors, which of the Refunded Bonds, if any, are to be refunded. In
730 determining which of the Refunding Candidates, if any, should be advance refunded
731 under the authority of this ordinance, the council intends that the Finance Director adhere
732 to a refunding guideline that the present value of the savings achieved by any advance
733 refunding meet or exceed a minimum level of 5% of the principal amount of Refunded
734 Bonds that are advance refunded. This requirement does not apply to the current
735 refunding of any Refunded Bonds, i.e. the redemption of such Refunded Bonds paid for
736 with proceeds of Bonds issued no earlier than ninety (90) days prior to such date fixed for
737 redemption.

738 B. Plan of Refunding. Each plan of refunding and call for redemption of
739 Refunded Bonds shall be set forth in and ratified and confirmed by a Sale Motion.
740 Money in each Refunding Account shall be used immediately upon receipt thereof to
741 defease the applicable Refunded Bonds and discharge the other obligations of the county
742 relating thereto under the ordinances that authorized such Refunded Bonds, by providing

743 for the payment of the principal of and interest on such Refunded Bonds as set forth in a
744 Sale Motion. The county shall defease such bonds and discharge such obligations by the
745 use of the money in each Refunding Account to purchase Government Obligations
746 (which obligations so purchased, are herein called "Acquired Obligations") bearing such
747 interest and maturing as to principal and interest in such amounts and at such times that,
748 together with any necessary beginning cash balance, will provide for the payment of such
749 Refunded Bonds, as set forth in the Sale Motion. Such Acquired Obligations shall be
750 purchased at a yield not greater than the yield permitted by the Code and regulations
751 relating to obligations acquired in connection with refunding bond issues.

752 In connection with the issuance of each series of the Bonds, to carry out the
753 refunding and defeasance of Refunded Bonds, the Finance Director is hereby authorized
754 to appoint as escrow agent a bank or trust company qualified by law to perform the duties
755 described herein (each, an "Escrow Agent"). Any beginning cash balance and the
756 Acquired Obligations shall be irrevocably deposited with the Escrow Agent in an amount
757 sufficient to defease the Refunded Bonds in accordance with this Section 14 and a Sale
758 Motion.

759 The county will take such actions as are found necessary to see that all necessary
760 and proper fees, compensation and expenses of the Escrow Agent shall be paid when due.
761 The proper officers and agents of the county are directed to obtain from each Escrow
762 Agent an agreement setting forth the duties, obligations and responsibilities of such
763 Escrow Agent in connection with the redemption and retirement of the Refunded Bonds
764 as provided herein and setting forth such provisions for the payment of the fees,
765 compensation and expenses of such Escrow Agent as are satisfactory to it. To carry out

766 the purposes of this section of this ordinance, the Finance Director is authorized and
767 directed to execute and deliver to each Escrow Agent an escrow agreement in form
768 approved by the county's bond counsel.

769 C. Findings of Savings and Defeasance. By a Sale Motion, the council shall set
770 forth its findings of savings and defeasance with respect to those Refunded Bonds
771 authorized to be refunded from the proceeds of each series of Bonds.

772 SECTION 15. Due Regard for Expenses. The county council hereby declares
773 that, in fixing the amounts to be paid into the Bond Fund and the accounts therein out of
774 the Revenue of the System, it has exercised due regard for the necessary Operating and
775 Maintenance Expenses and has not obligated the county to set aside, pay into and
776 maintain in said fund and accounts a greater amount of the Revenue of the System than in
777 its judgment will be available over and above such necessary Operating and Maintenance
778 Expenses.

779 SECTION 16. Rate Covenants.

780 A. Rate Covenant -- General. The county hereby covenants with the owner of
781 each of the Bonds for so long as any of the same are outstanding that the county will at
782 all times establish, maintain and collect rates and charges for sewage disposal service that
783 shall be fair and nondiscriminatory and adequate to provide Revenue of the System
784 sufficient for the proper operation and maintenance of the System; for the punctual
785 payment of the principal of and interest on all outstanding Parity Bonds for which
786 payment has not otherwise been provided and all amounts that the county is obligated to
787 set aside in the Parity Bond Fund securing the Parity Bonds; for the punctual payment of
788 the principal of and interest on all outstanding Parity Lien Obligations and for all

789 amounts that the county is obligated to set aside in the Bond Fund; and for the payment
790 of any and all other amounts that the county is now or may hereafter become obligated to
791 pay from Revenue of the System.

792 B. Rate Covenant -- Coverage. The county hereby covenants with the owner of
793 each of the Bonds for as long as any of the same are outstanding that the county will at all
794 times establish, maintain and collect rates and charges for sewage disposal service that,
795 together with the interest to be earned on investments made of money in the Revenue
796 Fund, Construction Account, Parity Bond Fund and the Bond Fund, will provide in each
797 calendar year Net Revenue in an amount equal to at least 1.15 times the amounts required
798 to pay the Annual Debt Service for such calendar year.

799 For the purpose of meeting the requirement of this Section 16.B, there may be
800 added to Revenue of the System for any fiscal year any amount withdrawn from the Rate
801 Stabilization Fund and deposited in the Revenue Fund. There shall be subtracted from
802 Net Revenue for any fiscal year any amounts in such year withdrawn from the Revenue
803 Fund and deposited into the Rate Stabilization Fund in such fiscal year.

804 SECTION 17. Certain Other Covenants. The county makes the following
805 covenants and warranties:

806 A. The county has full legal right, power and authority to adopt this ordinance, to
807 sell, issue and deliver the Bonds as provided herein, and to carry out and consummate all
808 other transactions contemplated by this ordinance.

809 B. By all necessary official action prior to or concurrently herewith, the county
810 has duly authorized and approved the execution and delivery of, and the performance by
811 the county of its obligations contained in, the Bonds and in this ordinance and the

812 consummation by it of all other transactions necessary to effectuate this ordinance in
813 connection with the issuance of the Bonds, and such authorizations and approvals are in
814 full force and effect and have not been amended, modified or supplemented in any
815 material respect.

816 C. This ordinance constitutes a legal, valid and binding obligation of the county.

817 D. The Bonds, when issued, sold, authenticated and delivered, will constitute the
818 legal, valid and binding general obligations of the county.

819 E. The adoption of this ordinance, and compliance on the county's part with the
820 provisions contained herein, will not conflict with or constitute a breach of or default
821 under any constitutional provisions, law, administrative regulation, judgment, decree,
822 loan agreement, indenture, bond, note, resolution, ordinance, motion, agreement or other
823 instrument to which the county is a party or to which the county or any of its property or
824 assets are otherwise subject, nor will any such adoption, execution, delivery, sale,
825 issuance or compliance result in the creation or imposition of any lien, charge or other
826 security interest or encumbrance of any nature whatsoever upon any of the property or
827 assets of the county or under the terms of any such law, regulation or instrument, except
828 as may be provided by the Bonds and this ordinance.

829 F. The county finds and covenants that the Bonds are issued within all statutory
830 and constitutional debt limitations applicable to the county.

831 G. None of the proceeds of the Bonds will be used for any purpose other than as
832 provided in this ordinance, and the county shall not suffer any amendment or supplement
833 to this ordinance, or any departure from the due performance of the obligations of the

834 county hereunder, that might materially adversely affect the rights of the owners from
835 time to time of the Bonds.

836 H. The System and all additions thereto and extensions thereof will at all times be
837 maintained in good repair, working order and condition, and such System and the
838 business in connection therewith will at all times be operated in an efficient manner and
839 at a reasonable cost.

840 I. The county will not sell or voluntarily dispose of all of the operating properties
841 of the System unless provision is made for payment into the Bond Fund of a sum
842 sufficient to pay the principal of and interest on all outstanding Parity Lien Obligations in
843 accordance with the terms thereof, nor will it sell or voluntarily dispose of any part of the
844 operating properties of such System unless provision is made for payment into the Bond
845 Fund of an amount that will bear at least the same proportion to the amount of the
846 outstanding Parity Lien Obligations that the estimated amount of any resulting reduction
847 in the Revenue of the System for the twelve months following such sale or disposition
848 bears to the Revenue of the System that would have been realized if such sale or
849 disposition had not been made. Such estimate shall be made by a Professional Utility
850 Consultant. Any money so paid into the Bond Fund shall be used to retire outstanding
851 Parity Lien Obligations as provided herein at the earliest possible date.

852 From and after such time as no 1996 Bonds and 1998 Bonds remain outstanding,
853 notwithstanding any other provision of this subsection I to the contrary, the county may
854 sell or otherwise dispose of any of the works, plant, properties and facilities of the
855 System or any real or personal property comprising a part of the System with a value of
856 less than 5% of the net utility plant of the System or which shall have become

857 unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or
858 no longer necessary, material to or useful in such operation, without making any deposit
859 into the Bond Fund.

860 J. The county will cause proper books of record and accounts of operation of the
861 System to be kept, including an annual financial report, and, so long as any 1996 Bonds
862 or 1998 Bonds remain outstanding, shall cause a quarterly financial and operating
863 statement to be prepared as soon as may be practicable following each quarterly period
864 for the preceding quarter's business and operation of the System. Said statement shall be
865 filed promptly upon its completion with the county council and shall be sent to the
866 Registered Owner of any Bonds upon written request being made therefor. From and
867 after such time as no 1996 Bonds and 1998 Bonds remain outstanding, this requirement
868 for a quarterly report shall terminate.

869 K. Not later than 120 days after the end of each fiscal year of the county, so long
870 as any 1996 Bonds or 1998 Bonds remain outstanding, the county will cause an annual
871 audit of the accounts and records of the System to be made by Certified Public
872 Accountants with experience in municipal utility accounting. Such audit shall certify as
873 to the compliance or noncompliance by the county with the financial covenants of this
874 ordinance and shall accurately and completely reflect the financial condition of the
875 System. The audit shall be delivered to the clerk of the county council, shall be paid for
876 by the county and shall be made available to the Registered Owner of any Bond upon
877 written request being made therefor. From and after such time as no 1996 Bonds and
878 1998 Bonds remain outstanding, this requirement for an annual audit shall terminate.

879 The county shall cause its books of accounts, including its annual financial report,
880 to be audited annually by the State auditor's office or other State department or agency as
881 may be authorized and directed by law to make such audits, or if such an audit shall not
882 be made for twelve months after the close of any fiscal year of the county, by a Certified
883 Public Accountant. The county will furnish such audit to the Registered Owner of any
884 Bond upon written request therefor.

885 L. The county will at all times carry fire and extended coverage and such other
886 forms of insurance on such of the buildings, equipment, facilities and properties of the
887 Sewer System as under good practice are ordinarily carried on such buildings, equipment,
888 facilities and properties by municipal or privately owned utilities engaged in the
889 operation of sewer systems and will also carry adequate public liability insurance at all
890 times, provided that the county may, if deemed advisable by the county council, institute
891 or continue a self insurance program with respect to any or all of the aforementioned
892 risks.

893 M. The county shall cause the construction of any duly authorized and ordered
894 portions of the Comprehensive Plan to be performed and completed within a reasonable
895 time and at the lowest reasonable cost.

896 N. The county shall so operate and maintain the System and conduct its affairs as
897 to entitle it at all times to receive and enforce payment to it of sewage disposal charges
898 payable under any Service Agreement that the county has now or may hereafter enter into
899 and to entitle the county to collect all revenues derived from the operation of the System.
900 The county shall not release the obligations of any person, corporation or political
901 subdivision under such Service Agreements and shall at all times, to the extent permitted

902 by law, defend, enforce, preserve and protect the rights and privileges of the county and
903 of the holders of the Bonds under or with respect to such agreements.

904 O. Not later than 120 days after the end of each calendar year, so long as any
905 1996 Bonds or 1998 Bonds remain outstanding, the county will cause an annual report
906 regarding the System to be prepared by its consulting engineers or by an independent
907 consulting engineer or engineering firm experienced in the design, construction and
908 operation of municipal utilities who shall examine the System and state whether the
909 county has maintained same in good repair, working order and condition and has
910 operated the business in connection therewith in an efficient manner, whether all required
911 insurance is being maintained, and whether repairs, renewals or replacements should be
912 made to the System to insure its continued satisfactory working order. The engineer's
913 report shall be delivered to the Clerk of the county council, shall be paid for by the
914 county and shall be made available to the Registered Owner of any Bonds upon written
915 request being made therefor.

916 From and after such time as no 1996 Bonds and 1998 Bonds remain outstanding,
917 this requirement for an annual report shall terminate.

918 **SECTION 18. Tax-Exemption.**

919 A. General. The county intends that interest on the Bonds shall be excludable
920 from gross income for federal income tax purposes pursuant to sections 103 and 141
921 through 150 of the Code, and the applicable regulations. The county covenants not to
922 take any action, or knowingly omit to take any action within its control, that if taken or
923 omitted would cause the interest on the Bonds to be includable in gross income, as
924 defined in section 61 of the Code, for federal income tax purposes.

925 B. Tax Certificate. Upon the issuance of each series of Bonds, the Finance
926 Director is authorized to execute a federal tax certificate (the "Tax Certificate"), which
927 will certify to various facts and representations concerning such series of Bonds, based on
928 the facts and estimates known or reasonably expected on the date of issuance of such
929 series of Bonds, and make certain covenants with respect to such series of Bonds,
930 including but not limited to the following:

931 (i) *No Private Activity Bonds.* The proceeds of such series of Bonds will not be
932 used in a manner that would cause such Bonds to be "private activity bonds" within the
933 meaning of the Code, as further described in the Tax Certificate. Moreover, the county
934 covenants that it will use the proceeds of such Bonds (including interest or other
935 investment income derived from Bond proceeds), regulate the use of property financed or
936 refinanced, directly or indirectly, with such proceeds, and take such other and further
937 action as may be required so that such Bonds will not be "private activity bonds."

938 (ii) *No Federal Guarantee.* The county has not and will not take any action, and
939 has not knowingly omitted and will not knowingly omit to take any action within its
940 control, that, if taken or omitted would cause such Bonds to be "federally guaranteed"
941 within the meaning of the Code, as further described in the Tax Certificate.

942 (iii) *No Arbitrage Bonds.* The county reasonably expects that the proceeds of
943 such Bonds will not be used in a manner that would cause such Bonds to be "arbitrage
944 bonds" within the meaning of the Code, as further described in the Tax Certificate.

945 (iv) *No Hedge Bonds.* The county reasonably expects that at least 85% percent
946 of the proceeds of such Bonds will be spent within three years of the date such Bonds are
947 issued to carry out the governmental purposes of such Bonds.

948 The county covenants that it will comply with the Tax Certificate unless it
949 receives advice from nationally recognized bond counsel or the Internal Revenue Service
950 that certain provisions have been amended or no longer apply to the Bonds.

951 C. Arbitrage Rebate. If the county does not qualify for an exception to the
952 requirements of Section 148(f) of the Code relating to the payment of arbitrage rebate to
953 the United States, the county will take all necessary steps to comply with the requirement
954 that certain amounts earned by the county on the investment of the "gross proceeds" of
955 the Bonds (within the meaning of the Code) be rebated.

956 **SECTION 19. Additional Obligations of the System.**

957 A. Additional Parity Bonds. The county expressly reserves the right to issue
958 additional Parity Bonds in accordance with the Parity Bond Ordinances. Subject to this
959 reservation of rights with respect to Parity Bonds, the county hereby covenants and
960 agrees that for so long as the Bonds are outstanding it will not issue or incur any other
961 additional indebtedness secured in whole or in part by a lien on Revenue of the System
962 superior to the lien of the Bonds.

963 B. Additional Parity Lien Obligations.

964 (i) *Parity Lien Obligations Other Than Refunding Bonds.* The county expressly
965 reserves the right to issue or enter into additional Parity Lien Obligations (including
966 Variable Rate Parity Lien Obligations as defined herein) for any lawful purpose of the
967 county related to the System if at the time of issuing or entering into such Parity Lien
968 Obligations:

969 (a) There shall not be any deficiency in the Parity Bond Fund, the Bond Fund
970 or any other bond fund or account securing Parity Lien Obligations.

971 (b) The county shall have on file a certificate from a licensed professional
972 engineer experienced in the design, construction and operation of municipal utilities of
973 scope similar to the System (the certificate may not be dated more than 90 days prior to
974 the date of delivery of such Parity Lien Obligations) showing that in his or her
975 professional opinion, the "annual income available for debt service on Parity Bonds and
976 Parity Lien Obligations" for each year during the life of such Parity Lien Obligations
977 shall be at least equal to 1.25 times the amount required to pay Annual Debt Service in
978 each such year.

979 (c) Such "annual income available for debt service on Parity Bonds and Parity
980 Lien Obligations" shall be determined as follows for each year following the proposed
981 date of issue of such Parity Lien Obligations:

982 1. The Revenue of the System shall be determined for a period of any 12
983 consecutive months out of the 18 months immediately preceding the delivery of the
984 Parity Lien Obligations being issued.

985 2. Such revenue shall be adjusted to give effect on a 12-month basis to the
986 rates in effect on the date of such certificate.

987 3. If there were any Customers added to the System during such 12-month
988 period or thereafter and prior to the date of the engineer's certificate, such revenue shall
989 be further adjusted on the basis that added Customers were Customers of the System
990 during the entire 12-month period.

991 4. There shall be deducted from such revenue the amount expended for
992 Operating and Maintenance Expenses during such period.

993 5. For each year following the proposed date of issuance of such Parity Lien
994 Obligations the engineer shall add to the annual revenue determined in the preceding four
995 paragraphs an estimate of the income to be received in each such year from the
996 investment of money in the Parity Bond Fund, the Bond Fund and the Construction
997 Account, which will be determined by and in the sole discretion of a firm of nationally
998 recognized financial consultants selected by the county.

999 6. Beginning with the second year following the proposed date of issue of
1000 such Parity Lien Obligations and for each year thereafter the engineer shall add to the
1001 annual revenue determined in the preceding five paragraphs his or her estimate of any
1002 additional annual revenue to be received from anticipated growth in the number of
1003 Customers within the area served by the System on the date of such certificate, after
1004 deducting therefrom any increased Operating and Maintenance Expenses estimated to be
1005 incurred as a result of such growth; provided that the engineer's estimate of the number of
1006 customers served shall not assume a growth of more than 1/4 of 1% over and above the
1007 number of customers served or estimated to be served during the preceding year.

1008 7. If extensions of or additions to the System are in the process of
1009 construction at the time of such certificate, or if the proceeds of the Parity Lien
1010 Obligations being issued are to be used to acquire or construct extensions of or additions
1011 to the System, there shall be added to the annual net revenue as above determined any
1012 revenue not included in the preceding paragraphs which will be derived from such
1013 additions and extensions after deducting therefrom the estimated additional Operating
1014 and Maintenance Expenses to be incurred as a result of such additions and extensions;
1015 provided that such estimated annual revenue shall be based upon 75% of any estimated

1016 Customer growth in the four years following the first full year in which such additional
1017 revenue is to be collected and thereafter the estimated Customer growth shall not exceed
1018 1/4 of 1% per year over and above such reduced estimate.

1019 (d) From and after such time as no 1996 Bonds and 1998 Bonds remain
1020 outstanding, the certificate described in subparagraphs (b) and (c) above may be prepared
1021 by a Professional Utility Consultant.

1022 (e) From and after such time as no 1996 Bonds and 1998 Bonds remain
1023 outstanding, instead of the certificate described in subsection (d) above, the county may
1024 elect to have on file a certificate of the Finance Director demonstrating that during any
1025 12 consecutive calendar months out of the immediately preceding 18 calendar months
1026 Net Revenue was at least equal to 1.25 times the amount required to pay, in each year that
1027 such Parity Lien Obligations would be outstanding, the Annual Debt Service for such year.

1028 (ii) *Parity Lien Obligations That Are Refunding Bonds.*

1029 (a) The county may at any time for the purpose of refunding at or prior to their
1030 maturity any outstanding Parity Lien Obligations or any bonds or other obligations of the
1031 county payable from Revenue of the System issue additional Parity Lien Obligations
1032 without complying with the provisions of Section 19.B(i)(b) hereof if there shall have
1033 been filed with the clerk of the county council a certificate of the Finance Director stating
1034 that immediately after the issuance of such Parity Lien Obligations the annual debt
1035 service for each year that Bonds and any other Parity Lien Obligations (other than the
1036 refunding bonds proposed to be issued) are then outstanding shall not be increased by
1037 more than \$5,000 by reason of the issuance of such Parity Lien Obligations.

1038 (b) The principal amount of such Parity Lien Obligations may include amounts
1039 necessary to pay the principal of the bonds or other obligations to be refunded, interest
1040 thereon to the date of payment or redemption thereof, any premium payable thereon upon
1041 such payment or redemption and the costs of issuance of such Parity Lien Obligations,
1042 and if there shall have been provided a Payment Agreement with respect to the
1043 obligations to be refunded, may include amounts necessary to make the payment of all
1044 amounts, if any, due and payable by the county under such Payment Agreement. The
1045 proceeds of such Parity Lien Obligations shall be held and applied as is provided in the
1046 ordinance authorizing the issuance of such Parity Lien Obligations, so that upon the
1047 delivery of such Parity Lien Obligations, the bonds or other obligations to be refunded
1048 thereby shall be deemed to be no longer outstanding in accordance with the ordinance
1049 authorizing their issuance.

1050 (c) At the election of the county, the provisions of this Section 19.B(ii) shall
1051 not be applicable to the refunding at one time of all the Parity Lien Obligations then
1052 outstanding.

1053 (d) Additional Parity Lien Obligations for the purpose of refunding
1054 outstanding Parity Lien Obligations or bonds or other obligations of the county payable
1055 from Revenue of the System may also be issued upon compliance with the provisions of
1056 Section 19.B(i) hereof.

1057 (e) Nothing contained in this ordinance shall prohibit or prevent, or be deemed
1058 or construed to prohibit or prevent, the county from issuing Parity Lien Obligations to
1059 refund maturing Parity Lien Obligations of the county for the payment of which money is
1060 not otherwise available.

1061 C. Subordinate Obligations. Nothing in this ordinance shall prohibit, or be
1062 deemed or construed to prohibit, the county from authorizing and issuing bonds, notes or
1063 other evidences of indebtedness for any purpose of the county related to the System
1064 payable in whole or in part from Revenue of the System and secured by a lien on such
1065 Revenue that is junior, subordinate and inferior to the lien of the Bonds.

1066 SECTION 20. Reimbursement Obligations. If the county elects to secure any
1067 Parity Lien Obligations with a Credit Facility, the county may contract with the entity
1068 providing such Credit Facility so that the reimbursement obligation, if any, to such entity
1069 is a Parity Lien Obligation.

1070 SECTION 21. Payment Agreements.

1071 A. General. To the extent and for the purposes permitted from time to time by
1072 Chapter 39.96 RCW and other applicable provisions of State law, the county may enter
1073 into Parity Lien Obligation Payment Agreements, subject to the conditions set forth in
1074 this section and in other provisions of this ordinance.

1075 B. Manner and Schedule of Payments. Each Parity Lien Obligation Payment
1076 Agreement shall set forth the manner in which the Payment Agreement Payments and the
1077 Payment Agreement Receipts shall be calculated and a schedule of payment dates.

1078 C. Authorizing Ordinance. Prior to entering into a Parity Lien Obligation
1079 Payment Agreement, the county council shall pass an ordinance authorizing such
1080 agreement and setting forth such provisions as the county deems necessary or desirable
1081 and are not inconsistent with the provisions of this ordinance.

1082 D. Calculation of Payment Agreement Payments and Debt Service on Parity Lien
1083 Obligations With Respect to Which a Parity Lien Obligation Payment Agreement Is in

1084 Force. It is the intent of the county for purposes of Sections 16 or 19 of this ordinance
1085 that debt service on Parity Lien Obligations with respect to which a Parity Lien
1086 Obligation Payment Agreement is in force shall be calculated to reflect the net economic
1087 effect on the county intended to be produced by the terms of the Parity Lien Obligations
1088 and the terms of the Parity Lien Obligation Payment Agreement. In calculating such
1089 amounts, the county shall be guided by the following requirements.

1090 (i) The amount of interest deemed to be payable on any Parity Lien Obligations
1091 with respect to which a Parity Lien Obligation Payment Agreement is in force shall be an
1092 amount equal to the amount of interest that would be payable at the rate or rates stated in
1093 those Parity Lien Obligations plus Payment Agreement Payments minus Payment
1094 Agreement Receipts.

1095 (ii) For any period during which Payment Agreement Payments are not taken
1096 into account in calculating interest on any outstanding Parity Lien Obligations because
1097 the Parity Lien Obligation Payment Agreement is not then related to any outstanding
1098 Parity Lien Obligations, Payment Agreement Payments on that Parity Lien Obligation
1099 Payment Agreement shall be calculated based upon the following assumptions:

1100 (a) County Obligated to Make Payments Based on Fixed Rate. If the county is
1101 obligated to make Payment Agreement Payments based on a fixed rate and the Qualified
1102 Counterparty is obligated to make payments based on a variable rate index, payments by
1103 the county will be based on the assumed fixed payor rate, and payments by the Qualified
1104 Counterparty will be based on a rate equal to the average rate determined by the variable
1105 rate index specified by the Parity Lien Obligation Payment Agreement during the fiscal
1106 quarter preceding the quarter in which the calculation is made; and

1107 (b) County Obligated to Make Payments Based on Variable Rate Index. If the
1108 county is obligated to make Payment Agreement Payments based on a variable rate index
1109 and the Qualified Counterparty is obligated to make payments based on a fixed rate,
1110 payments by the county will be based on a rate equal to the average rate determined by
1111 the variable rate index specified by the Parity Lien Obligation Payment Agreement
1112 during the fiscal quarter preceding the quarter in which the calculation is made, and the
1113 Qualified Counterparty will make payments based on the fixed rate specified by the
1114 Parity Payment Agreement.

1115 E. Prior Notice to Rating Agencies. The county shall give notice to Fitch,
1116 Moody's and S&P 30 days prior to the date it intends to enter into a Payment Agreement.

1117 **SECTION 22. Sale of Bonds.**

1118 A. Determination by Finance Director. The Finance Director shall determine, in
1119 consultation with the county's financial advisors, whether the Bonds shall be sold in one
1120 or more series and whether each such series of the Bonds shall be sold by negotiated sale
1121 or competitive bid and by current or future delivery. The authority to sell any of the
1122 Bonds authorized hereunder shall terminate two years from the effective date of this
1123 ordinance.

1124 B. Procedure for Negotiated Sale. If the Finance Director determines that any
1125 series of the Bonds shall be sold by negotiated sale, the Finance Director shall, in
1126 accordance with applicable county procurement procedures, solicit one or more
1127 underwriting firms with which to negotiate the sale of the Bonds. The purchase contract
1128 for any series of Bonds shall establish the date, principal amount, interest rates, maturity
1129 schedule, redemption and bond insurance provisions, and delivery date of the Bonds.

1130 The county council by a Sale Motion shall approve the bond purchase contract and ratify
1131 and confirm the terms for the series of Bonds established therein.

1132 C. Procedure for Sale by Competitive Bid. If the Finance Director determines
1133 that any series of the Bonds shall be sold by competitive bid, bids for the purchase of
1134 such Bonds shall be received at such time or place and by such means as the Finance
1135 Director shall direct. The Finance Director is authorized to prepare a notice of sale for
1136 such Bonds, establishing in such notice the date, principal amount, interest payment
1137 dates, maturity schedule and redemption and bond insurance provisions for such Bonds.
1138 The official notice of sale or an abridged form thereof shall be published in such
1139 newspapers or financial journals as may be deemed desirable or appropriate by the
1140 financial advisors to the county.

1141 Upon the date and time established for the receipt of bids for any series of the
1142 Bonds, the Finance Director or his designee shall review the bids, shall cause the bids to
1143 be mathematically verified and shall report to the county council regarding the bids
1144 received. Such bids shall then be considered and acted upon by the county council in an
1145 open public meeting. The county council reserves the right to reject any and all bids for
1146 such Bonds. The county council by a Sale Motion shall approve the sale of such Bonds
1147 and ratify and confirm the date, interest rates, maturity schedule, redemption and bond
1148 insurance provisions, and any other terms of such Bonds.

1149 SECTION 23. Delivery of Bonds. Following the sale of any series of the Bonds,
1150 the county shall cause definitive Bonds of such series to be prepared, executed and
1151 delivered, which Bonds shall be typewritten, lithographed or printed in a form acceptable
1152 to DTC as initial depository for the Bonds.

1153 If definitive Bonds are not ready for delivery by the date established for a
1154 Closing, then the Finance Director, upon the approval of the purchasers, may cause to be
1155 issued and delivered to the purchasers one or more temporary Bonds with appropriate
1156 omissions, changes and additions. Any temporary Bond or Bonds shall be entitled and
1157 subject to the same benefits and provisions of this ordinance with respect to the payment,
1158 security and obligation thereof as definitive Bonds authorized thereby. Such temporary
1159 Bond or Bonds shall be exchangeable without cost to the owners thereof for definitive
1160 Bonds when the latter are ready for delivery.

1161 SECTION 24. Preliminary Official Statement; Official Statement. The county
1162 hereby authorizes and directs the Finance Director: (i) to review and approve the
1163 information contained in the preliminary official statement (the "Preliminary Official
1164 Statement") prepared in connection with the sale of any series of the Bonds; and (ii) for
1165 the sole purpose of the Bond purchasers' compliance with Section (b)(1) of the Rule, to
1166 "deem final" that Preliminary Official Statement as of its date, except for the omission of
1167 information on offering prices, interest rates, selling compensation, delivery dates, bond
1168 insurance, any other terms or provisions required by the county to be specified in a
1169 competitive bid or bond purchase contract, ratings, the identity of the Bond purchaser,
1170 and other terms of such series of Bonds dependent on such matters. After a Preliminary
1171 Official Statement has been reviewed and approved in accordance with the provisions of
1172 this section, the county hereby authorizes distribution of the Preliminary Official
1173 Statement to prospective purchasers of such series of the Bonds.

1174 Following the sale of any series of the Bonds in accordance with Section 22 of
1175 this ordinance, the Finance Director is hereby authorized to review and approve on behalf

1176 of the county a final official statement with respect to such Bonds. The county agrees to
1177 cooperate with the purchaser of such Bonds to deliver or cause to be delivered, within
1178 seven business days from the date of the Sale Motion and in sufficient time to accompany
1179 any confirmation that requests payment from any customer of the purchaser, copies of the
1180 final official statement in sufficient quantity to comply with paragraph (b)(4) of the Rule
1181 and the rules of the Municipal Securities Rulemaking Board ("MSRB").

1182 **SECTION 25. Undertaking to Provide Ongoing Disclosure.** In each Sale
1183 Motion, the county council will set forth an undertaking for ongoing disclosure with
1184 respect to such series of the Bonds, as required by Section (b)(5) of the Rule.

1185 **SECTION 26. General Authorization.** The appropriate county officials, agents
1186 and representatives are hereby authorized and directed to do everything necessary for the
1187 prompt sale, issuance, execution and delivery of the Bonds, and for the proper use and
1188 application of the proceeds of the sale thereof.

1189 **SECTION 27. Investment of Funds and Accounts.**

1190 Money in the Revenue Fund, Bond Fund, and accounts or subaccounts therein
1191 may be invested in any investments permitted for funds of the county. Obligations
1192 purchased as an investment of money in the Revenue Fund, Bond Fund, and accounts or
1193 subaccounts therein shall be deemed at all times to be a part of such respective fund,
1194 account or subaccount, and the income or interest earned, profits realized or losses
1195 suffered by a fund, account or subaccount due to the investment thereof shall be retained
1196 in, credited or charged, as the case may be, to such fund or account.

1197 In computing the amount in any fund or account under the provisions of this
1198 ordinance, obligations purchased as an investment of money therein shall be valued at the
1199 cost or market price thereof, whichever is lower, inclusive of accrued interest.

1200 SECTION 28. Defeasance. In the event that money and/or noncallable
1201 Government Obligations maturing at such time or times and bearing interest to be earned
1202 thereon in amounts (together with such money, if necessary) sufficient to redeem and
1203 retire, refund or defease part or all of the Bonds in accordance with their terms, are set
1204 aside in a special account of the county to effect such redemption and retirement, and
1205 such money and the principal of and interest on such Government Obligations are
1206 irrevocably set aside and pledged for such purpose, then no further payments need be
1207 made into the Bond Fund for the payment of the principal of and interest on the Bonds so
1208 provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of
1209 this ordinance except the right to receive the money so set aside and pledged, and such
1210 Bonds shall be deemed not to be outstanding hereunder.

1211 Within 30 days of the defeasance of any of the Bonds, the Bond Registrar shall
1212 provide notice of defeasance of such Bonds to the Registered Owners of the Bonds and to
1213 each NRMSIR and SID, if any, in accordance with the ongoing disclosure provision to be
1214 adopted by each Sale Motion.

1215 SECTION 29U Supplemental Ordinances. The county council from time to
1216 time and at any time may adopt an ordinance or ordinances supplemental to this
1217 ordinance which supplemental ordinance or ordinances thereafter shall become a part of
1218 this ordinance, for any one or more of the following purposes:

1219 A. To add to the covenants and agreements of the county in this ordinance such
1220 other covenants and agreements thereafter to be observed, which shall not adversely
1221 affect the interests of the holds and owners of any Parity Lien Obligations, or to surrender
1222 any right or power herein reserved to or conferred upon the county.

1223 B. To make such provisions for the purpose of curing any ambiguities or of
1224 curing, correcting or supplementing any defective provision contained in this ordinance
1225 or any ordinance authorizing additional Parity Lien Obligations in regard to matters or
1226 questions arising under such ordinances as the county council may deem necessary or
1227 desirable and not inconsistent with such ordinances and which shall not adversely affect
1228 the interest of the holders and owners of Parity Lien Obligations.


1229 SECTION 30. Ordinance a Contract; Severability. The covenants contained
1230 in this ordinance shall constitute a contract between the county and (i) the owners of each
1231 and every Bond, (ii) the Qualified Counterparty to any Parity Payment Agreement
1232 entered into with respect to any Bonds, and (iii) the provider of any bond insurance or
1233 Credit Facility with respect to any Bonds. If any one or more of the covenants or
1234 agreements provided in this ordinance to be performed on the part of the county by any
1235 court of competent jurisdiction to be contrary to law, then such covenant or covenants,
1236 agreement or agreements, shall be null and void and shall be deemed separable from the
1237 remaining covenants and agreements of this ordinance and shall in no way affect the
1238 validity of the other provisions of this ordinance or of the Bonds.

1239 SECTION 31. Effective Date. This ordinance shall be effective 10 days after its
1240 enactment, in accordance with Article II of the county charter.
1241

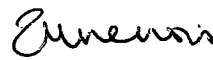
Ordinance 15779 was introduced on 3/26/2007 and passed by the Metropolitan King
County Council on 5/21/2007, by the following vote:

Yes: 7 - Mr. Gossett, Ms. Lambert, Mr. von Reichbauer, Mr. Dunn, Mr.
Phillips, Ms. Hague and Mr. Constantine
No: 0
Excused: 2 - Ms. Patterson and Mr. Ferguson


KING COUNTY COUNCIL
KING COUNTY, WASHINGTON


Larry Gossett, Chair

ATTEST:


Anne Noris, Clerk of the Council

APPROVED this 31 day of May, 2007.


Ron Sims, County Executive

Attachments A. EXHIBIT A Form of Bond

RECEIVED
2007 MAY 31 AM 10:07
KING COUNTY COUNCIL

EXHIBIT A
FORM OF BOND

NO. _____

\$ _____

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

LIMITED TAX GENERAL OBLIGATION REFUNDING BOND

(PAYABLE FROM SEWER REVENUES), [applicable year] SERIES _____

INTEREST RATE:

MATURITY DATE:

CUSIP NO.:

Registered Owner:

Principal Amount:

KING COUNTY, WASHINGTON (the "County"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, the Principal Amount specified above and to pay interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from _____ 1, 200 __, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on _____ 1, ____, and semiannually thereafter on the first days of each succeeding _____ and _____.

Both principal of and interest on this bond are payable in lawful money of the United States of America. While the Bonds are held in an immobilized "book entry" system of registration, payments of principal thereof and interest thereon shall be made in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations from the County to DTC. When the Bonds are no longer held in an immobilized "book entry" registration system, principal shall be paid to the Registered Owner or nominee of such owner upon presentation and surrender of this bond at either of the principal offices of the fiscal agency of the State of Washington in Seattle, Washington or New York, New York (collectively the "Bond Registrar"), and interest shall be paid by mailing a check or draft (on the date such interest is due) to the Registered Owner or nominee of such owner at the address shown on the Bond Register as of the 15th day of the month prior to the interest payment date; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 par value of the Bonds, interest will be paid by wire transfer on the interest payment date to an account with a bank located in the United States.

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of \$ _____ (the "Bonds"), and is issued to refund certain obligations of the County payable from sewer revenue.

The Bonds are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington, the County Charter and applicable ordinances duly adopted by the County, including Ordinance _____ of the County and Motion _____ of the County Council (together, the "Bond Ordinance"). Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance.

The Bonds are subject to optional [and mandatory] redemption as provided in the Bond Ordinance.

The Bonds are general obligations of the County. The County has irrevocably covenanted and agreed for as long as any of the Bonds are outstanding and unpaid, that each year it will include in its budget and levy an *ad valorem* tax upon all property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the Bonds as the same shall become due. The County has pledged that the annual tax authorized to be levied for the payment of such principal and interest shall be within and a part of tax levy permitted to counties without a vote of the people. The full faith, credit and resources of the County have been hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

The County has further obligated and bound itself to set aside and pay into the Bond Fund out of Revenue of the System amounts sufficient to pay when due the principal of and interest on the Bonds. The pledge of Revenue of the System constitutes a lien and charge on such revenue subject to Operating and Maintenance Expenses and junior, subordinate and inferior to the lien and charge on such revenue securing the Parity Bonds, equal to the lien and charge securing the outstanding Parity Lien Obligations and any additional Parity Lien Obligations hereafter issued, and superior to any other charges whatsoever. The County has reserved the right to issue additional Parity Lien Obligations on the terms and conditions set forth in the Bond Ordinance.

The County has pledged that it will cause the System to be maintained in good condition and repair and to be operated in an efficient manner and at a reasonable cost. The County has further pledged that it will at all times establish, maintain and collect adequate rates and charges for sewage disposal service as provided in the Bond Ordinance. Reference to the Bond Ordinance is made for a description of the nature and extent of the security for the Bonds, the funds or revenues pledged, and the terms and conditions upon which such Bonds are issued.

The pledge of tax levies and revenues and other obligations of the County under the Bond Ordinance may be discharged prior to maturity of the Bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

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

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington and the Charter and ordinances of the County to exist, to have happened, been done and performed precedent to and in the issuance of this bond have happened, been done and performed and that the issuance of this bond and the Bonds does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the County may incur.

IN WITNESS WHEREOF, the County has caused this bond to be executed by the manual or facsimile signature of the County Executive, to be attested by the manual or facsiile signature of the Clerk of the County Council, and has caused the seal of the County to be impressed or imprinted hereon, as of this ____ day of _____, 200__.

KING COUNTY, WASHINGTON

By _____ /s/ _____
King County Executive

ATTEST:

_____/s/_____
Clerk of the County Council

The Bond Registrar's Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

This is one of the Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), [applicable year] Series ____, of King County, Washington, dated _____, 200__.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____
Authorized Signatory

The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT (TRANSFERS) MIN ACT - _____ Custodian _____
(Cust) (Minor)

under Uniform Gifts (Transfers) to Minors Act

(State)

Additional abbreviations may also be used though not listed above.

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

(Please print or typewrite name and address, including zip code of transferee)

the within bond and does hereby irrevocably constitute and appoint _____ of _____, or its successor, as Bond Registrar to transfer said bond on the books kept for registration thereof with full power of substitution in the premises.

DATED: _____, 200__.

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

SIGNATURE GUARANTEED:

**NOTICE: Signatures must be guaranteed
pursuant to law.**