



**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**March 14, 2006**

**Ordinance 15385**

**Proposed No.** 2005-0497.2

**Sponsors** Gossett

1 AN ORDINANCE authorizing the issuance of sewer  
2 revenue bonds of the county in the aggregate principal  
3 amount of not to exceed \$350,000,000 to provide funds for  
4 acquiring and constructing improvements to the sewer  
5 system of the county and for refunding certain outstanding  
6 sewer revenue bonds of the county; providing for the form,  
7 terms, covenants and other provisions of such bonds;  
8 providing for the sale of the bonds and for a plan of  
9 refunding; establishing funds for the receipt and  
10 expenditure of bond proceeds and for the payment of the  
11 bonds; and pledging sewer revenues to pay the principal of  
12 and interest on the bonds.

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**PREAMBLE:**

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The Municipality of Metropolitan Seattle ("Metro") was created by public

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vote to exercise the powers conferred by Chapter 35.58 of the Revised

18 Code of Washington ("RCW") related to water pollution abatement.  
19 RCW 35.58.200 confers specific powers to prepare and implement a  
20 comprehensive water pollution abatement plan including provisions for  
21 waterborne pollutant removal, water quality improvement, sewage  
22 disposal and storm water drainage. In the exercise of those powers, Metro  
23 adopted a comprehensive water pollution abatement plan for the Seattle  
24 metropolitan area. This plan has been implemented in stages and has  
25 included facilities for the conveyance and treatment of sewage and control  
26 of combined sewer overflows that include, but are not limited to,  
27 wastewater treatment plants, interceptor and trunk sewers, pumping  
28 stations, regulator stations, outfall sewers, storm sewers to divert  
29 stormwater from sanitary sewers, lands for application of biosolids,  
30 property rights, and buildings and other structures (collectively, the  
31 "Sewer System").

32 In 1994, pursuant to the authority of Chapter 36.56 RCW and a special  
33 county election, the county assumed the rights, powers, functions and  
34 obligations of Metro, including operation of the Sewer System to carry out  
35 the functions of metropolitan water pollution abatement in accordance  
36 with a comprehensive plan as authorized by Chapter 35.58 RCW. The  
37 county assumed and agreed to provide for the payment and retirement of  
38 outstanding bonds of Metro, all of which have been retired.

39 Long-term service agreements with participating municipalities (the  
40 "Participants") obligated Metro, and now the county as its successor, to

41 treat and dispose of sewage collected by the Participants. The Participants  
42 must pay the costs of such services including debt service on sewer  
43 revenue bonds, including the bonds authorized herein, and other  
44 indebtedness payable from and secured by sewer revenues.

45 The county has issued the following series of sewer revenue bonds with a  
46 senior lien on revenues of the Sewer System (the "Parity Bonds"), dated as  
47 of the following dates in the following original principal amounts and now  
48 outstanding in the following principal amounts:

| <b>Designation</b> | <b>Ordinance</b> | <b>Date of Issue</b> | <b>Original<br/>Principal</b> | <b>Outstanding<br/>Principal</b> |
|--------------------|------------------|----------------------|-------------------------------|----------------------------------|
| 1999 Bonds         | 13650            | 6/01/1999            | \$ 80,000,000                 | \$ 80,000,000                    |
| 1999 Bonds (2nd)   | 13650            | 11/01/1999           | 60,000,000                    | 4,825,000                        |
| 2001 Bonds         | 14225            | 11/28/2001           | 270,060,000                   | 241,600,000                      |
| 2002A Bonds        | 14406            | 8/14/2002            | 100,000,000                   | 100,000,000                      |
| 2002B Bonds        | 14406            | 10/03/2002           | 346,130,000                   | 323,290,000                      |
| 2003A Bonds        | 14406            | 4/24/2003            | 96,470,000                    | 94,315,000                       |
| 2004A Bonds        | 14753            | 3/18/2004            | 185,000,000                   | 185,000,000                      |
| 2004B Bonds        | 14753            | 3/18/2004            | 61,760,000                    | 60,725,000                       |

49 The county has issued the following series of limited tax general  
50 obligation bonds additionally secured by a junior lien pledge of revenues  
51 of the Sewer System (the "Parity Lien Obligations"), dated as of the

52 following dates in the following original principal amounts and now  
53 outstanding in the following principal amounts:

| <b>Designation</b> | <b>Ordinance</b> | <b>Date of Issue</b> | <b>Original<br/>Principal</b> | <b>Outstanding<br/>Principal</b> |
|--------------------|------------------|----------------------|-------------------------------|----------------------------------|
| Series 1996        | 12314            | 12/15/1996           | \$ 130,965,000                | \$ 93,595,000                    |
| Series 1998        | 13256            | 9/15/1998            | 261,625,000                   | 254,495,000                      |
| Series 2005        | 15033            | 4/21/2005            | 200,000,000                   | 200,000,000                      |

54 The county may have opportunities to refund all or portions of the  
55 currently outstanding Parity Bonds and Parity Lien Obligations (the  
56 "Refunding Candidates") and thereby realize savings to the county and  
57 ratepayers of the Sewer System. It is deemed necessary and advisable that  
58 the county issue and sell not to exceed \$200,000,000 principal amount of  
59 its sewer revenue bonds to refund all or a portion of such bonds, as  
60 provided herein (the "Refunding Bonds").

61 It is deemed necessary and desirable that the county also issue and sell its  
62 sewer revenue bonds in the aggregate principal amount of \$150,000,000  
63 (the "Project Bonds") to carry out portions of the comprehensive plan.

64 To maximize the savings from refunding any of the Refunding  
65 Candidates, it is in the best interest of the county to delegate to the  
66 county's Finance Director authority to sell the Refunding Bonds and the  
67 Project Bonds in one or more series; provided, however, that the aggregate  
68 principal amount of the Project Bonds shall not exceed \$150,000,000 and

69 the aggregate principal amount of the Refunding Bonds shall not exceed  
70 \$200,000,000.

71 The ordinances authorizing the issuance of the outstanding Parity Bonds  
72 and Parity Lien Obligations all provide that the county may issue  
73 additional sewer revenue bonds on a parity with the outstanding Parity  
74 Bonds if certain conditions are met. The county council has found and  
75 determined that such parity conditions have been or will be met, and  
76 therefore the pledge of revenues of the Sewer System to secure such bonds  
77 shall be on a parity with the pledge of such revenues to secure the  
78 outstanding Parity Bonds.

79 The county wishes to delegate to the county's Finance Director authority  
80 to sell the Bonds in one or more series, by competitive bid or negotiated  
81 sale, as provided in this ordinance.

82 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

83 SECTION 1. Definitions. The following words and terms as used in this  
84 ordinance shall have the following meanings for all purposes of this ordinance, unless  
85 some other meaning is plainly intended.

86 "Accreted Value" means with respect to any Parity Bonds that are Capital  
87 Appreciation Bonds, as of any date of calculation, the sum of the amounts set forth in the  
88 ordinance, resolution or motion authorizing such bonds as the amounts representing the  
89 initial principal amount of such bonds plus the interest accumulated, compounded and  
90 unpaid thereon as of the most recent compounding date, as provided in the ordinance,  
91 resolution or motion authorizing the issuance of such bonds; provided that if such

92 calculation is not made as of a compounding date, such amount shall be determined by  
93 straight-line interpolation as of the immediately preceding and the immediately  
94 succeeding compounding dates.

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

99 "Advance" or "Advances" have the meanings given such terms in the Line of  
100 Credit Agreement entered into by the county and Bayerische Landesbank Girozentrale  
101 securing payments of principal of the Commercial Paper Notes.

102 "Annual Parity Debt Service" means, with respect to any calendar year, the sum  
103 of the following:

104 (1) The interest due for all outstanding Parity Bonds (i) on all Interest Payment  
105 Dates (other than January 1) in such calendar year, and (ii) on January 1 of the next  
106 succeeding year, and any Payment Agreement Payments due on such dates in respect of  
107 Parity Payment Agreements.

108 (i) For purposes of calculating the amounts required to pay interest on Parity  
109 Bonds, capitalized interest and accrued interest paid to the county upon the issuance of  
110 Parity Bonds shall be excluded.

111 (ii) The amount of interest deemed to be payable on any issue of Variable Rate  
112 Parity Bonds shall be calculated on the assumption that the interest rate on those bonds  
113 would be equal to the rate (the "assumed RBI rate") that is 90% of the average Bond  
114 Buyer Revenue Bond Index or comparable index during the fiscal quarter preceding the

115 quarter in which the calculation is made; provided, however, that for purposes of  
116 determining actual compliance in any past calendar year with the rate covenant made in  
117 Section 16 of this ordinance, the actual amount of interest paid on any issue of Variable  
118 Rate Parity Bonds shall be taken into account.

119 (2) The principal due for all outstanding Parity Bonds other than Term Bonds (i)  
120 on all Principal Payment Dates (other than January 1) of such calendar year and (ii) on  
121 January 1 of the next succeeding year.

122 (3) The amounts required to be paid into the Bond Fund on or before (i) each  
123 Principal Payment Date (other than January 1) of such calendar year and (ii) January 1 of  
124 the next succeeding calendar year for interest on and amortization of principal of Parity  
125 Term Bonds. For purposes of this paragraph (3), "amounts required to be paid" means  
126 the amount to be deposited or accumulated in the Term Bond Payment Account on or  
127 before such dates for outstanding Parity Term Bonds irrespective of the date or dates such  
128 amount, or any portion thereof, is actually deposited into such fund or account.

129 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or  
130 upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation  
131 Bonds, shall be included in the calculation of Annual Debt Service and references in this  
132 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or  
133 upon the mandatory redemption of any Capital Appreciated Bonds.

134 Notwithstanding the foregoing, debt service on Parity Bonds with respect to  
135 which a Payment Agreement is in force shall be calculated by the county to reflect the net  
136 economic effect on the county intended to be produced by the terms of the Parity Bonds

137 and the terms of the applicable Payment Agreement, in accordance with the requirements  
138 set forth in Section 23 of this ordinance.

139 "Arbitrage and Tax Certification" means the certificate executed by the Finance  
140 Manager upon the issuance of each series of the Bonds pertaining to the calculation and  
141 payment of any Rebate Amount with respect to such Bonds.

142 "Bank Note" means the bank note authorized to be issued by Ordinance 12057 of  
143 the county to secure payment of the Commercial Paper Notes.

144 "Bond Fund" means the "Water Quality Revenue Bond Account" designated  
145 pursuant to Section 30 of Ordinance 12076 of the county for the purpose of paying and  
146 securing the payment of the Parity Bonds.

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

149 "Bond Registrar" means the fiscal agency of the State of Washington in either  
150 Seattle, Washington, or New York, New York, for the purposes of registering and  
151 authenticating the Bonds, maintaining the Bond Register, effecting the transfer of  
152 ownership of the Bonds and paying the principal of and interest and premium, if any, on  
153 the Bonds.

154 "Bond Reserve" or "Bond Reserve Account" means the bond reserve account in  
155 the Bond Fund securing the payment of the Parity Bonds.

156 "Bonds" means all or a portion of the Project Bonds and the Refunding Bonds  
157 authorized to be issued in one or more series pursuant to this ordinance.

158 "Capital Appreciation Bonds" means any Parity Bonds the interest on which is  
159 compounded, accumulated and payable only upon redemption or on the maturity date of



160 such Parity Bonds; provided, however, that Parity Bonds may be deemed to be Capital  
161 Appreciation Bonds for only a portion of their term pursuant to the ordinance, resolution  
162 or motion authorizing their issuance. On the date on which Parity Bonds no longer are  
163 Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount  
164 equal to their Accreted Value.

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

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

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

174 "Commercial Paper Notes" means the King County, Washington, Sewer Revenue  
175 Bond Anticipation Notes, Commercial Paper Series A, authorized, issued, and  
176 outstanding from time to time pursuant to Ordinance 12057 of the county, as amended.

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

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

183 "Construction Account" means the "Second Water Quality Construction  
184 Account," as designated by Section 30 of Ordinance 12076 of the county.

185 "Credit Facility" means any letter of credit, standby bond purchase agreement,  
186 line of credit, surety bond, insurance policy or other insurance commitment or similar  
187 agreement (but not including a Payment Agreement), satisfactory to the county, that is  
188 provided by a commercial bank, insurance company or other financial institution with a  
189 current long term rating (or whose obligations thereunder are guaranteed by a financial  
190 institution with a long term rating) from Moody's and S&P not lower than the credit  
191 rating of any series of Parity Bonds, to provide support for a series of Parity Bonds, and  
192 shall include any substitute therefor in accordance with the provisions of the ordinance  
193 providing for the issuance of Parity Bonds supported by a Credit Facility.

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

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

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

200 "Finance Director" means the county's director of the finance and business  
201 operations division or his or her designee.

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

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

206 "Interest Payment Dates" means such dates as may be established by the county  
207 council for each series of Parity Bonds.

208 "Junior Lien Obligations" means the county's Junior Lien Variable Rate Demand  
209 Sewer Revenue Bonds, Series 2001A and Series 2001B, issued under date of August 15,  
210 2001, as authorized by Ordinances 14171 and 14172, and any other revenue bonds or  
211 other revenue obligations having a lien on Revenue of the System equal to the lien  
212 thereon of such bonds.

213 "Metro" means the Municipality of Metropolitan Seattle, formerly a municipal  
214 corporation of the State of Washington, organized pursuant to Chapter 35.58 RCW and  
215 consolidated with the county effective January 1, 1994 pursuant to Chapter 36.56 RCW.

216 "Metro Council" means the Metropolitan Council of the Municipality of  
217 Metropolitan Seattle established pursuant to Chapter 35.58 RCW and abolished effective  
218 January 1, 1994 pursuant to Chapter 36.56 RCW.

219 "Moody's" means Moody's Investors Service.

220 "MSRB" means the Municipal Securities Rulemaking Board or any successor to  
221 its functions.

222 "1996 Bonds" means the county's Limited Tax General Obligation Refunding  
223 Bonds (Payable from Sewer Revenues), 1996 Series C, issued under date of December  
224 15, 1996, in the initial principal amount of \$130,965,000 as authorized by Ordinance  
225 12314 of the county.

226 "1998 Bonds" means the county's Limited Tax General Obligation Refunding  
227 Bonds (Payable from Sewer Revenues), 1998 Series B, issued under date of September  
228 15, 1998, in the initial principal amount of \$261,625,000 as authorized by Ordinance

229 13256 of the county passed on August 31, 1998 and Motion No. 15060 of the county  
230 council passed on September 28, 1998.

231 "1999 Bonds" means the county's Sewer Revenue Bonds, 1999, issued under date  
232 of June 1, 1999, in the initial principal amount of \$80,000,000 as authorized by  
233 Ordinance 13468 of the county passed on April 19, 1999 and Motion No. 10694 of the  
234 county council passed on June 7, 1999.

235 "1999 (2nd) Bonds" means the county's Sewer Revenue Bonds, 1999 (Second  
236 Series), issued under date of November 1, 1999, in the principal amount of \$60,000,000,  
237 as authorized by Ordinance 13650 of the county passed on October 4, 1999, and Motion  
238 No. 10799 of the county council passed on October 25, 1999.

239 "2001 Bonds" means the county's Sewer Revenue and Refunding Bonds, 2001,  
240 issued under date of November 28, 2001, in the principal amount of \$270,060,000, as  
241 authorized by Ordinance 14225 of the county passed on October 8, 2001, and Motion  
242 11330 of the county council passed on November 13, 2001.

243 "2002A Bonds" means the county's Sewer Revenue Bonds, Series 2002A, issued  
244 under date of August 14, 2002, in the principal amount of \$100,000,000, as authorized by  
245 Ordinance 14406 of the county passed on July 8, 2002, and Motion 11489 of the county  
246 council passed on July 29, 2002.

247 "2002B Bonds" means the county's Sewer Revenue Refunding Bonds, Series  
248 2002B, issued under date of October 3, 2002, in the principal amount of \$346,130,000, as  
249 authorized by Ordinance 14406 of the county passed on July 8, 2002, and Motion 11489  
250 of the county council passed on July 29, 2002.

251 "2003A Bonds" means the county's Sewer Revenue Refunding Bonds, Series  
252 2003A, issued under date of April 24, 2003, in the principal amount of \$96,470,000, as  
253 authorized by Ordinance 14406 of the county passed on July 8, 2002, and Motion 11682  
254 of the county council passed on March 31, 2003.

255 "2004 Bonds" means the county's Sewer Revenue Bonds, Series 2004A, in the  
256 aggregate principal amount of \$185,000,000, and its Sewer Revenue Refunding Bonds,  
257 Series 2004B, in the aggregate principal amount of \$61,760,000, issued under date of  
258 March 18, 2004, as authorized by Ordinance 14753 of the county passed on September 8,  
259 2003, and Motion 11879 of the county council passed on March 1, 2004.

260 "2005 Bonds" means the county's Limited Tax General Obligation Bonds  
261 (Payable from Sewer Revenue), 2005, issued under date of April 21, 2005, in the  
262 principal amount of \$200,000,000, as authorized by Ordinance 15033 passed on  
263 October 4, 2004, and Motion 12098 of the county council passed on April 4, 2005.

264 "Net Revenue" means Revenue of the System less Operating and Maintenance  
265 Expenses.

266 "NRMSIR" means a nationally recognized municipal securities information  
267 repository.

268 "Operating and Maintenance Expenses" means all normal expenses incurred by  
269 the county in causing the System to be maintained in good repair, working order and  
270 condition and shall include payments to any private or governmental agency for the  
271 operation or maintenance of facilities or for the disposal of sewage but shall exclude any  
272 allowance for depreciation.

273 "Parity Bonds" means the 1999 Bonds, the 1999 (2nd) Bonds, the 2001 Bonds,  
274 the 2002A Bonds, the 2002B Bonds, the 2003A Bonds, the 2004 Bonds, the Bonds, and  
275 any and all sewer revenue bonds of the county, the payment of which constitutes a lien  
276 and charge upon the Revenue of the System equal in rank with the lien and charge upon  
277 such revenue for the payments required to pay or to secure the payment of the 1999  
278 Bonds, the 1999(2nd) Bonds, the 2001 Bonds, the 2002A Bonds, the 2002B Bonds, the  
279 2003A Bonds, the 2004 Bonds and the Bonds. "Parity Bonds" include any Parity  
280 Payment Agreements and parity reimbursement agreements entered into with the  
281 provider of a Credit Facility.

282 "Parity Lien Obligation Bond Fund" means the Water Quality Limited Tax  
283 General Obligation Bond Redemption Fund, established pursuant to Section 8 of  
284 Ordinance 11241 of the county, to provide for payment of Parity Lien Obligations.

285 "Parity Lien Obligations" means the 1996 Bonds, the 1998 Bonds, the 2005  
286 Bonds and all bonds, notes or other evidences of indebtedness payable in whole or in part  
287 from Revenue of the System and secured by a lien on such Revenue on a parity of lien  
288 with the lien of the 1996 Bonds, the 1998 Bonds, and the 2005 Bonds. "Parity Lien  
289 Obligations" include any Parity Lien Payment Agreements and parity reimbursement  
290 agreements entered into with the provider of a credit facility securing any Parity Lien  
291 Obligations.

292 "Parity Lien Obligation Payment Agreement" means a Payment Agreement under  
293 which the county's payment obligations are expressly stated to constitute a charge and  
294 lien on the Revenue of the System equal in rank with the charge and lien upon such

295 revenue securing amounts required to be paid into the Parity Lien Obligation Bond Fund  
296 to pay and secure the payment of principal of and interest on the Parity Lien Obligations.

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

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

303 "Payment Agreement" means, to the extent permitted from time to time by  
304 applicable law, a written agreement entered into by the county (i) in connection with or  
305 incidental to the issuance, incurring or carrying of the Bonds or other obligations of the  
306 county secured in whole or in part by a lien on Revenue of the System; (ii) for the  
307 purpose of managing or reducing the county's exposure to fluctuations or levels of  
308 interest rates, currencies or commodities or for other interest rate, investment, asset or  
309 liability management purposes; (iii) with a Qualified Counterparty; and (iv) which  
310 provides, on either a current or forward basis, for an exchange of payments determined in  
311 accordance with a formula specified therein.

312 "Payment Agreement Payments" means the amounts periodically required to be  
313 paid by the county to the Qualified Counterparty pursuant to a Payment Agreement. The  
314 term "Payment Agreement Payments" does not include any termination payment required  
315 to be paid with respect to a Payment Agreement.

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

318 "Principal Payment Date" means such date as may be established by the county  
319 council for each series of Parity Bonds.

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

325 "Project Bonds" means the \$150,000,000 aggregate principal amount of sewer  
326 revenue bonds of the county authorized to be issued hereunder to pay costs of acquiring  
327 and constructing improvements to the System.

328 "Public Works Trust Fund Loans" means loans to the county by the State of  
329 Washington Department of Community, Trade and Economic Development under the  
330 Public Works Trust Fund loan program pursuant to the following loan agreements: (i)  
331 PW-01-791-033, dated as of July 5, 2001; (ii) PW-02-691-025, dated as of June 3, 2002;  
332 (iii) PW-02-691-PRE-112, dated as of August 19, 2002; (iv) PW-99-791-037, dated as of  
333 July 1, 2003; (v) PW-5-96-791-062, dated as of July 1, 2003; (vi) PW-04-691-037, dated  
334 as of September 13, 2004; and (vii) and any loan agreements hereafter entered into by the  
335 county under the Public Works Trust Fund loan program, the repayment obligations of  
336 which are secured by a lien on Revenue of the System equal to the lien thereon  
337 established by the loan agreements described in preceding clauses (i)-(vi).

338 "Qualified Counterparty" means with respect to a Payment Agreement an entity  
339 (i) whose senior long term debt obligations, other senior unsecured long term obligations  
340 or claims paying ability or whose payment obligations under a Payment Agreement are



341 guaranteed by an entity whose senior long term debt obligations, other senior unsecured  
342 long term obligations or claims paying ability are rated (at the time the Payment  
343 Agreement is entered into) at least as high as A3 by Moody's and A- by S&P, or the  
344 equivalent thereof by any successor thereto, and (ii) who is otherwise qualified to act as  
345 the other party to a Payment Agreement under any applicable laws of the State.

346 "Qualified Insurance" means any unconditional municipal bond insurance policy  
347 or surety bond issued by any insurance company licensed to conduct an insurance  
348 business in any state of the United States or by a service corporation acting on behalf of  
349 one or more such insurance companies, which insurance company or service corporation  
350 is rated in one of the two highest rating categories by Moody's, S&P, and any other rating  
351 agency then maintaining a rating on the Bonds, provided, that, as of the time of issuance  
352 of such policy or surety bond, such insurance company or companies maintain a policy  
353 owner's surplus in excess of \$500,000,000.

354 "Qualified Letter of Credit" means any irrevocable letter of credit issued by a  
355 bank for the account of the county and for the benefit of the owners of Parity Bonds,  
356 provided that such bank maintains an office, agency or branch in the United States, and  
357 provided further, that, as of the time of issuance of such letter of credit, such bank is  
358 currently rated in one of the two highest rating categories by Moody's, S&P, and any  
359 other rating agency then maintaining a rating on the Bonds.

360 "Rate Stabilization Fund" means the fund of that name authorized to be created  
361 pursuant to Section 13.D of Ordinance 12314 of the county.

362 "RCW" means the Revised Code of Washington.

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

366 "Refunded Bonds" means with respect to each series of Refunding Bonds, those  
367 Refunding Candidates that shall be refunded from proceeds of such series of Refunding  
368 Bonds, as determined by the Finance Manager pursuant to Sections 14 and 24 hereof and  
369 set forth in a Sale Motion in accordance with Sections 14 and 24 hereof.

370 "Refunding Candidates" means any of the currently outstanding Parity Bonds and  
371 Parity Lien Obligations.

372 "Refunding Account" means any account authorized to be created pursuant to  
373 Section 14 hereof to provide for the refunding of any Refunded Bonds.

374 "Refunding Bonds" means not to exceed \$200,000,000 principal amount of sewer  
375 revenue bonds authorized to be issued in one or more series by this ordinance to refund  
376 the Refunded Bonds.

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

379 "Reserve Requirement" means maximum Annual Parity Debt Service with respect  
380 to any calendar year.

381 "Revenue Fund" means the "Water Quality Operating Account" as designated by  
382 Section 30 of Ordinance 12076 of the county.

383 "Revenue of the System" means all the earnings, revenues and money received by  
384 the county from or on account of the operations of the Sewer System and the income  
385 from the investment of money in the Revenue Fund or any account within such fund, but

386 shall not include any money collected pursuant to the Service Agreements applicable to  
387 administrative costs of the county other than costs of administration of the System.

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

390 "Sale Motion" means a motion of the county council approving each sale of a  
391 series of the Bonds and ratifying and confirming each plan of refunding any Refunded  
392 Bonds, in accordance with Section 24 hereof.

393 "S&P" means Standard and Poor's Ratings Services, a Division of The McGraw  
394 Hill Companies.

395 "Service Agreements" means the sewage disposal agreements entered into  
396 between the county or Metro and municipal corporations, persons, firms, private  
397 corporations, or governmental agencies providing for the disposal by the county of  
398 sewage collected from such contracting parties.

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

401 "SRF Loans" means loans to the county by the State of Washington Department  
402 of Ecology pursuant to (i) Loan L9800002, Loan L9800021, and loan agreements and  
403 refinancing loan agreements dated (or effective as of) August 10, 2000, September 4,  
404 2002, July 29, 2003, September 8, 2003, and November 30, 2004, and any (ii) loans and  
405 loan agreements hereafter entered into by the county under the State of Washington water  
406 pollution control revolving fund loan program, the repayment obligations of which are  
407 secured by a lien on Revenue of the System equal to the lien thereon established by the  
408 loans and loan agreements described in preceding clause (i).

409 "State" means the State of Washington.

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

413 "Term Bond Payment Account" means the account of that name established in the  
414 Bond Fund for the amortization of Parity Term Bonds.

415 "Term Bonds" means those outstanding bonds or obligations of any single issue  
416 or series of bonds maturing in any one year for the retirement of which regularly  
417 recurring annual deposits are required to be made into a bond fund prior to the scheduled  
418 maturity of such bonds sufficient to pay the same at or prior to their maturity.

419 "Trustee" means a trustee for the Parity Bonds authorized to be appointed by  
420 owners of Parity Bonds, as provided by this ordinance.

421 "Variable Rate Parity Bonds" means Parity Bonds bearing interest at a variable  
422 rate of interest, provided that at least one of the following conditions is met: (i) at the  
423 time of issuance the county has entered into a Payment Agreement with respect to such  
424 Parity Bonds, which Agreement converts the effective interest rate to the county on the  
425 Variable Rate Parity Bonds from a variable interest rate to a fixed interest rate, or (ii) the  
426 Parity Bonds bear interest at a variable rate but are issued concurrently in equal par  
427 amounts with other Parity Bonds bearing interest at a variable rate and which are required  
428 to remain outstanding in equal amounts at all times, if the net effect of such equal par  
429 amounts and variable rates at all times is a fixed rate of interest to the county.

430 **SECTION 2. Findings.**

431           A. The county may be able to realize significant debt service savings by  
432 refunding all or some of the Refunding Candidates. Because market conditions may  
433 change rapidly, the council finds that it is in the best interests of the county and  
434 ratepayers of the System that a plan of refunding and the sale of the Bonds in one or more  
435 series by competitive bid or negotiated sale, for current or future delivery, be determined  
436 by the Finance Director, in consultation with the county's financial advisors. Each plan  
437 of refunding and sale of a series of Bonds will be ratified and confirmed by the council in  
438 a Sale Motion.

439           B. In accordance with the provisions of the ordinances authorizing the issuance  
440 of the currently outstanding Parity Bonds, which permit the issuance of additional Parity  
441 Bonds upon compliance with the conditions set forth therein (the "Parity Conditions"),  
442 the county council hereby finds and determines, as follows:

443           (i) The Project Bonds are to be issued for the purpose of acquiring, constructing  
444 and installing portions of the Comprehensive Plan and for acquiring, constructing and  
445 installing necessary renewals or replacements of the System.

446           (ii) The Refunding Bonds are to be issued for the purpose of refunding and retiring  
447 prior to their maturity certain outstanding obligations of the county payable from Revenue  
448 of the System.

449           (iii) There is not now, and when any series of Bonds are issued there shall not  
450 then be, any deficiency in the Bond Fund or any account therein.

451           (iv) This ordinance provides for payment out of the Bond Fund of the principal  
452 of and interest on the Bonds and provides for satisfaction of the Reserve Requirement, as  
453 required by the Parity Conditions.

454 (v) The county shall have on file at the Closing of each series of the Bonds a  
455 certificate of the Finance Director or of a Professional Utility Consultant to satisfy the  
456 revenue test for issuance of Future Parity Bonds required by the Parity Conditions.

457 C. The applicable Parity Conditions having been complied with in connection  
458 with the issuance of the Bonds, the pledge contained herein of Revenue of the System to  
459 pay and secure the payment of the Bonds shall constitute a lien and charge upon such  
460 revenue equal in rank with the lien and charge upon the Revenue of the System to pay  
461 and secure the payment of the outstanding Parity Bonds.

462 SECTION 3. Authorization of Bonds. To provide funds necessary to pay costs  
463 of acquiring, constructing and equipping improvements, additions or betterments to the  
464 System set forth in the Comprehensive Plan, the county shall issue the Project Bonds in  
465 the aggregate principal amount of \$150,000,000. To provide funds to refund the  
466 Refunded Bonds, the county shall issue the Refunding Bonds in an aggregate principal  
467 amount to be established as provided in Section 24 hereof and in any event not to exceed  
468 \$200,000,000. The Refunding Bonds and the Project Bonds may be issued and sold in  
469 one or more series, each series to be designated as "King County, Washington, Sewer  
470 Revenue [and] [Refunding] Bonds" with an applicable year and series designation to be  
471 established as provided in Section 24 hereof. The Bonds shall be fully registered as to  
472 both principal and interest, shall be in the denomination of \$5,000 each or any integral  
473 multiple thereof (but no Bond shall represent more than one maturity), shall be numbered  
474 separately in such manner and with any additional designation as the Bond Registrar  
475 deems necessary for purposes of identification, and shall be dated as of such date and

476 shall mature on the dates, in the years and the amounts established as provided in Section  
477 24 hereof.

478 Each series of the Bonds shall bear interest (computed on the basis of a 360-day  
479 year of twelve 30-day months) from their date or from the most recent interest payment  
480 date for which interest has been paid or duly provided for, whichever is later, payable on  
481 interest payment dates and at the rate or rates established as provided in Section 24 hereof  
482 and ratified and confirmed by a Sale Motion. The Accreted Values of any Bonds that are  
483 Capital Appreciation Bonds shall be set forth in a Sale Motion.

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

485 A. Bond Registrar/Bond Register. In accordance with K.C.C. 4.84, the county  
486 hereby adopts for the Bonds the system of registration specified and approved by the  
487 Washington State Finance Committee, which utilizes the fiscal agencies of the State of  
488 Washington in Seattle, Washington, and New York, New York, as registrar,  
489 authenticating agent, paying agent and transfer agent (collectively, the "Bond Registrar").  
490 The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office,  
491 sufficient books for the registration and transfer of the Bonds, which shall at all times be  
492 open to inspection by the county. The Bond Registrar is authorized, on behalf of the  
493 county, to authenticate and deliver the Bonds transferred or exchanged in accordance  
494 with the provisions of such Bonds and this ordinance and to carry out all of the Bond  
495 Registrar's powers and duties under this ordinance.

496 The Bond Registrar shall be responsible for its representations contained in the  
497 Certificate of Authentication on the Bonds. The Bond Registrar may become the  
498 Registered Owner of Bonds with the same rights it would have if it were not the Bond

499 Registrar, and to the extent permitted by law may act as depository for and permit any of  
500 its officers or directors to act as a member of, or in any other capacity with respect to, any  
501 committee formed to protect the rights of Registered Owners.

502 B. Registered Ownership. The county and the Bond Registrar, each in its  
503 discretion, may deem and treat the Registered Owner of each Bond as the absolute owner  
504 thereof for all purposes, and neither the county nor the Bond Registrar shall be affected  
505 by any notice to the contrary. Payment of any such Bond shall be made only as described  
506 in Section 4.G hereof, but such registration may be transferred as herein provided. All  
507 such payments made as described in Section 4.G shall be valid and shall satisfy and  
508 discharge the liability of the county upon such Bond to the extent of the amount or  
509 amounts so paid. The county and the Bond Registrar shall be entitled to treat the person  
510 in whose name any Bond is registered as the absolute owner thereof for all purposes of  
511 this ordinance and any applicable laws, notwithstanding any notice to the contrary  
512 received by the Bond Registrar or the county.

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

517 Neither the county nor the Bond Registrar will have any responsibility or  
518 obligation to DTC participants or the persons for whom they act as nominees with respect  
519 to the Bonds in respect of the accuracy of any records maintained by DTC or any DTC  
520 participant, the payment by DTC or any DTC participant of any amount in respect of the  
521 principal of or interest on the Bonds, any notice which is permitted or required to be



522 given to Registered Owners under this ordinance (except such notices as shall be required  
523 to be given by the county to the Bond Registrar or to DTC), or any consent given or other  
524 action taken by DTC as the Registered Owner. For so long as any Bonds are held in fully  
525 immobilized form hereunder, DTC or its successor depository shall be deemed to be the  
526 Registered Owner for all purposes hereunder, and all references herein to the Registered  
527 Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial  
528 interest in the Bonds.

529 D. Use of Depository.

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

539 (2) Upon the resignation of DTC or its successor (or any substitute depository or  
540 its successor) from its functions as depository or a determination by the county council to  
541 discontinue the system of book entry transfers through DTC or its successor (or any  
542 substitute depository or its successor), the county council may hereafter appoint a  
543 substitute depository. Any such substitute depository shall be qualified under any  
544 applicable laws to provided the services proposed to be provided by it.

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

551 (4) In the event that (i) DTC or its successor (or substitute depository or its  
552 successor) resigns from its functions as depository, and no substitute depository can be  
553 obtained, or (ii) the county council determines that it is in the best interest of the  
554 beneficial owners of any of the Bonds that they be able to obtain such Bonds in the form  
555 of bond certificates, the ownership of Bonds may then be transferred to any person or  
556 entity as herein provided, and the Bonds shall no longer be held in fully immobilized  
557 form. The county council shall deliver a written request to the Bond Registrar, together  
558 with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized  
559 denomination. Upon receipt of all then outstanding Bonds by the Bond Registrar  
560 together with a written request on behalf of the county council to the Bond Registrar, new  
561 Bonds shall be issued in such denominations and registered in the names of such persons  
562 as are requested in such written request.

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

564 The registered ownership of any Bond may be transferred or exchanged, but no transfer  
565 of any Bond shall be valid unless it is surrendered to the Bond Registrar with the  
566 assignment form appearing on such Bond duly executed by the Registered Owner or such  
567 Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar.

568 Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall  
569 authenticate and deliver, without charge to the Registered Owner or transferee therefor, a  
570 new Bond (or Bonds at the option of the new Registered Owner) of the same series, date,  
571 maturity and interest rate and for the same aggregate principal amount in any authorized  
572 denomination, naming as Registered Owner the person or persons listed as the assignee  
573 on the assignment form appearing on the surrendered Bond, in exchange for such  
574 surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar  
575 and exchanged, without charge, for an equal aggregate principal amount of Bonds of the  
576 same date, maturity and interest rate, in any authorized denomination. The Bond  
577 Registrar shall not be obligated to transfer or exchange any Bond during a period  
578 beginning at the opening of business on the 15th day of the month next preceding any  
579 interest payment date and ending at the close of business on such interest payment date,  
580 or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the  
581 call of such Bonds for redemption.

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

585 G. Place and Medium of Payment. Both principal of and interest on the Bonds  
586 shall be payable in lawful money of the United States of America. For so long as all  
587 Bonds are in fully immobilized form, payments of principal and interest thereon shall be  
588 made as provided in accordance with the operational arrangements of DTC referred to in  
589 the Letter of Representations. In the event that the Bonds are no longer held in fully  
590 immobilized form, interest on the Bonds shall be paid by check or draft mailed to the

591 Registered Owners at the addresses for such Registered Owners appearing on the Bond  
592 Register on the 15th day of the month preceding the interest payment date; provided,  
593 however, that if so requested in writing by the Registered Owner of at least \$1,000,000  
594 principal amount of a series of Bonds, interest will be paid by wire transfer on the interest  
595 payment date to an account with a bank located within the United States. Principal of the  
596 Bonds shall be payable upon presentation and surrender of such Bonds by the Registered  
597 Owners at the principal office of the Bond Registrar.

598           SECTION 5. Redemption of Bonds; Open Market Purchases. The county  
599 may reserve the right to redeem outstanding Bonds prior to their maturity on the dates  
600 and at the prices established as provided in Section 24 hereof and ratified and confirmed  
601 by a Sale Motion. Portions of the principal amount of any Bond, in increments of \$5,000  
602 or any integral multiple of \$5,000, may be redeemed.

603           If less than all of the Bonds subject to optional redemption are called for  
604 redemption, the county shall choose the maturities to be redeemed. If less than a whole of  
605 a maturity is called for redemption, the Bonds to be redeemed shall be chosen by lot by  
606 the Bond Registrar or, so long as the Bonds are registered in the name of CEDE & CO. or  
607 its registered assign, the Bonds to be redeemed shall be chosen by lot by DTC.

608           If less than all of the principal amount of any Bond is redeemed, upon surrender  
609 of such Bond at the principal office of the Bond Registrar there shall be issued to the  
610 registered owner, without charge therefor, for the then unredeemed balance of the  
611 principal amount thereof, a new Bond or Bonds, at the option of the registered owner, of  
612 like maturity and interest rate in any denomination authorized by this ordinance.

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

615           SECTION 6. Notice and Effect of Redemption.

616           A. Notice of Redemption. Written notice of any redemption of Bonds shall be  
617 given by the Bond Registrar on behalf of the county by first class mail, postage prepaid,  
618 not less than 30 days nor more than 60 days before the redemption date to the registered  
619 owners of Bonds that are to be redeemed at their last addresses shown on the Bond  
620 Register. So long as the Bonds are in book-entry form, notice of redemption shall be  
621 given as provided in the Letter of Representations. The Bond Registrar shall provide  
622 additional notice of redemption (at least 30 days) to each NRMSIR and SID, if any, in  
623 accordance with the ongoing disclosure provisions to be adopted by the Sale Motion.

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

626           Each notice of redemption shall contain the following information: (1) the  
627 redemption date, (2) the redemption price, (3) if less than all outstanding Bonds are to be  
628 redeemed, the identification (and, in the case of partial redemption, the principal  
629 amounts) of the Bonds to be redeemed, (4) that on the redemption date the redemption  
630 price will become due and payable upon each Bond or portion called for redemption, and  
631 that interest shall cease to accrue from the redemption date, (5) that the Bonds are to be  
632 surrendered for payment at the principal office of the Bond Registrar, (6) the CUSIP  
633 numbers of all Bonds being redeemed, (7) the dated date of the Bonds, (8) the rate of  
634 interest for each Bond being redeemed, (9) the date of the notice, and (10) any other  
635 information needed to identify the Bonds being redeemed.

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

640           B. Effect of Redemption. Unless the county has revoked a notice of redemption,  
641           the county shall transfer to the Bond Registrar amounts that, in addition to other money,  
642           if any, held by the Bond Registrar, will be sufficient to redeem, on the redemption date,  
643           all the Bonds to be redeemed. From the redemption date interest on each Bond to be  
644           redeemed shall cease to accrue.

645           C. Amendment of Notice Provisions. The foregoing notice provisions of this  
646           section, including but not limited to the information to be included in redemption notices  
647           and the persons designated to receive notices, may be amended by additions, deletions  
648           and changes in order to maintain compliance with duly promulgated regulations and  
649           recommendations regarding notices of redemption of municipal securities.

650           SECTION 7. Form of Bonds; Execution of Bonds. The Bonds shall be in  
651           substantially the form set forth in Exhibit A of this ordinance. The Bonds shall be  
652           executed on behalf of the county with the manual or facsimile signatures of the county  
653           executive and the clerk of the county council, and shall have the seal of the county  
654           impressed or imprinted thereon.

655           In case either or both of the officers who shall have executed the Bonds shall  
656           cease to be an officer or officers of the county before the Bonds so signed shall have been  
657           authenticated or delivered by the Bond Registrar, or issued by the county, such Bonds  
658           may nevertheless be authenticated, delivered and issued and upon such authentication,

659 delivery and issuance shall be as binding upon the county as though those who signed the  
660 same had continued to be such officers of the county. Any Bond also may be signed and  
661 attested on behalf of the county by such persons as at the actual date of execution of such  
662 Bond shall be the proper officers of the county although at the original date of such Bond  
663 any such person shall not have been such officer of the county.

664 Only such Bonds as shall bear thereon a Certificate of Authentication in the form  
665 set forth in Exhibit A of this Ordinance, manually executed by the Bond Registrar, shall  
666 be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such  
667 Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated  
668 have been duly executed, authenticated and delivered hereunder and are entitled to the  
669 benefits of this ordinance.

670 SECTION 8. Mutilated, Lost, or Destroyed Bonds. If any Bond shall become  
671 mutilated, the Bond Registrar shall authenticate and deliver a new Bond of like series,  
672 amount, date, interest rate and tenor in exchange and substitution for the Bond so  
673 mutilated, upon the owner's paying the expenses and charges of the county and the Bond  
674 Registrar in connection therewith and upon surrender to the Bond Registrar of the Bond  
675 so mutilated. Every mutilated Bond so surrendered shall be canceled and destroyed by  
676 the Bond Registrar.

677 In case the Bonds or any of them shall be lost, stolen or destroyed, the Bond  
678 Registrar may authenticate and deliver a new Bond or Bonds of like series, amount, date,  
679 interest rate, and tenor to the registered owner thereof upon the owner's paying the  
680 expenses and charges of the county and the Bond Registrar in connection therewith and  
681 upon his/her filing with the Bond Registrar evidence satisfactory to the Bond Registrar

682 that such Bond or Bonds were actually lost, stolen or destroyed and of his/her ownership  
683 thereof, and upon furnishing the county and Bond Registrar with indemnity satisfactory  
684 to the Finance Manager and the Bond Registrar.

685 SECTION 9. Bond Fund. There has heretofore been created a special fund of  
686 the county known as the "Water Quality Revenue Bond Account" (the "Bond Fund").  
687 The Bond Fund is at all times completely segregated and set apart from all other funds  
688 and accounts of the county and is a trust fund for the security and payment of the  
689 principal of and interest and any premium on any Parity Bonds. All money credited to  
690 the Bond Fund is pledged and ordered to be used for the sole purpose of paying the  
691 principal of and interest and any premium on the Parity Bonds.

692 A. Debt Service Account. A "Debt Service Account" has heretofore been  
693 established in the Bond Fund. The county hereby obligates and binds itself to cause to be  
694 set aside and paid into said account out of the Revenue of the System amounts sufficient,  
695 together with accrued interest, if any, received at the time of delivery of the Bonds and  
696 deposited therein, income from the investment of money in the Debt Service Account and  
697 Bond Reserve Account and any other money on deposit in the Debt Service Account and  
698 legally available, to pay the principal of and interest on outstanding Parity Bonds as the  
699 same become due and payable.

700 For each series of the Bonds there is hereby authorized to be created a special  
701 subaccount in the Debt Service Account. All money required by this Section 9.A to be  
702 deposited into the Debt Service Account for the payment of principal of and interest on  
703 such series of the Bonds shall be deposited into the subaccount created for such series.  
704 Money in such subaccount shall be treated in all respects as all other money in the Debt



705 Service Account, but shall be accounted for separately for the purpose of calculating any  
706 Rebate Amount payable with respect to such series of the Bonds.

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

710 B. Term Bond Payment Account. A Term Bond Payment Account has heretofore  
711 been established in the Bond Fund for the amortization of Parity Term Bonds. After making  
712 the payments required in paragraph A above, the county shall deposit to the Term Bond  
713 Payment Account, on or before each annual Principal Payment Date, out of the Revenue of  
714 the System, additional money that together with available income from the investment of  
715 money in the Debt Service Account and Bond Reserve Account will be sufficient to retire  
716 by purchase or by redemption pursuant to call any Parity Term Bonds on or before such  
717 payment dates and in at least such principal amounts as shall be set forth in the ordinance,  
718 resolution or motion authorizing, or the notice of bond sale for, such bonds. The amounts so  
719 paid into the Term Bond Payment Account shall be used for the sole purpose of purchasing  
720 or redeeming Parity Term Bonds on or before their respective scheduled payment dates,  
721 provided that, if more than the required principal amount of such Parity Term Bonds shall  
722 be retired by such purchase or redemption in any given year, the amount required to be  
723 purchased or redeemed in the next succeeding year or years may be reduced accordingly.

724 If any Bonds are designated as Term Bonds pursuant to Section 24 hereof, there is  
725 hereby authorized to be created a special subaccount for such series of Bonds within the  
726 Term Bond Payment Account. All money required by this Section 9.B to be deposited  
727 into the Term Bond Payment Account for the purchase or redemption of such series of

728 Bonds that are Term Bonds shall be deposited into such subaccount within the Term  
729 Bond Payment Account. Money in such subaccount shall be treated in all respects as all  
730 other money in the Term Bond Payment Account, but shall be accounted for separately  
731 for the purpose of calculating amounts required to be paid to the federal government  
732 pursuant to Section 18 of this ordinance.

733 C. Bond Reserve Account. A Bond Reserve Account has heretofore been  
734 established in the Bond Fund, and the county hereby pledges that it will pay into and  
735 maintain in the Bond Reserve Account an amount that together with other funds in the Bond  
736 Reserve Account will be at least equal to the Reserve Requirement. The county may  
737 substitute Qualified Insurance or a Qualified Letter of Credit for amounts required to be  
738 paid into or maintained in the Bond Reserve Account. Such Qualified Letter of Credit or  
739 Qualified Insurance shall not be cancelable on less than five years notice. In the event of  
740 any cancellation, the Bond Reserve Account shall be funded in accordance with the  
741 provisions of this section providing for payment in the event of a deficiency therein, as if  
742 the Parity Bonds that remain outstanding had been issued on the date of such notice of  
743 cancellation.

744 An amount sufficient to establish the Reserve Requirement in the Bond Reserve  
745 Account required by the issuance of each series of the Bonds shall be deposited therein from  
746 the proceeds of Bonds or other funds available therefor on the date of Closing or shall be  
747 provided for by Qualified Insurance or a Qualified Letter of Credit, as herein permitted.  
748 Within one year following the issuance of any Future Parity Bonds (or upon the issuance of  
749 such Future Parity Bonds, if required by the terms of any agreement with a provider of  
750 Qualified Insurance or a Qualified Letter of Credit then securing any Parity Bonds), the

751 amounts required to be paid into the Bond Reserve to establish the Reserve Requirement  
752 therein shall be paid from Revenue of the System, proceeds of such Future Parity Bonds, or  
753 other funds available therefor, or provided for by Qualified Insurance or a Qualified Letter  
754 of Credit.

755           In the event there shall be a deficiency in the Debt Service Account to meet  
756 maturing installments of either principal of or interest on any Parity Bonds, such deficiency  
757 shall be made up from the Bond Reserve Account by the withdrawal of money therefrom  
758 and by the sale or redemption of obligations held in the Bond Reserve Account, if  
759 necessary, in such amounts as will provide cash in the Bond Reserve Account sufficient  
760 to make up any such deficiency, and if a deficiency still exists immediately prior to an  
761 interest payment date and after the withdrawal of cash, the county shall then draw from  
762 any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in  
763 sufficient amount to make up the deficiency. Such draw shall be made at such times and  
764 under such conditions as the agreement for such Qualified Letter of Credit or such  
765 Qualified Insurance shall provide. If more than one Qualified Letter of Credit or  
766 Qualified Insurance is available, draws shall be made ratably thereon to make up the  
767 deficiency. Any deficiency created in the Bond Reserve Account by reason of any such  
768 withdrawal shall then be made up from the Revenue of the System that shall be available  
769 after first making the payments required to be made under paragraph "FIRST" through  
770 "FOURTH" of Section 12 hereof.

771           Income from the investment of money in the Bond Reserve Account shall be  
772 deposited in and become a part of the Bond Fund.

773            SECTION 10. Pledge of Sewer Revenues. The amounts covenanted to be paid  
774 out of the Revenue of the System into the Bond Fund and the accounts therein shall  
775 constitute a lien and charge on such revenue superior to all other charges of any kind or  
776 nature except Operating and Maintenance Expenses, and of equal lien to any charges  
777 heretofore or hereafter made upon the Revenue of the System for the payment of the  
778 principal of and interest on any Parity Bonds.

779            In the event that money and/or investments in the Debt Service Account and the  
780 Bond Reserve Account shall be reduced below the amounts required to pay the principal  
781 and/or interest then due and payable on any Parity Bonds, funds on deposit in any reserve  
782 created in the Revenue Fund not then required for the payment of necessary Operating and  
783 Maintenance Expenses shall be transferred to the Debt Service Account to the extent  
784 required to pay such principal and interest.

785            SECTION 11. Revenue Fund. There has heretofore been created a special fund  
786 of the county known as the "Water Quality Operating Account" (the "Revenue Fund").  
787 All of the Revenue of the System shall be deposited in the Revenue Fund. All Operating  
788 and Maintenance Expenses shall be paid out of the Revenue Fund or appropriate reserves  
789 therein.

790            A special fund of the county designated as the "Sewer Rate Stabilization Fund"  
791 (the "Rate Stabilization Fund") has heretofore been authorized to be established in  
792 anticipation of increases in revenue requirements of the System. Thereafter, in  
793 accordance with the provisions of Section 12 of this ordinance, the county may from time  
794 to time appropriate or budget amounts in the Revenue Fund for deposit in the Rate  
795 Stabilization Fund and may from time to time withdraw amounts therefrom for deposit in

796 the Revenue Fund to prevent or mitigate sewer rate increases or for other lawful purposes  
797 of the county related to the System.

798 SECTION 12. Sewer Revenue Priorities of Payment. So long as any Bond  
799 shall be outstanding, the Revenue of the System shall be deposited into the Revenue Fund  
800 and used and applied in the following order of priority:

801 First, to pay all Operating and Maintenance Expenses;

802 Second, to make all required deposits into the Debt Service Account to provide  
803 for the payment of principal of and interest on Parity Bonds as the same shall become due  
804 and payable and to make any Payment Agreement Payments with respect to any Parity  
805 Payment Agreements;

806 Third, to make all required deposits into the Term Bond Payment Account to  
807 provide for the amortization of Parity Term Bonds;

808 Fourth, to make all payments required to be made pursuant to a reimbursement  
809 agreement or agreements (or other equivalent documents) in connection with Qualified  
810 Insurance or a Qualified Letter of Credit, provided that if there is not sufficient money to  
811 make all payments under such reimbursement agreements the payments will be made on  
812 a pro rata basis;

813 Fifth, to establish and maintain the Bond Reserve (including making deposits into  
814 the Bond Reserve Account and paying the costs of obtaining Qualified Insurance or a  
815 Qualified Letter of Credit therefor);

816 Sixth, to make all required payments of principal and interest on the Parity Lien  
817 Obligations and Payment Agreement Payments with respect to any Parity Lien Payment  
818 Agreements; and

819           Seventh, to make all required payments of principal of and interest on the Junior  
820   Lien Obligations as the same shall become due and payable, to make all Payment  
821   Agreement Payments for any Payment Agreements entered into with respect to Junior  
822   Lien Obligations, to make any payments required to be made to the Bank pursuant to the  
823   Reimbursement Agreement, and to make any payments required to be made to any  
824   provider of credit enhancement for any other Junior Lien Obligations;

825           Eighth, to make all required payments of principal of and interest on the  
826   Commercial Paper Notes, Advances, or Additional Subordinate Lien Obligations as the  
827   same shall become due and payable;

828           Ninth, to make all required payments of principal and interest on bonds, notes,  
829   warrants and other evidences of indebtedness, the lien and charge against Revenue of the  
830   System of which is junior and inferior to the Commercial Paper Notes, the Bank Note and  
831   Additional Subordinate Lien Obligations, as the same shall become due and payable;

832           Tenth, to make all required payments of principal and interest due on the SRF  
833   Loans and the Public Works Trust Fund Loans; and

834           Eleventh, to accumulate in the special reserve account for the SRF Loans the  
835   amount required to be accumulated therein pursuant to the terms of the SRF Loans.

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

842            **SECTION 13. Construction Account; Disposition of Bond Proceeds.**

843            A. Construction Account. There has heretofore been created a special fund of the  
844 county known as the "Second Water Quality Construction Account" (the "Construction  
845 Account"). For purposes of separately accounting for investment earnings on the  
846 proceeds of the Project Bonds to facilitate compliance with the requirements of Section  
847 18 of this ordinance, there is hereby established for each series of Project Bonds issued  
848 hereunder a special subaccount within the Construction Account to be designated as the  
849 "Series [applicable year designation] Construction Subaccount" (each a "Construction  
850 Subaccount").

851            Money in each Construction Subaccount shall be held and applied to pay costs of  
852 acquiring, constructing and equipping improvements, additions or betterments to the  
853 System set forth in the Comprehensive Plan and all costs incidental thereto, including but  
854 not limited to engineering, architectural, planning, financial, legal, urban design or any  
855 other incidental costs, and to repay any advances heretofore or hereafter made on account  
856 of such costs, provided that if deficiencies exist in the Bond Fund, money in any  
857 Construction Subaccount may be transferred to the Bond Fund in such amounts as shall  
858 be necessary to pay principal of and interest on the Bonds.

859            B. Disposition of Bond Proceeds. The proceeds of the Bonds shall be deposited  
860 as follows:

861            (1) The amount equal to the interest accruing on each series of the Bonds from  
862 their dated date to the date of their Closing shall be deposited in the appropriate  
863 subaccount for such series created in the Debt Service Account in the Bond Fund.

864 (2) Proceeds of each series of the Bonds may be deposited into the Bond  
865 Reserve Account, as shall be provided for in each Sale Motion.

866 (3) The balance of the proceeds of any Project Bonds shall be deposited in the  
867 appropriate Subaccount and applied as provided in subsection A of this Section 13.

868 (4) The balance of the proceeds of any Refunding Bonds shall be deposited into  
869 the appropriate Refunding Account (as hereinafter defined) and applied as provided in  
870 Section 14 of this ordinance.

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

872 A. Plan of Refunding. There is hereby authorized and established one or more  
873 special accounts of the county to be maintained with the Escrow Agent (as hereinafter  
874 defined) each to be known as the "King County [appropriate year and series designation]  
875 Sewer Revenue Bonds Refunding Account" (each a "Refunding Account"). Each  
876 Refunding Account shall be drawn upon for the sole purpose of paying the principal of  
877 and interest on the applicable Refunded Bonds and of paying costs related to issuance of  
878 such series of Refunding Bonds and to refunding the applicable Refunded Bonds. The  
879 proceeds of sale of any Refunding Bonds shall be deposited into each Refunding Account  
880 to provide for refunding Refunded Bonds, as authorized by the ordinances authorizing the  
881 Refunded Bonds, and to pay the costs of issuance of such Refunding Bonds.

882 The Finance Director is authorized to determine, in consultation with the county's  
883 financial advisors, which of the Refunded Bonds, if any, are to be refunded. Each plan of  
884 refunding and call for redemption of Refunded Bonds shall be set forth in and ratified and  
885 confirmed by a Sale Motion. Money in each Refunding Account shall be used  
886 immediately upon receipt thereof to defease the applicable Refunded Bonds and



887 discharge the other obligations of the county relating thereto under the ordinances that  
888 authorized such Refunded Bonds, by providing for the payment of the principal of and  
889 interest on such Refunded Bonds as set forth in a Sale Motion. The county shall defease  
890 such bonds and discharge such obligations by the use of the money in each Refunding  
891 Account to purchase Government Obligations (which obligations so purchased, are  
892 herein called "Acquired Obligations") bearing such interest and maturing as to principal  
893 and interest in such amounts and at such times that, together with any necessary  
894 beginning cash balance, will provide for the payment of such Refunded Bonds, as set  
895 forth in the Sale Motion. Such Acquired Obligations shall be purchased at a yield not  
896 greater than the yield permitted by the Code and regulations relating to obligations  
897 acquired in connection with refunding bond issues.

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

905 The county will take such actions as are found necessary to see that all necessary  
906 and proper fees, compensation and expenses of the Escrow Agent shall be paid when due.  
907 The proper officers and agents of the county are directed to obtain from each Escrow  
908 Agent an agreement setting forth the duties, obligations and responsibilities of such  
909 Escrow Agent in connection with the redemption and retirement of the Refunded Bonds

910 as provided herein and setting forth such provisions for the payment of the fees,  
911 compensation and expenses of such Escrow Agent as are satisfactory to it. To carry out  
912 the purposes of this section of this ordinance, the Finance Director is authorized and  
913 directed to execute and deliver to each Escrow Agent an escrow agreement in form  
914 approved by the county's bond counsel.

915 B. Findings of Savings and Defeasance. By a Sale Motion, the council shall set  
916 forth its findings of savings and defeasance with respect to those Refunded Bonds  
917 authorized to be refunded from the proceeds of each series of Refunding Bonds.

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

925 SECTION 16. Rate Covenant. The county hereby covenants with the owner of  
926 each of the Bonds for so long as any of the same are outstanding that the county will at  
927 all times establish, maintain and collect rates and charges for sewage disposal service that  
928 together with the interest to be earned on investments made of money in the Revenue Fund,  
929 Bond Fund, Bond Reserve and Construction Account, will provide in each calendar year  
930 Net Revenue in an amount equal to at least 1.15 times the amount required to pay the  
931 Annual Parity Debt Service for such calendar year.

932 At all times and in any event, rates and charges for sewage disposal service shall be  
933 sufficient to provide funds adequate to operate and maintain the System, to make all  
934 payments and to establish and maintain all reserves required by this or any other ordinance  
935 authorizing obligations of the county payable from Revenue of the System, to make up any  
936 deficit in such payments remaining from prior years and to pay all costs incurred in the  
937 construction or acquisition of any portion of the Comprehensive Plan that may be ordered  
938 by the county and for the payment of which sewer revenue bonds (or other obligations  
939 payable from Revenue of the System) are not issued.

940 For the purpose of meeting the requirement of this Section 16, there may be added  
941 to Revenue of the System for any fiscal year any amount withdrawn from the Rate  
942 Stabilization Fund and deposited in the Revenue Fund. There shall be subtracted from  
943 Net Revenue for any fiscal year any amounts in such year withdrawn from the Revenue  
944 Fund and deposited into the Rate Stabilization Fund in such fiscal year.

945 **SECTION 17. Certain Other Covenants.** The county hereby covenants with  
946 the owner and holder of each of the Bonds for as long as any of the Bonds are  
947 outstanding, as follows:

948 A. **Maintain in Good Order.** The county shall cause the System and the business  
949 in connection therewith to be operated in a safe, sound, efficient, and economic manner  
950 in compliance with all health, safety, and environmental laws, regulatory body rules,  
951 regulatory body orders and court orders applicable to the county's operation of the  
952 System, and shall cause to be maintained, preserved, reconstructed, expanded and kept,  
953 with all appurtenances and every part and parcel thereof, in good repair, working order  
954 and condition, and shall from time to time cause to be made, without undue deferral, all

955 necessary or proper repairs, replacements and renewals, so that all times the operation of  
956 the System shall be properly and advantageously conducted.

957         B. Sale or Disposition. The county will not sell or voluntarily dispose of all of  
958 the operating properties of the System unless provision is made for payment into the  
959 Bond Fund of a sum sufficient to pay the principal of and interest on all outstanding  
960 Parity Bonds in accordance with the terms thereof, nor will the county sell or voluntarily  
961 dispose of any part of the operating properties of the System unless provision is made for  
962 payment into the Bond Fund of an amount that will bear at least the same proportion to  
963 the amount of the outstanding Parity Bonds that the estimated amount of any resulting  
964 reduction in the Revenue of the System for the twelve months following such sale or  
965 disposition bears to the Revenue of the System that would have been realized if such sale  
966 or disposition had not been made. Such estimate shall be made by a Professional Utility  
967 Consultant. Any money so paid into the Bond Fund shall be used to retire outstanding  
968 Parity Bonds as provided herein at the earliest possible date; provided, however, that the  
969 county may sell or otherwise dispose of any of the works, plant, properties and facilities  
970 of the System or any real or personal property comprising a part of the System with a  
971 value of less than 5% of the net utility plant of the System or which shall have become  
972 unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or  
973 no longer necessary, material to or useful in such operation, without making any deposit  
974 into the Bond Fund.

975         C. Books and Records. The county will cause proper books of record and  
976 accounts of operation of the System to be kept, including an annual financial report.

977           D. Annual Audit. The county shall cause its books of accounts, including its  
978 annual financial report, to be audited annually by the State auditor's office or other State  
979 department or agency as may be authorized and directed by law to make such audits, or if  
980 such an audit shall not be made for twelve months after the close of any fiscal year of the  
981 county, by a Certified Public Accountant. The county will furnish such audit to the  
982 owner or holder of any Parity Bond upon written request therefor.

983           E. Insurance. The county will at all times carry fire and extended coverage and  
984 such other forms of insurance on such of the buildings, equipment, facilities and  
985 properties of the Sewer System as under good practice are ordinarily carried on such  
986 buildings, equipment, facilities and properties by municipal or privately owned utilities  
987 engaged in the operation of sewer systems and will also carry adequate public liability  
988 insurance at all times, provided that the county may, if deemed advisable by the county  
989 council, institute or continue a self insurance program with respect to any or all of the  
990 aforementioned risks.

991           F. Construction. The county shall cause the construction of any duly authorized  
992 and ordered portions of the Comprehensive Plan to be performed and completed within a  
993 reasonable time and at the lowest reasonable cost.

994           G. Collection of Revenue. The county shall so operate and maintain the System  
995 and conduct its affairs as to entitle it at all times to receive and enforce payment to it of  
996 sewage disposal charges payable under any Service Agreement that the county has now  
997 or may hereafter enter into and to entitle the county to collect all revenues derived from  
998 the operation of the System. The county shall not release the obligations of any person,  
999 corporation or political subdivision under such Service Agreements and shall at all times,

1000 to the extent permitted by law, defend, enforce, preserve and protect the rights and  
1001 privileges of the county and of the holders of the Parity Bonds under or with respect to  
1002 such agreements.

1003           SECTION 18. Tax-Exemption. The county shall comply with the provisions of  
1004 this section unless, in the written opinion of nationally recognized bond counsel to the  
1005 county, such compliance is not required in order to maintain the exemption of the interest  
1006 on the Bonds from federal income taxation.

1007           The county hereby covenants that it will not make any use of the proceeds from  
1008 the sale of the Bonds or any other funds of the county that may be deemed to be proceeds  
1009 of such Bonds pursuant to Section 148 of the Code and the applicable regulations  
1010 thereunder that will cause the Bonds to be "arbitrage bonds" within the meaning of said  
1011 section and said regulations. The county will comply with the applicable requirements of  
1012 Section 148 of the Code (or any successor provision thereof applicable to the Bonds) and  
1013 the applicable regulations thereunder throughout the term of the Bonds. The county will  
1014 pay the Rebate Amount, if any, to the United States of America at the times and in the  
1015 amounts necessary to meet the requirements of the Code to maintain the federal income  
1016 tax exemption for interest payments on the Bonds, in accordance with each Arbitrage and  
1017 Tax Certification.

1018           The county further covenants that it will not take any action or permit any action  
1019 to be taken that would cause the Bonds to constitute "private activity bonds" under  
1020 Section 141 of the Code.

1021           SECTION 19. Trustee for Bondowners.

1022           A. Appointment of Trustee. Upon the occurrence of any "event of default"  
1023 described in Section 20.A of this ordinance, the owners of a majority in principal amount  
1024 of the outstanding Parity Bonds may appoint a Trustee by an instrument or concurrent  
1025 instruments in writing signed and acknowledged by such Bondowners or by their  
1026 attorneys-in-fact duly authorized and delivered to such Trustee, notification thereof being  
1027 given to the county. Any appointment of a Trustee under the provisions of this  
1028 subsection shall be a bank or trust company organized under the laws of the State of  
1029 Washington or the State of New York or a national banking association. The fees and  
1030 expenses of a Trustee shall be borne by the Bondowners and not by the county. The bank  
1031 or trust company acting as a Trustee may be removed at any time and a successor Trustee  
1032 may be appointed by the owners of a majority in principal amount of the outstanding  
1033 Parity Bonds, by an instrument or concurrent instruments in writing signed and  
1034 acknowledged by such Bondowners or by their attorneys-in-fact duly authorized.

1035           The Trustee appointed in the manner herein provided, and each successor thereto,  
1036 is hereby declared to be a trustee for the owners of all the Parity Bonds and is empowered  
1037 to exercise all the rights and powers herein conferred on the Trustee.

1038           B. Certain Rights and Obligations of Trustee. The Trustee shall not be responsible  
1039 for recitals in any ordinance or in the Parity Bonds, or for the validity of said bonds, nor  
1040 shall the Trustee be responsible for insuring the System or for collecting any insurance  
1041 money or for the title to any of the property of the System.

1042           The Trustee shall be protected in acting upon any notice, request, consent,  
1043 certificate, order, affidavit, letter, telegram or other paper or document believed by it to be

1044 genuine and correct and to have been signed, sent or delivered by the person or persons by  
1045 whom such paper or document shall purport to have been signed, sent or delivered.

1046 The Trustee shall not be answerable for any neglect or default of any person, firm or  
1047 corporation employed and selected by it with reasonable care.

1048 The Trustee will permit the owner or holder of any Parity Bonds to inspect any  
1049 instrument, opinion or certificate filed with the Trustee by the county or by any person, firm  
1050 or corporation acting for the county.

1051 The Trustee shall not be bound to recognize any person as an owner or holder of any  
1052 Parity Bond until his, her or its title thereto, if disputed, shall have been established to its  
1053 reasonable satisfaction.

1054 The Trustee may consult with counsel and the opinion of such counsel shall be full  
1055 and complete authorization and protection in respect of any action taken or suffered by it  
1056 hereunder in good faith and in accordance with the opinion of such counsel.

1057 **SECTION 20. Events of Default; Powers and Duties of Trustee.**

1058 A. Events of Default. The occurrence of one or more of the following events shall  
1059 be "events of default" under this ordinance:

1060 (i) default in the payment of principal of or interest on any Parity Bonds when the  
1061 same shall become due or default in the deposit of amounts into the Term Bond Payment  
1062 Account by the required dates for such deposits; or

1063 (ii) default in the observance or performance of any of the other covenants herein  
1064 contained, and such default continues for a period of six months after written notice to the  
1065 county from a bondholder specifying such default and requiring the same to be remedied.



1066           B. Powers of Trustee. The Trustee in its own name and on behalf of and for the  
1067 benefit and protection of the holders and owners of all Parity Bonds may proceed, and upon  
1068 the written request of the holders and owners of not less than 25% in principal amount of the  
1069 Parity Bonds then outstanding shall proceed, to protect and enforce any rights of the Trustee  
1070 and, to the full extent that owners or holders of Parity Bonds themselves might do, the rights  
1071 of such owners and holders of Parity Bonds under the laws of the State of Washington or  
1072 under the ordinances providing for the issuance of such bonds, by such suits, actions or  
1073 proceedings in equity or at law, either for the specific performance of any covenant  
1074 contained herein or in aid or execution of any power herein granted or for any proper legal  
1075 or equitable remedy as the Trustee shall deem most effectual to protect and enforce the  
1076 rights of the Trustee and the holders and owners of Parity Bonds. In the enforcement of any  
1077 such rights under this or any other ordinance of the county, the Trustee shall be entitled to  
1078 sue for, to enforce payment of and to receive any and all amounts due from the county for  
1079 principal, interest or otherwise under any of the provisions of such ordinance, with interest  
1080 on overdue payments at the rate or rates set forth in such bond or bonds, together with any  
1081 and all costs and expenses of collection and of all proceedings taken by the Trustee without  
1082 prejudice to any other right or remedy of the Trustee or of the bondholders.

1083           In the event that default shall be made in the payment of principal of any Parity  
1084 Bond and such default shall continue for a period of 30 days, (i) so long as any of the 1999  
1085 Bonds, 1999 (2nd) Bonds, 2001 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds and  
1086 2004 Bonds remain outstanding, the Trustee shall be entitled to declare all outstanding  
1087 Parity Bonds immediately due and payable and may proceed to enforce payment thereof as  
1088 hereinabove provided, and (ii) after such time as no 1999 Bonds, 1999 (2nd) Bonds, 2001

1089 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds and 2004 Bonds remain outstanding,  
1090 the Trustee may not accelerate payment of any Parity Bonds but may proceed to enforce  
1091 payment thereof as hereinabove provided. In the event any default shall, in the sole  
1092 judgment of the Trustee, be cured and the Trustee shall furnish the county a certificate so  
1093 stating, such default shall be conclusively deemed to be cured, and the county, Trustee and  
1094 owners and holders of Parity Bonds shall be restored to the same rights and position they  
1095 would have held if no event of default had occurred.

1096 C. Actions in Name of Trustee. All rights of action under this ordinance or upon  
1097 any of the Parity Bonds enforceable by the Trustee may be enforced by the Trustee without  
1098 the possession of any of such bonds or the production thereof on the trial or other  
1099 proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee  
1100 shall be brought in its name for the ratable benefit of the holders of said bonds, subject to the  
1101 provisions of this ordinance.

1102 D. Procedure by Bond Owners. No owner of any one or more of the Bonds shall  
1103 have any right to institute any action, suit or proceedings at law or in equity for the  
1104 enforcement of the same, unless an event of default has occurred and unless no Trustee  
1105 has been appointed as herein provided, but any remedy herein authorized to be exercised  
1106 by a Trustee may be exercised individually by any Bondowner, in his own name and on  
1107 his own behalf or for the benefit of all Parity Bondowners, in the event that no Trustee  
1108 has been appointed, or with the consent of the Trustee if such Trustee has been appointed.

1109 E. Application of Money Collected by Trustee. Any money collected by the  
1110 Trustee at any time pursuant to this section shall be applied, first, to the payment of its  
1111 charges, expenses, advances and compensation and the charges, expenses, counsel fees,

1112 disbursements and compensation of its agents and attorneys, and, second, toward payment  
1113 of the amount then due and unpaid upon the Parity Bonds, ratably and without preference or  
1114 priority of any kind not expressly provided in this ordinance, according to the amounts due  
1115 and payable upon such bonds at the date fixed by the Trustee for the distribution of such  
1116 money, upon presentation of the several bonds and upon causing such payment to be  
1117 stamped thereon, if partly paid, and upon surrender thereof, if fully paid.

1118           SECTION 21. Future Parity Bonds. The county further covenants and agrees  
1119 with the owners and holders of the Parity Bonds for as long as the same are outstanding that  
1120 it will not create any special fund for the payment of the principal of and interest on any  
1121 revenue bonds that will rank on a parity with or have any priority over the payments out of  
1122 the Revenue of the System required to be made into the Bond Fund and the accounts therein  
1123 to pay or secure the payment of the outstanding Parity Bonds, except that it reserves the  
1124 right for:

- 1125           (1) the purpose of acquiring, constructing and installing any portion of the  
1126 Comprehensive Plan, or
- 1127           (2) the purpose of acquiring, constructing and installing any necessary renewals or  
1128 replacements of the System, or
- 1129           (3) the purpose of refunding or purchasing and retiring at or prior to their maturity  
1130 any outstanding obligations of the county payable from Revenue of the System, to issue  
1131 additional or refunding bonds and to make payments into the Bond Fund out of the Revenue  
1132 Fund that will be sufficient to pay the principal of and interest on said additional or  
1133 refunding bonds and to maintain required reserves, which such payments out of the Revenue  
1134 Fund may rank equally with the payments out of the Revenue Fund required to be made into

1135 the Bond Fund and the accounts therein for the payment of the principal of and interest on  
1136 outstanding Parity Bonds only upon compliance with the following conditions:

1137         A. At the time of the issuance of any Future Parity Bonds there shall not be any  
1138 deficiency in the Bond Fund or any account therein.

1139         B. Each ordinance providing for the issuance of any Future Parity Bonds that are  
1140 refunding bonds shall require that all money held in any fund or account of the county  
1141 created for the purpose of paying the principal of and interest on the bonds being refunded  
1142 either be used to pay the principal of and interest on such bonds or be transferred or paid  
1143 into the Bond Fund.

1144         C. Each ordinance providing for the issuance of Future Parity Bonds shall provide  
1145 for the payment of the principal thereof and interest thereon out of the Bond Fund. The  
1146 Future Parity Bonds may bear such date of issue, Interest Payment Dates, and Principal  
1147 Payment Dates, and shall mature in such year or years as the county council may determine.  
1148 Each such ordinance shall further provide that within one year following the issuance of  
1149 such Future Parity Bonds (or upon the issuance of such Future Parity Bonds, if required by  
1150 the terms of any agreement with a provider of Qualified Insurance or a Qualified Letter of  
1151 Credit then securing any Parity Bonds) the county will pay into the Bond Reserve an  
1152 amount that will be sufficient to satisfy the Reserve Requirement then applicable or provide  
1153 Qualified Insurance or a Qualified Letter of Credit to satisfy such Reserve Requirement.

1154         D.(1) At the time of the issuance of any Future Parity Bonds, the county shall have  
1155 on file a certificate from a Professional Utility Consultant (the certificate may not be dated  
1156 more than 90 days prior to the date of delivery of such Future Parity Bonds), showing that in  
1157 his or her professional opinion the "annual income available for revenue bond debt service"

1158 for each year during the life of such Future Parity Bonds shall be at least equal to 1.25 times  
1159 the amount required in each such year to pay the Annual Parity Debt Service for such year.

1160 (2) Such "annual income available for revenue bond debt service" shall be  
1161 determined as follows for each year following the proposed date of issue of such Future  
1162 Parity Bonds:

1163 (i) The Revenue of the System shall be determined for a period of any 12  
1164 consecutive months out of the 18 months immediately preceding the delivery of the  
1165 Future Parity Bonds being issued.

1166 (ii) Such revenue shall be adjusted to give effect on a 12-month basis to the  
1167 rates in effect on the date of such certificate.

1168 (iii) If there were any Customers added to the System during such 12-month  
1169 period or thereafter and prior to the date of the Professional Utility Consultant's  
1170 certificate, such revenue shall be further adjusted on the basis that added Customers were  
1171 Customers of the System during the entire 12-month period.

1172 (iv) There shall be deducted from such revenue the amount expended for  
1173 Operating and Maintenance Expenses during such period.

1174 (v) For each year following the proposed date of issuance of such Future Parity  
1175 Bonds the Professional Utility Consultant shall add to the annual revenue determined in  
1176 the preceding four paragraphs an estimate of the income to be received in each such year  
1177 from the investment of money in the Bond Fund and any account therein, and the  
1178 Construction Account, which will be determined by and in the sole discretion of a firm of  
1179 nationally recognized financial consultants selected by the county.

1180 (vi) Beginning with the second year following the proposed date of issue of  
1181 such Future Parity Bonds and for each year thereafter, the Professional Utility Consultant  
1182 shall add to the annual revenue determined in the preceding five paragraphs his or her  
1183 estimate of any additional annual revenue to be received from anticipated growth in the  
1184 number of Customers within the area served by the System on the date of such certificate,  
1185 after deducting therefrom any increased Operating and Maintenance Expenses estimated  
1186 to be incurred as a result of such growth; provided that the Professional Utility  
1187 Consultant's estimate of the number of Customers served shall not assume growth of  
1188 more than 1/4 of 1% over and above the number of Customers served or estimated to be  
1189 served during the preceding year.

1190 (vii) If extensions of or additions to the System are in the process of  
1191 construction at the time of such certificate, or if the proceeds of the Future Parity Bonds  
1192 being issued are to be used to acquire or construct extensions of or additions to the  
1193 System, there shall be added to the annual net revenue as above determined any revenue  
1194 not included in the preceding paragraphs that will be derived from such additions and  
1195 extensions after deducting therefrom the estimated additional Operating and Maintenance  
1196 Expenses to be incurred as a result of such additions and extensions; provided that such  
1197 estimated annual revenue shall be based upon 75% of any estimated Customer growth in  
1198 the four years following the first full year in which such additional revenue is to be  
1199 collected and thereafter the estimated Customer growth shall not exceed 1/4 of 1% per  
1200 year over and above such reduced estimate.

1201 E. Instead of the certificate described in subsection D above, the county may  
1202 elect instead to have on file a certificate of the Finance Director demonstrating that

1203 during any 12 consecutive calendar months out of the immediately preceding 18 calendar  
1204 months Net Revenue was at least equal to 1.25 times the amount required to pay, in each  
1205 year that such Future Parity Bonds would be outstanding, the Annual Parity Debt Service for  
1206 such year.

1207 F. For the purpose of refunding at or prior to their maturity any outstanding  
1208 Parity Bonds or any bonds or other obligations of the county payable from Revenue of  
1209 the System, the county may at any time issue Future Parity Bonds without complying  
1210 with the provisions of subsection D or E hereof; provided, however, that the county shall  
1211 not issue Future Parity Bonds for such purpose under this subsection F unless the Finance  
1212 Director certifies that upon the issuance of such Future Parity Bonds that (i) total debt  
1213 service required for all Parity Bonds (including the refunding bonds but not including the  
1214 bonds to be refunded thereby) shall decrease, and (ii) the annual debt service for each  
1215 year that any Parity Bonds (including the refunding bonds proposed to be issued) are then  
1216 outstanding shall not be increased by more than \$5,000 by reason of the issuance of such  
1217 Future Parity Bonds.

1218 The principal amount of Future Parity Bonds issued pursuant to this subsection F  
1219 may include amounts necessary to pay the principal of the Parity Bonds or other  
1220 obligations to be refunded, interest thereon to the date of payment or redemption thereof,  
1221 any premium payable thereon upon such payment or redemption and the costs of issuance  
1222 of such Future Parity Bonds, and if there shall have been provided a Payment Agreement  
1223 with respect to the obligations to be refunded, may include amounts necessary to make  
1224 the payment of all amounts, if any, due and payable by the county under such Payment  
1225 Agreement. The proceeds of such Future Parity Bonds shall be held and applied in such

1226 manner as is provided for in the ordinance authorizing the issuance of the Parity Bonds or  
1227 other obligations to be refunded, so that upon the delivery of such Future Parity Bonds,  
1228 the Parity Bonds or other obligations to be refunded thereby shall be deemed to be no  
1229 longer outstanding in accordance with the ordinance authorizing their issuance.

1230 G. Nothing contained in this ordinance shall prevent the county from issuing  
1231 revenue bonds that are a charge upon the Revenue of the System and money in the Revenue  
1232 Fund junior or inferior to the payments required to be made therefrom into the Bond Fund  
1233 and any account therein, nor shall anything herein contained prevent the county from issuing  
1234 Future Parity Bonds to refund maturing Parity Bonds for the payment of which money is not  
1235 otherwise available.

1236 **SECTION 22. Reimbursement Obligations.** If the county elects to secure any  
1237 Parity Bonds with a Credit Facility, the county may contract with the entity providing  
1238 such Credit Facility that the reimbursement obligation, if any, to such entity is a Parity  
1239 Bond.

1240 **SECTION 23. Parity Payment Agreements.**

1241 A. General. To the extent and for the purposes permitted from time to time by  
1242 Chapter 39.96 RCW, as it may be amended, and other applicable provisions of State law,  
1243 the county may enter into Parity Payment Agreements, subject to the conditions set forth  
1244 in this section and in other provisions of this ordinance.

1245 B. Manner and Schedule of Payments. Each Parity Payment Agreement shall set  
1246 forth the manner in which the Payment Agreement Payments and the Payment  
1247 Agreement Receipts shall be calculated and a schedule of payment dates.



1248 C. Authorizing Ordinance. Prior to entering into a Parity Payment Agreement,  
1249 the county council shall pass an ordinance authorizing such agreement and setting forth  
1250 such provisions as the county deems necessary or desirable and are not inconsistent with  
1251 the provisions of this ordinance.

1252 D. Calculation of Payment Agreement Payments and Debt Service on Parity  
1253 Bonds with Respect to which a Payment Agreement is in Force. It is the intent of the  
1254 county, for purposes of Sections 16 or 21 of this ordinance, that debt service on Parity  
1255 Bonds with respect to which a Parity Payment Agreement is in force shall be calculated  
1256 to reflect the net economic effect on the county intended to be produced by the terms of  
1257 such Parity Bonds and Parity Payment Agreement. In calculating such amounts, the  
1258 county shall be guided by the following requirements.

1259 (i) The amount of interest deemed to be payable on any Parity Bonds with  
1260 respect to which a Parity Payment Agreement is in force shall be an amount equal to the  
1261 amount of interest that would be payable at the rate or rates stated in those Parity Bonds  
1262 plus Payment Agreement Payments minus Payment Agreement Receipts.

1263 (ii) For any period during which Payment Agreement Payments are not taken  
1264 into account in calculating interest on any outstanding Parity Bonds because the Parity  
1265 Payment Agreement is not then related to any outstanding Parity Bonds, Payment  
1266 Agreement Payments on that Parity Payment Agreement shall be calculated based upon  
1267 the following assumptions:

1268 (a) County Obligated to Make Payments Based on Fixed Rate. If the county is  
1269 obligated to make Payment Agreement Payments based on a fixed rate and the Qualified  
1270 Counterparty is obligated to make payments based on a variable rate index, payments by

1271 the county will be based on the assumed fixed payor rate, and payments by the Qualified  
1272 Counterparty will be based on a rate equal to the average rate determined by the variable  
1273 rate index specified by the Parity Payment Agreement during the fiscal quarter preceding  
1274 the quarter in which the calculation is made; and

1275 (b) County Obligated to Make Payments Based on Variable Rate Index. If the  
1276 county is obligated to make Payment Agreement Payments based on a variable rate index  
1277 and the Qualified Counterparty is obligated to make payments based on a fixed rate,  
1278 payments by the county will be based on a rate equal to the average rate determined by  
1279 the variable rate index specified by the Parity Payment Agreement during the fiscal  
1280 quarter preceding the quarter in which the calculation is made, and the Qualified  
1281 Counterparty will make payments based on the fixed rate specified by the Parity Payment  
1282 Agreement.

1283 E. Prior Notice to Moody's and S&P. The county shall give notice to Moody's  
1284 and S&P 30 days prior to the date it intends to enter into a Parity Payment Agreement.

1285 **SECTION 24. Sale of Bonds.**

1286 A. Determination by Finance Director. The Finance Director shall determine, in  
1287 consultation with the county's financial advisors, which of the Refunding Candidates  
1288 shall be refunded, whether the Refunding Bonds and Project Bonds shall be sold  
1289 separately or sold in a combined series, and whether each such series of the Bonds shall  
1290 be sold by negotiated sale or competitive bid and by current or future delivery. The  
1291 authority to sell any of the Bonds authorized hereunder shall terminate on December 31,  
1292 2006.

1293 In determining which of the Refunding Candidates, if any, should be advance  
1294 refunded under the authority of this ordinance, the council intends that the Finance  
1295 Director adhere to a refunding guideline that the present value of the savings achieved by  
1296 any advance refunding exceed a minimum level of 5% of the principal amount of  
1297 Refunded Bonds that are advance refunded. This requirement does not apply to the  
1298 current refunding of any Refunded Bonds, i.e. the redemption of such Refunded Bonds  
1299 paid for with proceeds of Refunding Bonds issued no earlier than 90 days prior to such  
1300 date fixed for redemption.

1301 B. Procedure for Negotiated Sale. If the Finance Director determines that any  
1302 series of the Bonds shall be sold by negotiated sale, the Finance Director shall, in  
1303 accordance with applicable county procurement procedures, solicit one or more  
1304 underwriting firms with which to negotiate the sale of the Bonds. The purchase contract  
1305 for any series of Bonds shall establish the date, principal amount, interest rates, maturity  
1306 schedule, redemption and bond insurance provisions, and delivery date of the Bonds.  
1307 The county council by a Sale Motion shall approve the bond purchase contract and ratify  
1308 and confirm the terms for the series of Bonds established therein.

1309 C. Procedure for Sale by Competitive Bid. If the Finance Director determines  
1310 that any series of the Bonds shall be sold by competitive bid, bids for the purchase of  
1311 such Bonds shall be received at such time or place and by such means as the Finance  
1312 Director shall direct. The Finance Director is authorized to prepare a notice of sale for  
1313 such Bonds, establishing in such notice the date, principal amount, interest payment  
1314 dates, maturity schedule, and redemption and bond insurance provisions for such Bonds.  
1315 The official notice of sale or an abridged form thereof shall be published in such

1316 newspapers or financial journals as may be deemed desirable or appropriate by the  
1317 financial advisors to the county.

1318           Upon the date and time established for the receipt of bids for any series of the  
1319 Bonds, the Finance Director or his designee shall review the bids, shall cause the bids to  
1320 be mathematically verified and shall report to the county council regarding the bids  
1321 received. Such bids shall then be considered and acted upon by the county council in an  
1322 open public meeting. The county council reserves the right to reject any and all bids for  
1323 such Bonds. The county council by a Sale Motion shall approve the sale of such Bonds  
1324 and ratify and confirm the date, interest rates, maturity schedule, redemption and bond  
1325 insurance provisions, and any other terms of such Bonds.

1326           SECTION 25. Delivery of Bonds. Following the sale of any series of the Bonds,  
1327 the county shall cause definitive Bonds of such series to be prepared, executed and  
1328 delivered, which Bonds shall be typewritten, lithographed or printed with engraved or  
1329 lithographed borders, or in such other form acceptable to DTC as initial depository for  
1330 such Bonds.

1331           If definitive Bonds are not ready for delivery by the date established for Closing,  
1332 then the Finance Director, upon the approval of the purchasers, may cause to be issued  
1333 and delivered to the purchasers one or more temporary Bonds with appropriate  
1334 omissions, changes and additions. Any temporary Bond or Bonds shall be entitled and  
1335 subject to the same benefits and provisions of this ordinance with respect to the payment,  
1336 security and obligation thereof as definitive Bonds authorized thereby. Such temporary  
1337 Bond or Bonds shall be exchangeable without cost to the owners thereof for definitive  
1338 Bonds when the latter are ready for delivery.

1339            SECTION 26. Official Statement. The county hereby authorizes and directs the  
1340 Finance Director: (i) to review and approve the information contained in the preliminary  
1341 official statement (the "Preliminary Official Statement") prepared in connection with the  
1342 sale of any series of the Bonds; and (ii) for the sole purpose of the Bond purchasers'  
1343 compliance with Section (b)(1) of the Rule, to "deem final" that Preliminary Official  
1344 Statement as of its date, except for the omission of information on offering prices, interest  
1345 rates, selling compensation, delivery dates, bond insurance, any other terms or provisions  
1346 required by the county to be specified in a competitive bid or bond purchase contract,  
1347 ratings, the identity of the Bond Purchaser, and other terms of such series of Bonds  
1348 dependent on such matters. After a Preliminary Official Statement has been reviewed  
1349 and approved in accordance with the provisions of this section, the county hereby  
1350 authorizes distribution of the Preliminary Official Statement to prospective purchasers of  
1351 such series of Bonds.

1352            Following the sale of any series of the Bonds in accordance with Section 24 of  
1353 this ordinance, the Finance Director is hereby authorized to review and approve on behalf  
1354 of the county a final official statement with respect to such Bonds. The county agrees to  
1355 cooperate with the purchaser of such Bonds to deliver or cause to be delivered, within  
1356 seven business days from the date of the Sale Motion and in sufficient time to accompany  
1357 any confirmation that requests payment from any customer of the purchaser, copies of the  
1358 final official statement in sufficient quantity to comply with paragraph (b)(4) of the Rule  
1359 and the rules of the Municipal Securities Rulemaking Board ("MSRB").

1360            SECTION 27. Undertaking to Provide Ongoing Disclosure. In each Sale  
1361 Motion, the county council will set forth an undertaking for ongoing disclosure with  
1362 respect to each series of the Bonds, as required by Section (b)(5) of the Rule.

1363            SECTION 28. General Authorization. The appropriate county officials, agents  
1364 and representatives are hereby authorized and directed to do everything necessary for the  
1365 prompt sale, issuance, execution and delivery of the Bonds, and for the proper use and  
1366 application of the proceeds of the sale thereof.

1367            SECTION 29. Investment of Funds and Accounts. Money in the Bond Fund,  
1368 Bond Reserve Account, Revenue Fund and Construction Account may be invested in any  
1369 investments permitted for funds of the county. Obligations purchased as an investment of  
1370 money in the Revenue Fund, Bond Fund and Construction Account and accounts or  
1371 subaccounts therein shall be deemed at all times to be a part of such respective fund,  
1372 account or subaccount, and the income or interest earned, profits realized or losses  
1373 suffered by a fund, account or subaccount, due to the investment thereof shall be retained  
1374 in, credited or charged, as the case may be, to such fund or account.

1375            In computing the amount in any fund or account under the provisions of this  
1376 ordinance, obligations purchased as an investment of money therein shall be valued at the  
1377 cost or market price thereof, whichever is lower, inclusive of accrued interest.

1378            SECTION 30. Defeasance. In the event that money and/or noncallable  
1379 Government Obligations maturing at such time or times and bearing interest to be earned  
1380 thereon in amounts (together with such money, if necessary) sufficient to redeem and  
1381 retire, refund or defease part or all of the Bonds in accordance with their terms, are set  
1382 aside in a special account of the county to effect such redemption and retirement, and

1383 such money and the principal of and interest on such Government Obligations are  
1384 irrevocably set aside and pledged for such purpose, then no further payments need be  
1385 made into the Bond Fund for the payment of the principal of and interest on the Bonds so  
1386 provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of  
1387 this ordinance except the right to receive the money so set aside and pledged, and such  
1388 Bonds shall be deemed not to be outstanding hereunder.

1389           Within 30 days of the defeasance of any of the Bonds, the Bond Registrar shall  
1390 provide notice of defeasance of such Bonds to the Registered Owners of the Bonds and to  
1391 each NRMSIR and SID, if any, in accordance with the ongoing disclosure provisions to  
1392 be adopted by the Sale Motion.

1393           SECTION 31. Supplemental Ordinances. The county council from time to  
1394 time and at any time may adopt an ordinance or ordinances supplemental to this  
1395 ordinance which supplemental ordinance or ordinances thereafter shall become a part of  
1396 this ordinance, for any one or more of the following purposes:

1397           A. To add to the covenants and agreements of the county in this ordinance such  
1398 other covenants and agreements thereafter to be observed, which shall not adversely  
1399 affect the interests of the holds and owners of any Parity Bonds, or to surrender any right  
1400 or power herein reserved to or conferred upon the county.

1401           B. To make such provisions for the purpose of curing any ambiguities or of  
1402 curing, correcting or supplementing any defective provision contained in this ordinance  
1403 or any ordinance authorizing Future Parity Bonds in regard to matters or questions arising  
1404 under such ordinances as the county council may deem necessary or desirable and not

1405 inconsistent with such ordinances and which shall not adversely affect the interest of the  
1406 holders and owners of Parity Bonds.

1407           SECTION 32. Severability. The covenants contained in this ordinance shall  
1408 constitute a contract between the county and the owners of each and every Bond. If any  
1409 one or more of the covenants or agreements provided in this ordinance to be performed  
1410 on the part of the county by any court of competent jurisdiction to be contrary to law,  
1411 then such covenant or covenants, agreement or agreements, shall be null and void and  
1412 shall be deemed separable from the remaining covenants and agreements of this  
1413 ordinance and shall in no way affect the validity of the other provisions of this ordinance  
1414 or of the Bonds.



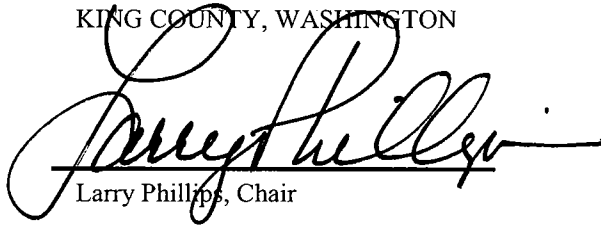
1415            SECTION 33. Effective Date. This ordinance shall be effective 10 days after its  
1416 enactment, in accordance with Article II of the county charter.

1417

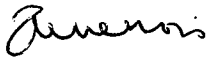
Ordinance 15385 was introduced on 11/21/2005 and passed by the Metropolitan King  
County Council on 3/13/2006, by the following vote:

Yes: 9 - Mr. Phillips, Mr. von Reichbauer, Ms. Lambert, Mr. Dunn, Mr.  
Ferguson, Mr. Gossett, Ms. Hague, Ms. Patterson and Mr. Constantine  
No: 0  
Excused: 0

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

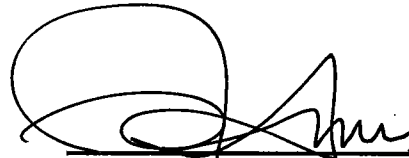
  
Larry Phillips, Chair

ATTEST:



Anne Noris, Clerk of the Council

APPROVED this 22 day of MARCH, 2006.



Ron Sims, County Executive

Attachments      A. Exhibit A Form of Bond

RECEIVED  
2008 MAR 24 PM 4:29  
CLERK  
KING COUNTY COUNCIL

**EXHIBIT A**  
**FORM OF BOND**

NO. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

SEWER REVENUE [AND REFUNDING] BOND, [applicable year and series  
designation]

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 \_\_\_\_\_, 20\_\_\_\_, 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 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 either 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 registration books maintained by the Bond Registrar (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"), issued pursuant to Ordinance \_\_\_\_\_ of the County and Motion \_\_\_\_\_ of the County Council (together, the "Bond Ordinance"), all payable solely from the special fund of the County known as the Water Quality Revenue Bond Account (the "Bond Fund"). Capitalized terms used in this bond and not defined herein shall have the meanings given such terms in the Bond Ordinance.

The Bonds are issued to provide funds [for capital improvements to the sewer system of the County (the "System")] [to refund certain outstanding sewer revenue bonds of the county]. 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 the Bond Ordinance

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

This bond and the Bonds are special limited obligations of the County and are not obligations of the State of Washington or any political subdivision thereof other than the County, and neither the full faith and credit nor the taxing power of the County or the State of Washington or any political subdivision thereof is pledged to the payment of this bond or the Bonds.

The County hereby covenants and agrees with the holder of this bond that it will keep and perform all the covenants of this bond and of the Bond Ordinance to be by it kept and performed. The County pledges and binds itself to set aside out of the earnings and revenue of the Sewer System and to pay into the Bond Fund and certain accounts therein the various amounts required by the Bond Ordinance to be paid into and maintained in said accounts, all within the times provided by said ordinance.

Said amounts so pledged to be paid out of said earnings and revenue are hereby declared to be a prior lien and charge thereon superior to all other liens and charges of any kind or nature except Operating and Maintenance Expenses of the Sewer System. Said amounts so pledged out of said earnings and revenue are further declared to be of equal lien to charges that have been or may be made thereon to pay the principal of and interest on outstanding Parity Bonds and any Future Parity Bonds.

The County has further pledged that it will cause the Sewer 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 the Bonds are issued.

The pledge of revenues and other obligations of the County under the Bond Ordinance may be discharged prior to maturity of the Bonds by making provisions 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 and to be attested by the manual or facsimile 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 \_\_\_\_\_, 20\_\_.

KING COUNTY, WASHINGTON

By \_\_\_\_\_ /s/ \_\_\_\_\_

King County Executive

ATTEST:

\_\_\_\_\_ /s/ \_\_\_\_\_

Clerk of the County Council

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.

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 Sewer Revenue [and Refunding] Bonds, Series \_\_\_\_\_, of King County, Washington, dated \_\_\_\_\_, 20\_\_, described in the within mentioned Bond Ordinance.

WASHINGTON STATE FISCAL  
AGENCY, as Bond Registrar

By \_\_\_\_\_

Authorized Signatory

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: \_\_\_\_\_, 20\_\_.

---

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:

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NOTICE: Signatures must be guaranteed pursuant to law.