



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

September 12, 2006

Ordinance 15584

Proposed No. 2006-0280.3

Sponsors Ferguson

1 AN ORDINANCE authorizing the issuance and sale of
2 junior lien multi-modal sewer revenue bonds in the
3 principal amount of \$50,000,000 to provide funds for
4 constructing improvements to the sewer system of the
5 county; providing the date, form, terms, maturity, and
6 method of determining interest rates of such bonds;
7 providing the covenants and conditions under which such
8 bonds will be issued; appointing a remarketing agent;
9 authorizing certain agreements to provide bond insurance
10 and liquidity support for the bonds; and providing for the
11 sale of the bonds to Goldman, Sachs & Co.

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14 **PREAMBLE:**

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

18 pumping stations, regulator stations, outfall sewers, storm sewers to divert
19 stormwater from sanitary sewers, lands for application of biosolids,
20 property rights, and buildings and other structures (collectively the “Sewer
21 System” or the “System”), all in accordance with a comprehensive plan
22 for metropolitan water pollution abatement under the authority of chapters
23 36.56 and 35.58 of the Revised Code of Washington (“RCW”).
24 Long term service agreements with participating municipalities (the
25 “Participants”) obligate the county to treat and dispose of sewage collected
26 by the Participants. The Participants must pay the costs of such services
27 including debt service on sewer revenue bonds, including the bonds
28 authorized herein, and other indebtedness payable from and secured by
29 sewer revenues.
30 The county has issued the following series of sewer revenue bonds with a
31 senior lien on revenues of the Sewer System (the “Parity Bonds”):

Designation	Ordinance	Date of Issue	Outstanding	
			Original Principal	Principal 7/1/2006
1999 Bonds	13468	6/01/1999	\$ 80,000,000	\$ 55,795,000
1999 Bonds (2nd)	13650	11/01/1999	60,000,000	3,365,000
2001 Bonds	14225	11/28/2001	270,060,000	233,010,000
2002A Bonds	14406	8/14/2002	100,000,000	100,000,000
2002B Bonds	14406	10/03/2002	346,130,000	311,310,000
2003A Bonds	14406	4/24/2003	96,470,000	93,665,000

Designation	Ordinance	Date of Issue	Original	Outstanding
			Principal	Principal
				7/1/2006
2004A Bonds	14753	3/18/2004	185,000,000	185,000,000
2004B Bonds	14753	3/18/2004	61,760,000	60,290,000
2006 Bonds	15385	5/16/2006	124,070,000	124,070,000

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

Designation	Ordinance	Date of Issue	Original	Outstanding
			Principal	Principal
				7/1/2006
Series 1996	12314	12/15/1996	\$ 130,965,000	\$ 90,655,000
Series 1998	13256	9/15/1998	261,625,000	251,220,000
Series 2005	15033	4/21/2005	200,000,000	200,000,000

36 The county has issued its Junior Lien Variable Rate Demand Revenue
 37 Bonds, Series 2001A and 2001B (the “2001 Junior Lien Obligations”),
 38 with a lien on revenue of the Sewer System junior and subordinate to the
 39 lien thereon of the Parity Bonds and the Parity Lien Obligations, pursuant
 40 to Ordinances 14171 and 14172, passed by the county council on July 16,
 41 2001.

42 The county has authorized the issuance of its Sewer Revenue Anticipation
43 Notes, Commercial Paper Series A, in the aggregate principal amount of
44 not to exceed \$100,000,000 at any time outstanding (the “Commercial
45 Paper Notes”), with a lien on revenues of the Sewer System junior and
46 subordinate to the lien thereon of the Parity Bonds, the Parity Lien
47 Obligations and the 2001 Junior Lien Obligations, pursuant to Ordinance
48 12057, passed by the county council on December 11, 1995, as amended.
49 The ordinances authorizing the issuance of the Parity Bonds, the Parity
50 Lien Obligations, the 2001 Junior Lien Obligations and the Commercial
51 Paper Notes permit the county to issue additional sewer revenue bonds
52 with a lien on revenues of the Sewer System equal to the lien thereon of
53 the 2001 Junior Lien Obligations and superior to the lien thereon of the
54 Commercial Paper Notes. The county wishes to issue \$100,000,000 of
55 multi-modal revenue bonds with a lien on revenue of the Sewer System
56 equal to the lien thereon of the 2001 Junior Lien Obligations and superior
57 to the lien thereon of the Commercial Paper Notes. Such bonds shall be
58 issued in two series, each in the principal amount of \$50,000,000.
59 This ordinance authorizes the issuance of Series 2006A of such bonds in
60 the aggregate principal amount of \$50,000,000 (the “Bonds”), to be sold
61 by negotiated sale to Goldman, Sachs & Co., as provided herein. The
62 date, form, terms, maturity and method of determining interest rates of the
63 Bonds shall be fixed as provided herein. To provide credit enhancement
64 for the Bonds and Series 2006B of such bonds (the “2006B Bonds”), the

65 county shall provide for the delivery of a policy of financial guaranty
66 insurance from MBIA Insurance Corporation, as authorized by this
67 ordinance. To provide liquidity for the Bonds and the 2006B Bonds, the
68 county shall enter into a standby bond purchase agreement with KBC
69 Bank N.V., acting through its New York branch, as authorized by this
70 ordinance.

71 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

72 **ARTICLE I.**

73 **DEFINITIONS; INTERPRETATION; FINDINGS**

74 **SECTION 1.01. Definitions**~~Error! Bookmark not defined.~~ Defined terms
75 relating to the ARS Mode (including but not limited to ARS Rate, ARS Rate Period,
76 Auction, Auction Agent, Auction Date, Auction Period, Auction Procedures, Broker-
77 Dealer, Maximum Interest Rate and Special Auction Period) shall have the meanings
78 given to such terms in Exhibit B. Certain terms, identified with an asterisk (*) below, are
79 defined in county ordinances authorizing other obligations of the System.

80 Unless the context otherwise requires, the following terms shall have the
81 following meanings:

82 ***Additional Junior Lien Obligations*** means any Junior Lien Obligations issued
83 after the issuance of the Bonds and the 2006B Bonds.

84 ***Additional Subordinate Lien Obligations**** means those revenue bonds or other
85 revenue obligations that may be issued by the county in the future with a lien on Revenue
86 of the System equal to the lien thereon of the Commercial Paper Notes and the Bank
87 Note.

88 *Alternate Liquidity Facility* means a letter of credit, line of credit, standby bond
89 purchase agreement or other liquidity instrument acceptable to the Bond Insurer (together
90 with any associated reimbursement agreement) issued in accordance with the terms
91 hereof as a replacement or substitute for the initial Liquidity Facility and that provides for
92 the payment of the purchase price of Bonds upon the tender thereof in the event
93 remarketing proceeds are insufficient therefor.

94 *Alternate Rate* means, on any Rate Determination Date, for any Mode, a rate per
95 annum equal to 110% of (a) the BMA Municipal Swap Index of Municipal Market Data,
96 formerly the PSA Municipal Swap Index (as such term is defined in the 1992 ISDA U.S.
97 Municipal Counterparty Definitions) (the “BMA Rate”) most recently available as of the
98 date of determination, or (b) if such index is no longer available, or if the BMA Rate is no
99 longer published, the Kenny Index (as such term is defined in the 1992 ISDA U.S.
100 Municipal Counterparty Definitions), or if neither the BMA Rate nor the Kenny Index is
101 published, the index determined to equal the prevailing rate determined by the
102 Remarketing Agent for tax-exempt state and local government bonds meeting criteria
103 determined in good faith by the Remarketing Agent to be comparable under the
104 circumstances to the criteria used by the Bond Market Association to determine the BMA
105 Rate just prior to when the Bond Market Association stopped publishing the BMA Rate.
106 The Registrar shall make these determinations upon notification from the county, if there
107 is no Remarketing Agent, if the Remarketing Agent fails to make any such determination
108 or if the Remarketing Agent has suspended its remarketing efforts in accordance with the
109 Remarketing Agreement.

110 *Annual Debt Service* for designated obligations of the System means, with
111 respect to any calendar year, the sum of the following:

112 (1) The interest due on such designated obligations during such calendar year,
113 plus any Payment Agreement Payments and minus any Payment Agreement Receipts due
114 in such year in respect of Payment Agreements for such obligations.

115 (i) For purposes of calculating the amounts required to pay interest on
116 such designated obligations, capitalized interest and accrued interest paid to the county
117 upon the issuance of such obligations shall be excluded.

118 (ii) The amount of interest deemed to be payable on any such
119 obligations bearing interest at a variable rate shall be calculated on the assumption that
120 the interest rate on such obligations would be equal to the rate (the assumed RBI rate)
121 that is 90% of the average Bond Buyer Revenue Bond Index or comparable index during
122 the fiscal quarter preceding the quarter in which the calculation is made.

123 (2) The principal due during such calendar year for all such designated
124 obligations other than Term Bonds and Balloon Maturity Bonds.

125 (3) The amounts required to be paid into the applicable bond fund during such
126 calendar year for the amortization of principal of any such designated obligations that are
127 Term Bonds.

128 (4) An amount for assumed payments of principal of any of such designated
129 obligations that are Balloon Maturity Bonds calculated for the applicable calendar year
130 by amortizing the then outstanding principal amount of such obligations in accordance
131 with a maturity schedule not exceeding 30 years from the date of issuance of such
132 Balloon Maturity Bonds and resulting in approximately level debt service based on their

133 actual interest rates (if such obligations bear interest at fixed rates) or on the assumed
134 interest rate calculated as provided in Paragraph (1)(ii) above (if such obligations bear
135 interest at a variable rate).

136 Notwithstanding the foregoing, debt service on the designated obligations with
137 respect to which a Payment Agreement is in force shall be calculated by the county to
138 reflect the net economic effect of the terms of such obligations and such Payment
139 Agreement, in accordance with the requirements applicable to such Payment Agreement.

140 *Annual Parity Debt Service** means, with respect to any calendar year, the sum
141 of the following:

142 (1) The interest due for all outstanding Parity Bonds (i) on all Interest
143 Payment Dates (other than January 1) in such calendar year, and (ii) on January 1 of the
144 next succeeding year, plus any Payment Agreement Payments and minus any Payment
145 Agreement Receipts due on such dates in respect of Parity Payment Agreements.

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

149 (ii) The amount of interest deemed to be payable on any issue of
150 Variable Rate Parity Bonds shall be calculated on the assumption that the interest rate on
151 those bonds would be equal to the rate (the assumed RBI rate) that is 90% of the average
152 Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter
153 preceding the quarter in which the calculation is made; provided, however, that for
154 purposes of determining actual compliance in any past calendar year with the rate

155 covenant made with respect to the Parity Bonds, the actual amount of interest paid on any
156 issue of Variable Rate Parity Bonds shall be taken into account.

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

160 (3) The amounts required to be paid into the Parity Bond Fund on or before (i)
161 each Principal Payment Date (other than January 1) of such calendar year and (ii) January
162 1 of the next succeeding calendar year for the amortization of principal of Parity Term
163 Bonds. For purposes of this paragraph (3), amounts required to be paid means the
164 amount to be deposited or accumulated in the Parity Bond Fund on or before such dates
165 for outstanding Parity Term Bonds irrespective of the date or dates such amount, or any
166 portion thereof, is actually deposited into such fund or account.

167 Notwithstanding the foregoing, debt service on Parity Bonds with respect to
168 which a Payment Agreement is in force shall be calculated by the county to reflect the net
169 economic effect of the terms of the Parity Bonds and Payment Agreement, in accordance
170 with the requirements set forth in the ordinances authorizing issuance of the Parity
171 Bonds.

172 *ARS Mode* means the Mode during which the Bonds bear interest at the ARS
173 Rate.

174 *Authorized Denominations* means (i) with respect to Bonds in a Daily Mode or
175 Weekly Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, (ii) with
176 respect to Bonds in a Flexible Mode, \$100,000 and any integral multiple of \$1,000 in
177 excess thereof, (iii) with respect to Bonds in a Long-Term Mode, \$5,000 and any integral

178 multiple thereof, and (iv) with respect to Bonds in an ARS Mode, \$25,000 and integral
179 multiples thereof.

180 ***Automatic Termination Event*** means an event of default set forth in the Liquidity
181 Facility that would result in the immediate termination or suspension of the Liquidity
182 Facility prior to its stated expiration date without prior notice from the Liquidity Provider
183 to the Registrar.

184 ***Available Amount*** means the amount available under the Liquidity Facility to
185 pay the Purchase Price of the Bonds.

186 ***Balloon Maturity Bonds*** means any obligations of the System, other than Term
187 Bonds, the entire principal amount of which is due at maturity without serial bond
188 payments or sinking fund redemption payments, including the Bonds.

189 ***Bank Note**** means the bank note authorized to be issued by Ordinance 12057, as
190 amended, of the county to secure payment of the Commercial Paper Notes.

191 ***Beneficial Owner*** means, so long as the Bonds are negotiated in the Book-Entry
192 System, any Person who acquires a beneficial ownership interest in a Bond held by the
193 Securities Depository. If at any time the Bonds are not held in the Book-Entry System,
194 “Beneficial Owner” means “Owner” for purposes of this ordinance.

195 ***Bond or Bonds*** means the King County, Washington, Junior Lien Multi-Modal
196 Sewer Revenue Bonds, Series 2006A, issued pursuant to this ordinance, including any
197 Liquidity Provider Bonds.

198 ***Bondowners’ Trustee*** means the bank or financial institution selected by the
199 Owners of the Bonds pursuant to Section 5.09.

200 **Bond Counsel** means any firm of nationally recognized municipal bond attorneys
201 selected by the county and acceptable to the Bond Insurer and experienced in the issuance
202 of municipal bonds and matters relating to the exclusion of the interest thereon from
203 gross income for federal income tax purposes.

204 **Bond Insurance** means the financial guaranty insurance policy issued by MBIA
205 Insurance Corporation insuring the payment when due of principal of and interest on the
206 Bonds.

207 **Bond Insurer** means MBIA Insurance Corporation, or any successor thereto or
208 assigns thereof, as issuer of the Bond Insurance.

209 **Bond Insurer Default** means a default by the Bond Insurer under the Bond
210 Insurance, or the filing or commencement of any bankruptcy or insolvency proceedings
211 by or against the Bond Insurer, or the Bond Insurer shall declare a moratorium on the
212 payment of its unsecured debt obligations or shall repudiate the Bond Insurance.

213 **Bond Purchase Contract** means the purchase contract relating to the Bonds
214 between the county and the Underwriter.

215 **Bond Register** means the registration records for the Bonds maintained by the
216 Registrar.

217 **Book-Entry System** means the system maintained by the Securities Depository for
218 holding the Bonds in fully immobilized form described in Section 2.02(c).

219 **Business Day** means any business day other than (i) a Saturday or Sunday, or (ii)
220 a day on which the Registrar, the Remarketing Agent, if any, or the Broker-Dealer, if any,
221 are required or authorized to be closed, or (iii) a day on which the office of the Liquidity

222 Provider at which it will pay draws or advances are required or authorized to be closed,
223 or (iv) a day on which The New York Stock Exchange is closed.

224 **Closing Date** means the date of initial issuance and delivery of the Bonds.

225 **Code** means the Internal Revenue Code of 1986, as amended

226 **Commercial Paper Notes** means the King County, Washington, Sewer Revenue
227 Bond Anticipation Notes, Commercial Paper Series A, authorized, issued, and
228 outstanding from time to time pursuant to Ordinance 12057 of the county passed on
229 December 11, 1995, as amended.

230 **Comprehensive Plan** means the county's comprehensive water pollution
231 abatement plan authorized by RCW 35.58.200 and defined in Section 28.82.150 of the
232 King County Code, including all amendments thereto, together with any amendments
233 hereafter approved by ordinance of the county.

234 **Construction Account** means the Second Water Quality Construction Account, as
235 designated by Section 30 of Ordinance 12076 of the county.

236 **Conversion Date** means with respect to Bonds in a particular Mode, the date on
237 which another Mode for the Bonds begins.

238 **County Purchase Account** means the account by that name created in
239 Section 4.09.

240 **County Representative** means the Finance Director or his or her designee or the
241 successor in function to such person(s), or such other person as may be designated by the
242 county council. The county shall provide the Registrar a written instrument containing
243 the specimen signature of each "County Representative."

244 **Current Mode** shall have the meaning specified in Section 2.10(a)(i).

245 **Daily Mode** means the Mode during which the Bonds bear interest at the Daily
246 Rate.

247 **Daily Rate** means the per annum interest rate on any Bond in the Daily Mode
248 determined pursuant to Section 2.06(a).

249 **Daily Rate Period** means the period during which a Bond in the Daily Mode shall
250 bear a Daily Rate, which shall be from the Business Day upon which a Daily Rate is set
251 to but not including the next succeeding Business Day.

252 **Default** means any of the events of default set forth in Section 6.01.

253 **Defeasance Securities** means any of the following, so long as they are
254 “government obligations” as such term is defined in chapter 39.53 RCW, as amended:

255 1. U.S. Treasury Certificates, Notes and Bonds (including State and Local
256 Government Series -- “SLGs”).

257 2. Direct obligations of the Treasury that have been stripped by the Treasury
258 itself, CATS, TIGRS and similar securities.

259 3. Resolution Funding Corp (REFCORP) Only the interest component of
260 REFCORP strips that have been stripped by request to the Federal Reserve Bank of New
261 York in book-entry form are acceptable.

262 4. Pre-refunded municipal bonds rates “Aaa” by Moody’s and “AAA” by
263 S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then
264 the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S.
265 guaranteed obligations, or AAA-rated pre-refunded municipals to satisfy this condition.

266 5. Obligations issued by the following agencies that are backed by the full
267 faith and credit of the United States: U.S. Export-Import Bank (Eximbank) direct

268 obligations or fully guaranteed certificates of beneficial ownership; Farmers Home
269 Administration (FmHA) certificates of beneficial ownership; Federal Financing Bank;
270 General Services Administration participation certificates; U.S. Maritime Administration
271 guaranteed Title XI financing; U.S. Department of Housing and Urban Development
272 (HUD) project notes, local authority bonds, U.S. guaranteed new communities
273 debentures; and U.S. guaranteed public housing notes and bonds.

274 ***Delayed Remarketing Period*** shall have the meaning specified in Section 4.10(b).

275 ***DTC*** means The Depository Trust Company, 711 Stewart Avenue, Garden City,
276 New York 11530, Fax 516/227-4039 or 4190, as initial Securities Depository for the
277 Bonds.

278 ***Electronic Means*** means telecopy, facsimile transmission, email transmission, or
279 other similar electronic means of communication providing evidence of transmission,
280 including a telephonic communication confirmed by any other method set forth in this
281 definition.

282 ***Expiration Date*** means the stated expiration date of the Liquidity Facility, as it
283 may be extended from time to time, or any earlier date on which the Liquidity Facility
284 shall terminate at the direction of the county, expire or be cancelled.

285 ***Favorable Opinion of Bond Counsel*** means, with respect to any action hereunder
286 requiring such an opinion, a written legal opinion of Bond Counsel to the effect that such
287 action is permitted under the laws of the State and this ordinance and will not adversely
288 effect the exclusion of interest on the Bonds from gross income for purposes of federal
289 income taxation (subject to the inclusion of any exceptions contained in the opinion of
290 Bond Counsel delivered upon original issuance of the Bonds).

291 **Federal Tax Certificate** means the certificate with respect to certain federal tax
292 matters executed by the county as of the Closing.

293 **Finance Director** means the director of the finance and business operations
294 division of the county or the successor to the duties of such office.

295 **Fiscal Agency Agreement** means the agreement of that name dated February 1,
296 2002, as amended, among the State of Washington and The Bank of New York and Wells
297 Fargo Bank, National Association, and any amendments and supplements thereto and
298 replacements thereof.

299 **Fitch** means Fitch, Inc., and its successors and assigns, except that if such
300 corporation shall be dissolved or liquidated or shall no longer perform the functions of a
301 securities rating agency, then the term “Fitch” shall be deemed to refer to any other
302 nationally recognized securities rating agency selected by the county after consultation
303 with the Remarketing Agent, if any, and the Broker-Dealer, if any.

304 **Fixed Rate** means the per annum interest rate on any Bond in the Fixed Rate
305 Mode determined pursuant to Sections 2.07(b).

306 **Fixed Rate Mode** means the Mode during which the Bonds bear interest at the
307 Fixed Rate.

308 **Fixed Rate Period** means for the Bonds in the Fixed Rate Mode, the period from
309 (and including) the Conversion Date upon which the Bonds were converted to the Fixed
310 Rate Mode to (but excluding) the Maturity Date for the Bonds.

311 **Flexible Mode** means the Mode during which the Bonds bear interest at the
312 Flexible Rate.

313 *Flexible Rate* means the per annum interest rate on a Bond in the Flexible Mode
314 determined for such Bond pursuant to Section 2.05. The Bonds in the Flexible Mode
315 may bear interest at different Flexible Rates.

316 *Flexible Rate Bond* means a Bond in the Flexible Mode.

317 *Flexible Rate Period* means the period of from one to the lesser of (i) 397
318 calendar days or (ii) the number of days for which interest at the Maximum Rate is
319 provided in the interest component of the Available Amount under the Liquidity Facility
320 then in effect (which period in each case must end on a day preceding a Business Day or
321 the Maturity Date) during which a Flexible Rate Bond shall bear interest at a Flexible
322 Rate, as established by the Remarketing Agent pursuant to Section 2.05. The Bonds in
323 the Flexible Mode may be in different Flexible Rate Periods.

324 *Future Parity Bonds* means any sewer revenue bonds, warrants or other
325 obligations that may be issued in the future as Parity Bonds.

326 *Insurance Agreement* means the Insurance and Reimbursement Agreement by
327 and between the County and the Bond Insurer.

328 *Interest Accrual Period* means the period during which a Bond accrues interest
329 payable on the next Interest Payment Date applicable thereto. Each Interest Accrual
330 Period shall commence on (and include) the last Interest Payment Date to which interest
331 has been paid (or, if no interest has been paid, from the date of original authentication and
332 delivery of the Bonds) and extend to (but exclude) the Interest Payment Date on which
333 interest is to be paid. If, at the time of authentication of any Bond, interest is in default or
334 overdue on the Bonds, such Bond shall bear interest from the date to which interest has
335 previously been paid in full or made available for payment in full on Outstanding Bonds.

336 ***Interest Payment Date*** means each date on which interest is to be paid and, other
337 than during a Delayed Remarketing Period is: (i) with respect to the Bonds in the
338 Flexible Mode, each Mandatory Purchase Date applicable thereto; (ii) with respect to the
339 Bonds in the Daily Mode or Weekly Mode, the first Business Day of each month; (iii)
340 with respect to the Bonds in a Long-Term Mode, the first day of the sixth calendar month
341 following the month in which such Long-Term Mode takes effect, and the first day of
342 each sixth calendar month thereafter or, upon the receipt by the Registrar of a Favorable
343 Opinion of Bond Counsel, any other six-month interval chosen by the county (beginning
344 with the first such day that is at least three months after the Conversion Date) and, with
345 respect to a Term Rate Period, the final day of the current Interest Period if other than a
346 regular six-month interval; (iv) (without duplication as to any Interest Payment Date
347 listed above) any Conversion Date, other than a conversion between a Daily Mode and a
348 Weekly Mode, and each Maturity Date; (v) with respect to any Liquidity Provider Bonds,
349 the day set forth in the Liquidity Facility; and (vi) with respect to the Bonds in the ARS
350 Mode, Interest Payment Date shall have the meaning set forth in Exhibit B; and during a
351 Delayed Remarketing Period shall be as described in Section 4.10(f).

352 ***Interest Period*** means, for the Bonds in a particular Mode, the period of time that
353 the Bonds bear interest at the rate (per annum) that becomes effective at the beginning of
354 such period, and shall include an ARS Rate Period, a Flexible Rate Period, a Daily Rate
355 Period, a Weekly Rate Period, a Term Rate Period and a Fixed Rate Period.

356 ***Junior Lien Bond Fund*** means the “King County, Washington, Junior Lien
357 Obligation Redemption Fund” created pursuant to Section 5.01 of Ordinance 14171.

358 **Junior Lien Obligations** means revenue bonds or other revenue obligations
359 having a lien on Revenue of the System equal to the 2001 Junior Lien Obligations, the
360 Bonds and the 2006B Bonds and prior to the lien of the Commercial Paper Notes and the
361 Bank Note.

362 **Letter of Representations** means the Blanket Issuer Letter of Representations
363 from the county to DTC, as initial Securities Depository, and any similar agreement with
364 any successor Securities Depository.

365 **Liquidity Facility** means, initially, the standby bond purchase agreement among
366 the county, the Registrar, and KBC Bank N.V., acting through its New York branch, and
367 thereafter, any Alternate Liquidity Facility.

368 **Liquidity Facility Purchase Account** means the account by that name created in
369 Section 4.09.

370 **Liquidity Provider** means, initially, KBC Bank N.V., acting through its New York
371 branch, and thereafter, any bank, insurance company, pension fund or other financial
372 institution that provides an Alternate Liquidity Facility.

373 **Liquidity Provider Bonds** means any Bonds purchased by the Liquidity Provider
374 with funds drawn on or advanced under the Liquidity Facility, until such Bonds cease to
375 be Liquidity Provider Bonds in accordance with the terms of this ordinance.

376 **Liquidity Provider Failure** means a failure of the Liquidity Provider to pay a
377 properly presented and conforming draw or request for advance under the or Liquidity
378 Facility or the filing or commencement of any bankruptcy or insolvency proceedings by
379 or against the Liquidity Provider, or the Liquidity Provider shall declare a moratorium on
380 the payment of its unsecured debt obligations or shall repudiate the Liquidity Facility.

381 **Long-Term Mode** means a Term Rate Mode or a Fixed Rate Mode.

382 **Mandatory Purchase Date** means: (i) with respect to a Flexible Rate Bond the
383 first Business Day following the last day of each Flexible Rate Period with respect to
384 such Bond, (ii) for Bonds in the Term Rate Mode, on the first Business Day following the
385 last day of each Term Rate Period, (iii) any Conversion Date (except a conversion
386 between the Daily Mode and the Weekly Mode), (iv) any Substitution Date, (v) the fifth
387 Business Day prior to the Expiration Date, (vi) the date specified by the Registrar
388 following the occurrence of an event of default (other than an Automatic Termination
389 Event) under the Liquidity Facility, which date shall be a Business Day not less than
390 20 days after the Registrar's receipt of notice of such event of default from the Liquidity
391 Provider and in no event later than the day preceding the termination date specified by
392 the Liquidity Provider, and (vii) for Bonds in the Daily Mode or Weekly Mode, any
393 Business Day specified by the county not less than 20 days after the Registrar's receipt of
394 such notice.

395 **Maturity Date** means a date, to be established pursuant to the Bond Purchase
396 Contract, that is approximately 29 years later than the Closing Date, and, if provided in
397 Section 2.01 or if established pursuant to Section 2.10(b)(v) upon a conversion to the
398 Fixed Rate Mode, any Serial Maturity Date.

399 **Maximum Rate** means, (i) with respect to all Bonds other than Liquidity Provider
400 Bonds, the lesser of (a) 15% or (b) the per annum interest rate used to calculate the
401 Available Amount under the Liquidity Facility, which initially shall be 12%, and (ii) with
402 respect to Liquidity Provider Bonds, the rate specified in the Liquidity Facility as the

403 maximum rate to be borne by Liquidity Provider Bonds, but in no event shall any such
404 rate exceed the highest rate allowed by law.

405 *Mode* means, as the context may require, the ARS Mode, the Flexible Mode, the
406 Daily Mode, the Weekly Mode, the Term Rate Mode or the Fixed Rate Mode.

407 *Moody's* means Moody's Investors Service, Inc., a corporation duly organized
408 and existing under and by virtue of the laws of the State of Delaware, and its successors
409 and assigns, except that if such corporation shall be dissolved or liquidated or shall no
410 longer perform the functions of a securities rating agency, then the term "Moody's" shall
411 be deemed to refer to any other nationally recognized securities rating agency selected by
412 the County Representative after consultation with the Remarketing Agent, if any, and the
413 Broker-Dealer, if any.

414 *Net Revenue* means Revenue of the System less Operating and Maintenance
415 Expenses.

416 *New Mode* means the Mode to which the Bonds are to be converted in accordance
417 with Section 2.10(a).

418 *Notice Parties* means the county, Remarketing Agent, Registrar, Broker-Dealer,
419 Auction Agent, Bond Insurer, and Liquidity Provider.

420 *Operating and Maintenance Expenses* means all normal expenses incurred by
421 the county in causing the System to be maintained in good repair, working order and
422 condition and shall include payments to any private or governmental agency for the
423 operation or maintenance of facilities or for the disposal of sewage but shall exclude any
424 allowance for depreciation.

425 **Opinion of Counsel** means a written legal opinion from a firm of attorneys
426 experienced in the matters to be covered in the opinion.

427 **Outstanding**, when used as of a particular time with reference to Bonds, means all
428 Bonds delivered hereunder except:

429 (a) Bonds cancelled by the Registrar or surrendered to the Registrar
430 for cancellation;

431 (b) Bonds paid or deemed to have been paid within the meaning of this
432 ordinance; and

433 (c) Bonds in lieu of or in substitution for which replacement Bonds
434 have been executed by the county and delivered by the Registrar hereunder.

435 Notwithstanding the foregoing, Liquidity Provider Bonds shall remain
436 Outstanding until the Liquidity Provider is paid all amounts due on such Bonds.

437 **Owner** means the registered owner of a Bond, including the Securities
438 Depository, if any, or its nominee.

439 **Parity Bond Fund*** means the “Water Quality Revenue Bond Account” pursuant
440 to Section 30 of Ordinance 12076 of the county.

441 **Parity Bond Reserve* or Bond Reserve Account*** means the bond reserve
442 account in the Parity Bond Fund.

443 **Parity Bonds*** means the bonds identified as such in the Preamble to this
444 ordinance, together with any Future Parity Bonds. “Parity Bonds” include any Parity
445 Payment Agreements and parity reimbursement agreements entered into with the
446 provider of a letter of credit or other credit enhancement securing any Parity Bonds.

447 **Parity Lien Obligations*** means the bonds identified as such in the Preamble to
448 this ordinance, and all future bonds, notes or other evidences of indebtedness secured by
449 a lien on Revenue of the System equal to the lien of such bonds. “Parity Lien
450 Obligations” include any Parity Lien Obligation Payment Agreements and parity
451 reimbursement agreements entered into with the provider of a letter of credit or other
452 credit enhancement securing any Parity Lien Obligations.

453 **Parity Lien Obligation Bond Fund*** means the “Water Quality Limited Tax
454 General Obligation Bond Redemption Fund,” established pursuant to Section 8 of
455 Ordinance 11241 of the county.

456 **Parity Lien Obligation Payment Agreement*** means a Payment Agreement under
457 which the county’s payment obligations are expressly stated to constitute a charge and
458 lien on the Revenue of the System equal in rank with the charge and lien upon such
459 revenue securing amounts required to be paid into the Parity Lien Obligation Bond Fund
460 to pay and secure the payment of principal of and interest on the Parity Lien Obligations.

461 **Parity Payment Agreement*** means a Payment Agreement under which the
462 county’s payment obligations are expressly stated to constitute a charge and lien on the
463 Revenue of the System equal in rank with the charge and lien upon such revenue securing
464 amounts required to be paid into the Parity Bond Fund to pay and secure the payment of
465 principal of and interest on the Parity Bonds.

466 **Parity Term Bonds*** means Parity Bonds that are Term Bonds.

467 **Payment Agreement** means, to the extent permitted from time to time by
468 applicable law, a written agreement entered into by the county (i) in connection with or
469 incidental to the issuance, incurring or carrying of any Parity Bonds, Parity Lien

470 Obligations, Junior Lien Obligations or other obligations of the county secured in whole
471 or in part by a lien on Revenue of the System; (ii) for the purpose of managing or
472 reducing the county's exposure to fluctuations or levels of interest rates, currencies or
473 commodities or for other interest rate, investment, asset or liability management
474 purposes; (iii) with a Qualified Counterparty; and (iv) which provides, on either a current
475 or forward basis, for an exchange of payments determined in accordance with a formula
476 specified therein.

477 ***Payment Agreement Payments*** means the regularly scheduled payments required
478 to be paid by the county to the Qualified Counterparty pursuant to a Payment Agreement.
479 The term "Payment Agreement Payments" does not include any termination payment
480 required to be paid or any other payment that is not regularly scheduled with respect to a
481 Payment Agreement.

482 ***Payment Agreement Receipts*** means the amounts periodically required to be paid
483 by the Qualified Counterparty to the county pursuant to a Payment Agreement.

484 ***Person*** means an individual, a corporation, a partnership, an association, a joint
485 venture, a trust, an unincorporated organization or any other entity or organization,
486 including a government or political subdivision or an agency or instrumentality thereof.

487 ***Principal Payment Date*** means any date upon which the principal amount of
488 Bonds is due hereunder, including the Maturity Date, any Serial Maturity Date, and any
489 Redemption Date.

490 ***Public Works Trust Fund Loans*** means loans to the county by the State of
491 Washington Department of Community, Trade and Economic Development under the
492 Public Works Trust Fund loan program pursuant to loan agreements in effect as of the

493 date of this ordinance and any loan agreements hereafter entered into by the county under
494 the Public Works Trust Fund loan program, the repayment obligations of which are
495 secured by a lien on Revenue of the System equal to the lien thereon established by such
496 loan agreements.

497 **Purchase Date** means (i) for a Bond in the Daily Mode or the Weekly Mode, any
498 Business Day selected by the Beneficial Owner of said Bond pursuant to the provisions
499 of Section 4.01, and (ii) any Mandatory Purchase Date.

500 **Purchase Fund** means the fund by that name created pursuant to Section 4.09.

501 **Purchase Price** means an amount equal to the principal amount of any Bonds
502 purchased on any Purchase Date, plus accrued interest to the Purchase Date (unless the
503 Purchase Date is an Interest Payment Date, in which case the Purchase Price shall not
504 include accrued interest, which shall be payable regardless of the purchase).

505 **Qualified Counterparty** means with respect to a Payment Agreement an entity (i)
506 whose senior long term debt obligations, other senior unsecured long term obligations or
507 claims paying ability or whose payment obligations under a Payment Agreement are
508 guaranteed by an entity whose senior long term debt obligations, other senior unsecured
509 long term obligations or claims paying ability are rated (at the time the Payment
510 Agreement is entered into) at least as high as A3 by Moody's and A- by S&P, or the
511 equivalent thereof by any successor thereto, and (ii) who is otherwise qualified to act as
512 the other party to a Payment Agreement under any applicable laws of the State.

513 **Rate Determination Date** means any date on which the interest rate on Bonds
514 shall be determined, which,

515 (i) in the case of the Flexible Mode, shall be the first day of an
516 Interest Period;

517 (ii) in the case of the Daily Mode, shall be each Business Day
518 commencing with the first day (which must be a Business Day) the Bonds become
519 subject to the Daily Mode;

520 (iii) in the case of the Weekly Mode, shall be no later than the Business
521 Day prior to the date of issuance of the Bonds or, with respect to a subsequent conversion
522 to the Weekly Mode, no later than the Business Day prior to the Conversion Date, and
523 thereafter, in each case, shall be each Wednesday or, if a Wednesday is not a Business
524 Day, then the Business Day next succeeding such Wednesday;

525 (iv) in the case of the Term Rate Mode, shall be a Business Day no
526 earlier than fifteen (15) Business Days and no later than the Business Day next preceding
527 the first day of an Interest Period, as determined by the Remarketing Agent; and

528 (v) in the case of the Fixed Rate Mode, shall be a date determined by
529 the Remarketing Agent that shall be at least one Business Day prior to the Conversion
530 Date.

531 **Rate Stabilization Fund*** means the fund of that name created pursuant to
532 Section 13.D of Ordinance 12314 of the county.

533 **Rating Agencies** means any of Moody's, S&P, or Fitch, which is then providing a
534 rating on the Bonds.

535 **Rebate Amount** means the amount, if any, determined to be payable with respect
536 to the Bonds by the county to the United States of America in accordance with Section
537 148(f) of the Code.

538 **Record Date** means (i) with respect to Bonds in a Short-Term Mode or an ARS
539 Mode, the last Business Day before an Interest Payment Date; and (ii) with respect to
540 Bonds in a Long-Term Mode, the fifteenth (15th) day (whether or not a Business Day) of
541 the month next preceding each Interest Payment Date.

542 **Redemption Date** means the date fixed for redemption of Bonds subject to
543 redemption in any notice of redemption given in accordance with the terms hereof.

544 **Redemption Price** means an amount equal to the principal of and premium, if
545 any, and accrued interest, if any, on the Bonds payable on the Redemption Date.

546 **Registrar** means initially, the fiscal agency of the State of Washington in New
547 York, New York, or any successor Registrar appointed pursuant to Section 7.01. The
548 Registrar's duties include registering and authenticating the Bonds, maintaining the Bond
549 Register, registering the transfer of the Bonds, paying interest on and principal of the
550 Bonds, paying the Purchase Price of tendered Bonds, and holding the Bond Insurance and
551 Liquidity Facility.

552 **Remarketing Agent** means Goldman, Sachs & Co., or any successor thereto
553 pursuant to the Remarketing Agreement, or any other investment banking firm that may
554 be substituted in its place as provided in Section 7.02.

555 **Remarketing Agreement** means the agreement of that name between the county
556 and the Remarketing Agent authorized to be entered into pursuant to Section 7.02, or any
557 similar agreement between the county and the Remarketing Agent, as it may be amended
558 or supplemented from time to time in accordance with its terms.

559 **Remarketing Proceeds Account** means the account by that name created in
560 Section 4.09.

561 **Revenue Fund** means the “Water Quality Operating Account” as designated by
562 Section 30 of Ordinance 12076 of the county.

563 **Revenue of the System** means all the earnings, revenues and money received by
564 the county from or on account of the operations of the Sewer System and the income
565 from the investment of money in the Revenue Fund or any account within such fund, but
566 shall not include any money collected pursuant to the Service Agreements applicable to
567 administrative costs of the county other than costs of administration of the System.

568 **Rule** means Rule 15c2 12 of the Securities and Exchange Commission under the
569 Securities and Exchange Act of 1934, as the same may be amended from time to time.

570 **S&P** means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill
571 Companies, duly organized and existing under and by virtue of the laws of the State of
572 New York, and its successors and assigns, except that if such corporation shall be
573 dissolved or liquidated or shall no longer perform the functions of a securities rating
574 agency, then the term “S&P” shall be deemed to refer to any other nationally recognized
575 securities rating agency selected by the County Representative after consultation with the
576 Remarketing Agent, if any, and the Broker-Dealer, if any.

577 **Securities Depository** means initially DTC, and any successor securities
578 depository that the county may appoint in accordance with the provisions of Section
579 2.02(c)(iii).

580 **Securities Depository Participant** means (i) any Person for which, from time to
581 time, the Securities Depository effectuates book-entry transfers and pledges of securities
582 in the Book-Entry System and (ii) any securities broker or dealer, bank, trust company or

583 other Person that clears through or maintains a custodial relationship with a Person
584 referred to in clause (i).

585 **Senior Lien Payments** means, for any calendar year, the sum of the following:

586 (1) Annual Parity Debt Service for such year;

587 (2) Annual Debt Service for such year for then outstanding Parity Lien

588 Obligations; and

589 (3) any other payments described in Paragraphs Second through Sixth of

590 Section 5.01(b) required to be made during such year.

591 **Serial Bonds** means the Bonds maturing on the Serial Maturity Dates, as

592 determined pursuant to Section 2.10(b)(iii).

593 **Serial Maturity Dates** means the dates on which the Serial Bonds mature, as

594 determined pursuant to Section 2.10(b)(iii).

595 **Serial Payments** means the payments to be made in payment of the principal of

596 the Serial Bonds on the Serial Maturity Dates.

597 **Service Agreements** means the sewage disposal agreements hereinbefore entered

598 into between the county and municipal corporations, persons, firms, private corporations,

599 or governmental agencies providing for the disposal by the county of sewage collected

600 from such contracting parties.

601 **Short-Term Mode** means the Daily Mode, the Weekly Mode or the Flexible

602 Mode.

603 **SRF Loans** means loans to the county by the State of Washington Department of

604 Ecology pursuant to loan agreements in effect as of the date of this ordinance and any

605 loans and loan agreements hereafter entered into by the county under the State of

606 Washington water pollution control revolving fund loan program, the repayment
607 obligations of which are secured by a lien on Revenue of the System equal to the lien
608 thereon established by such loan agreements.

609 ***Subordinate Lien Obligations*** means the Commercial Paper Notes, the Bank
610 Note and any Additional Subordinate Lien Obligations.

611 ***Substitution Date*** means the date on which an Alternate Liquidity Facility is
612 scheduled to be substituted for the Liquidity Facility then in effect.

613 ***System or Sewer System*** means the sewers and sewage disposal facilities now or
614 hereafter acquired, constructed, used or operated by the county for the purpose of
615 carrying out the Comprehensive Plan.

616 ***Tender Notice*** means a notice delivered by Electronic Means or in writing that
617 states (i) the principal amount of such Bond to be purchased pursuant to Section 4.01, (ii)
618 the Purchase Date on which such Bond is to be purchased, (iii) applicable payment
619 instructions with respect to the Bonds being tendered for purchase and (iv) an irrevocable
620 demand for such purchase.

621 ***Tender Notice Deadline*** means (i) during the Daily Mode, 11:00 A.M. on any
622 Business Day and (ii) during the Weekly Mode, 5:00 P.M. on the Business Day seven
623 days prior to the applicable Purchase Date.

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

628 *Term Rate* means the per annum interest rate for the Bonds in the Term Rate
629 Mode determined pursuant to Section 2.07(a).

630 *Term Rate Mode* means the Mode during which the Bonds bear interest at the
631 Term Rate.

632 *Term Rate Period* means the period from (and including) the Conversion Date on
633 which the Bonds are converted to the Term Rate Mode to (but excluding) the Purchase
634 Date for that period, as established by the county pursuant to Section 2.10(a)(i) and,
635 thereafter, so long as the Bonds remain in the Term Rate Mode, the period from (and
636 including) the beginning date of each successive period to (but excluding) the Purchase
637 Date for that period, as established by the county pursuant to Section 2.07(a). Except as
638 otherwise provided in this ordinance, a Term Rate Period must be at least 180 days in
639 length.

640 *Underwriter* means Goldman, Sachs & Co.

641 *Variable Rate Parity Bonds** and *Variable Rate Parity Lien Obligations** mean
642 Parity Bonds and Parity Lien Obligations bearing interest at a variable rate of interest
643 provided that at least one of the following conditions is met: (i) at the time of issuance
644 the county has entered into a Payment Agreement with respect to such Parity Bonds or
645 Parity Lien Obligations, as applicable, which Agreement converts the effective interest
646 rate to the county on such bonds from a variable interest rate to a fixed interest rate, or
647 (ii) the Parity Bonds or Parity Lien Obligations bear interest at a variable rate but are
648 issued concurrently in equal par amounts with other Parity Bonds or Parity Lien
649 Obligations bearing interest at a variable rate and that are required to remain outstanding

650 in equal amounts at all times, if the net effect of such equal par amounts and variable
651 rates at all times is a fixed rate of interest to the county.

652 **Weekly Mode** means the Mode during which the Bonds bear interest at the
653 Weekly Rate.

654 **Weekly Rate** means the per annum interest rate on the Bonds in the Weekly Mode
655 determined pursuant to Section 2.06(b).

656 **Weekly Rate Period** means the period during which a Bond in the Weekly Mode
657 shall bear a Weekly Rate, which shall be the period commencing on Thursday of each
658 week to and including Wednesday of the following week (except the Weekly Rate Period
659 commencing on the date of initial issuance of the Bonds or on a Conversion Date, in
660 which case commencing on such date or Conversion Date), to and including the
661 Wednesday of the following week and the last Weekly Rate Period, which shall be from
662 and including the Thursday of the week prior to the Conversion Date to and including the
663 day next preceding the Conversion Date.

664 **2001 Junior Lien Obligations** means the King County, Washington, Junior Lien
665 Variable Rate Demand Revenue Bonds, Series 2001A and 2001B, issued pursuant to
666 Ordinances 14171 and 14172, passed by the county council on July 16, 2001.

667 **2006B Bonds** means the King County, Washington, Junior Lien Multi-Modal
668 Sewer Revenue Bonds, Series 2006B, authorized to be issued simultaneously with the
669 Bonds.

670 **SECTION 1.02. Interpretation.** In this ordinance, unless the context otherwise
671 requires:

672 (a) The terms “hereby,” “hereof,” “hereto,” “herein, “hereunder” and
673 any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to
674 any particular article, section, subdivision or clause hereof, and the term “hereafter” shall
675 mean after, and the term “heretofore” shall mean before, the date of this ordinance;

676 (b) Words of the masculine gender shall mean and include correlative
677 words of the feminine and neuter genders and words importing the singular number shall
678 mean and include the plural number and vice versa;

679 (c) Words importing persons shall include firms, associations,
680 partnerships (including limited partnerships), trusts, corporations, limited liability
681 companies and other legal entities, including public bodies, as well as natural persons;

682 (d) Any headings preceding the text of the several articles and sections
683 of this ordinance, and any table of contents or marginal notes appended to copies hereof,
684 shall be solely for convenience of reference and shall not constitute a part of this
685 ordinance, nor shall they affect its meaning, construction or effect;

686 (e) All references herein to “articles,” “sections” and other
687 subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses
688 hereof.

689 (f) Whenever any consent or direction is required to be given by the
690 county, such consent or direction shall be deemed given when given by the County
691 Representative or his or her designee, respectively, and all references herein to the
692 County Representative shall be deemed to include references to his or her designee, as
693 the case may be.

694 (g) Unless otherwise provided in this ordinance, all references to a
695 particular time of day are to New York City time.

696 SECTION 1.03. **Findings.** The county hereby finds that issuance of the
697 Bonds is in the best interests of the county and customers of the System and is consistent
698 with the provisions of the county’s Water Quality Program Financial Goals and Policies
699 relating to the issuance of variable rate debt.

700 **ARTICLE II.**

701 **AUTHORIZATION, ISSUANCE AND MODES**Error! Bookmark not defined.

702 SECTION 2.01. **Authorization and Delivery.**

703 (a) *Authorization.* The county shall issue the Bonds in the principal
704 amount of \$50,000,000 to provide funds necessary to pay costs of acquiring, constructing
705 and equipping improvements, additions or betterments to the System set forth in the
706 Comprehensive Plan and costs incidental thereto, including costs of issuance of the
707 Bonds. The Bonds shall be designated “King County, Washington, Junior Lien Multi-
708 Modal Sewer Revenue Bonds, Series 2006A.” The Bonds shall be initially issued in
709 Authorized Denominations in the Weekly Mode and may be converted to another Mode
710 as provided herein. The Bonds shall be dated the date of their issuance and delivery to
711 the Underwriter, and each Bond shall bear interest at the applicable rate during each
712 Interest Accrual Period until the principal amount of such Bond has been paid.

713 (b) *Form of Bonds; Execution.* The Bonds shall each be in
714 substantially the form set forth on Exhibit A, with appropriate or necessary insertions,
715 depending upon the omissions and variations as permitted or required hereby. If the

716 Bonds are no longer held in a Book-Entry System, the form of the Bonds will be changed
717 to reflect the changes required in connection with the preparation of certificated Bonds.

718 The Bonds shall be executed on behalf of the county by the manual or facsimile
719 signatures of the county executive and the clerk of the county council, and the official
720 seal of the county shall be reproduced thereon. The validity of any Bond so executed
721 shall not be affected by the fact that one or more of the officers whose signatures appear
722 on such Bond have ceased to hold office at the time of issuance or authentication or at
723 any time thereafter.

724 (c) *Authentication.* No Bond shall be valid for any purpose hereunder
725 until the certificate of authentication printed thereon is duly executed by the manual
726 signature of an authorized signatory of the Registrar. Such authentication shall be proof
727 that the Owner is entitled to the benefit of the trusts hereby created.

728 (d) *Registration Covenant; Registrar.* The county covenants that, until
729 all Bonds have been surrendered and canceled, it will maintain a system for recording the
730 ownership of each Bond that complies with the provisions of Section 149 of the Code.

731 In accordance with KCC 4.84, the county hereby adopts for the Bonds the system
732 of registration specified and approved by the Washington State Finance Committee,
733 which utilizes the fiscal agency of the State of Washington in New York City as registrar,
734 authenticating agent, paying agent and transfer agent for the Bonds (the "Registrar").
735 The Registrar shall keep, or cause to be kept, at its principal corporate trust office,
736 sufficient books for the registration and transfer of the Bonds, which shall at all times be
737 open to inspection by the county (the "Bond Register"). So long as any Bonds remain
738 Outstanding, the Registrar shall make all necessary provisions to permit the exchange or

739 registration of transfer of Bonds at its principal corporate trust office. The Registrar is
740 authorized, on behalf of the county, to authenticate and deliver Bonds transferred or
741 exchanged in accordance with the provisions of such Bonds and this ordinance and to
742 carry out all of the Registrar's powers and duties under this ordinance. The Registrar
743 shall be responsible for its representations contained in the Certificate of Authentication
744 on the Bonds.

745 SECTION 2.02. **Method of Payment; Book-Entry System; Transfer and**
746 **Exchange.**

747 (a) *Method of Payment.* The principal and Purchase Price of and
748 premium, if any, and interest on the Bonds shall be payable in lawful money of the
749 United States of America. Unless otherwise provided in any writing with or from the
750 Securities Depository, the interest on the Bonds shall be paid by the Registrar on the
751 Interest Payment Dates by wire transfer of immediately available funds to an account
752 specified by the Owner in a writing delivered to the Registrar, and the principal of and
753 premium, if any, on each Bond shall be payable on the Principal Payment Date, upon
754 surrender thereof at the office of the Registrar. Any such specified account shall remain
755 in effect until revised by such Owner by an instrument in writing delivered to the
756 Registrar.

757 (b) *Registered Ownership.* Except as may be specifically set forth
758 herein, the Registrar, the Remarketing Agent, if any, the Broker-Dealer, if any, and the
759 county may treat the Owner (including the Securities Depository or its nominee, so long
760 as the Bonds are held in the Book-Entry System) of a Bond as the absolute owner thereof
761 for all purposes, whether or not such Bond shall be overdue, and the county, Registrar,

762 Remarketing Agent, if any, and Broker-Dealer, if any, shall not be affected by any
763 knowledge or notice to the contrary; and payment of the principal of and premium, if any,
764 and interest on such Bond shall be made only to such Owner, which payments shall be
765 valid and effectual to satisfy and discharge the liability of such Bond to the extent of the
766 sum or sums so paid. All Bonds at maturity or on earlier redemption paid pursuant to the
767 provisions of this Section shall be cancelled by the Registrar.

768 (c) Book-Entry System.

769 (i) Letter of Representations. To induce DTC to act as initial
770 Securities Depository for the Bonds, the county has heretofore executed and delivered the
771 Letter of Representations. The Bonds initially issued shall be held in fully-immobilized
772 form by pursuant to the terms and conditions set forth in the Letter of Representations.
773 Neither the county nor the Registrar will have any responsibility or obligation to
774 Securities Depository Participants or the persons for whom they act as nominees with
775 respect to the Bonds in respect of the accuracy of any records maintained by the
776 Securities Depository or any Securities Depository Participant, the payment by the
777 Securities Depository or any Securities Depository Participant of any amount in respect
778 of the principal, Purchase Price or Redemption Price of or interest on the Bonds, any
779 notice that is permitted or required to be given to Owners under this ordinance (except
780 such notices as shall be required to be given by the county to the Registrar or to the
781 Securities Depository or its nominee), the selection by Securities Depository or any
782 Securities Depository Participant of any person to receive payment in the event of a
783 partial redemption of the Bonds or any consent given or other action taken by Securities
784 Depository as the Owner.

785 (ii) Initial Registration; Transfers. The Bonds shall be
786 registered initially in the name of "Cede & Co.," as nominee of DTC, with one Bond
787 maturing on the Maturity Date in a denomination corresponding to the total principal
788 therein designated to mature on such date. Registered ownership of such immobilized
789 Bonds, or any portions thereof, may not thereafter be transferred except (1) to any
790 successor of DTC or its nominee, *provided that* any such successor shall be qualified
791 under any applicable laws to provide the service proposed to be provided by it; (2) to any
792 substitute Securities Depository appointed by the County Representative pursuant to
793 subsection (iii) below (or its nominee) or a successor to such substitute Securities
794 Depository (or its nominee); or (3) to any person as provided in subsection (v) below.

795 (iii) Substitute Depository. Upon the resignation of the
796 Securities Depository or its successor (or any substitute Securities Depository or its
797 successor) or a determination by the County Representative to discontinue using a
798 particular Securities Depository, the County Representative may appoint on behalf of the
799 county a substitute Securities Depository. Any such substitute Securities Depository
800 shall be qualified under any applicable laws to provide the services proposed to be
801 provided by it.

802 (iv) Issuance of New Bonds to Successor/Substitute Depository.
803 In the case of any transfer pursuant to clause (1) or (2) of subsection (c)(ii) above, the
804 Registrar shall, upon receipt of all Bonds then Outstanding, together with a written
805 request on behalf of the County Representative, issue a single new Bond for each
806 maturity of such Bonds then Outstanding, registered in the name of such successor or

807 such substitute Securities Depository, or its nominee, as the case may be, all as specified
808 in such written request of the County Representative.

809 (v) Termination of Book-Entry System. If (i) the Securities
810 Depository resigns and no substitute Securities Depository can be obtained, or (ii) the
811 County Representative determines that it is in the best interest of the Beneficial Owners
812 of the Bonds that they be able to obtain Bond certificates, the ownership of the Bonds
813 may then be transferred to any person or entity as herein provided, and the Bonds shall no
814 longer be held in fully immobilized form. The County Representative shall deliver a
815 written request to the Registrar, together with a supply of definitive Bonds, to issue
816 Bonds as herein provided in Authorized Denominations. Upon receipt by the Registrar of
817 all Bonds then Outstanding, together with a written request of the County Representative
818 to the Registrar, new Bonds shall be issued in such Authorized Denominations and
819 registered in the names of such persons as are requested in such written request.

820 (d) *Transfer or Exchange of Registered Ownership.* If the Bonds are
821 no longer held in a Book-Entry System, the transfer of ownership of any Bond may be
822 registered and such Bonds may be exchanged, but no transfer of any Bond shall be valid
823 unless it is surrendered to the Registrar with the assignment form appearing on such Bond
824 duly executed by the Owner or such Owner's duly authorized agent in a manner
825 satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the
826 surrendered Bond and shall authenticate and deliver, without charge to the Owner or
827 transferee therefor, a new Bond (or Bonds at the option of the new Owner) of the same
828 date and Maturity Date and for the same aggregate principal amount in any Authorized
829 Denomination, naming as Owner the person or persons listed as the assignee on the

830 assignment form appearing on the surrendered Bond, in exchange for such surrendered
831 and canceled Bond. Any Bond may be surrendered to the Registrar and exchanged,
832 without charge, for an equal aggregate principal amount of Bonds of the same date and
833 Maturity Date in any Authorized Denomination. Other than in connection with an
834 optional or mandatory tender for purchase, the Registrar shall not be obligated to transfer
835 or exchange any Bond during the five-day period prior to the selection of Bonds for
836 redemption or the Maturity Date or following any publication of notice of redemption.
837 No charge shall be imposed upon Owners in connection with any transfer or exchange,
838 except for taxes or governmental charges related thereto.

839 SECTION 2.03. **Payment of Principal and Interest of Bonds; Acceptance**
840 **of Terms and Conditions.**

841 (a) The interest on the Bonds shall become due and payable on the
842 Interest Payment Dates in each year to and including the Maturity Date, and on each
843 Redemption Date. The principal of the Bonds shall become due and payable on the
844 Principal Payment Dates.

845 (b) By the acceptance of its Bond, the Owner and each Beneficial
846 Owner thereof shall be deemed to have agreed to all the terms and provisions of such
847 Bond as specified in such Bond and this ordinance including, without limitation, the
848 applicable Interest Periods, interest rates (including any applicable Alternate Rate),
849 Purchase Dates, Mandatory Purchase Dates, Purchase Prices, mandatory and optional
850 purchase and redemption provisions applicable to such Bond, and method and timing of
851 purchase, redemption and payment. Such Owner and each Beneficial Owner further
852 agree that if, on any date upon which one of its Bonds is to be purchased, redeemed or

853 paid at maturity or earlier due date, funds are on deposit with the Registrar to pay the full
854 amount due on such Bond, then such Owner or Beneficial Owner shall have no rights
855 under this ordinance other than to receive such full amount due with respect to such Bond
856 and that interest on such Bond shall cease to accrue as of such date.

857 (c) While any Bonds are Liquidity Provider Bonds, such Bonds shall
858 bear interest and be payable at the times and in the amounts required under the Liquidity
859 Facility.

860 **SECTION 2.04. Calculation and Payment of Interest; Conversions;**
861 **Maximum Rate.**

862 (a) When a Short-Term Mode is in effect, interest shall be calculated
863 on the basis of a 365/366 day year for the actual number of days elapsed. When a Long-
864 Term Mode is in effect, interest shall be calculated on the basis of a 360 day year
865 comprised of twelve 30-day months. When the ARS Mode is in effect, interest shall be
866 calculated on the basis a 360-day year for the actual number of days elapsed if the Bonds
867 are in an Auction Period of 180 days or less. If the Bonds are in an Auction Period that is
868 greater than 180 days, interest shall be calculated on the basis of a 360-day year of twelve
869 30-day months. Payment of interest on each Bond shall be made on each Interest
870 Payment Date for such Bond for unpaid interest accrued through the Interest Accrual
871 Period to the Owner of record of such Bond on the applicable Record Date.

872 (b) The Bonds in any Mode, other than a Fixed Rate Mode, may be
873 converted to any other Mode at the times and in the manner hereinafter provided.
874 Subsequent to such conversion in Mode (other than a conversion to a Fixed Rate Mode),
875 the Bonds may again be converted to a different Mode at the times and in the manner

876 hereinafter provided. A Fixed Rate Mode shall be in effect until the Maturity Date, and
877 may not be converted to any other Mode.

878 (c) No Bond shall bear interest at an interest rate higher than the
879 Maximum Rate.

880 (d) In the absence of manifest error, the determination of interest rates
881 (including any determination of rates in connection with a New Mode) and Interest
882 Periods by the Remarketing Agent or the Auction Agent and the record of interest rates
883 maintained by the Registrar shall be conclusive and binding upon the Remarketing
884 Agent, the Broker-Dealer, the Auction Agent, the Registrar, the county, the Bond Insurer,
885 the Liquidity Provider, the Owners and the Beneficial Owners.

886 **SECTION 2.05. Determination of Flexible Rates and Interest Periods**

887 **During Flexible Mode.** An Interest Period for the Bonds in the Flexible Mode shall be a
888 Flexible Rate Period ending on a day preceding (i) a Business Day or (ii) the Maturity
889 Date, as the Remarketing Agent shall determine in accordance with the provisions of this
890 Section. A Flexible Rate Bond can have an Interest Period, and bear interest at a Flexible
891 Rate, different from another Flexible Rate Bond. In making the determinations with
892 respect to Interest Periods, subject to limitations imposed by the second preceding
893 sentence and in Section 2.04, on each Rate Determination Date for a Flexible Rate Bond,
894 the Remarketing Agent shall select for such Bond the Interest Period that would result in
895 the Remarketing Agent being able to remarket such Bond at par in the secondary market
896 at the lowest average interest cost for all Flexible Rate Bonds; provided, however, that
897 the Remarketing Agent shall not knowingly select an Interest Period for any Bond that

898 extends beyond any applicable Mandatory Purchase Date, Redemption Date or Maturity
899 Date for such Bond.

900 Except while the Bonds are registered in a Book-Entry System, in order to receive
901 payment of the Purchase Price the Owner of any Bond in the Flexible Mode must present
902 such Bond to the Registrar by 12:00 noon on the Rate Determination Date for the next
903 Interest Period, in which case, the Registrar shall pay the Purchase Price to such Owner
904 by 3:00 P.M. on the same day.

905 By 1:00 P.M. on each Rate Determination Date, the Remarketing Agent, with
906 respect to each Bond in the Flexible Mode that is subject to adjustment on such date,
907 shall determine the Interest Period and Flexible Rate for such Interest Period and shall
908 give notice by Electronic Means to the Registrar and the county, of such Interest Period
909 and Flexible Rate and the applicable Purchase Date. The Remarketing Agent shall make
910 such Interest Period and Flexible Rate available after 2:00 P.M. on such Rate
911 Determination Date by telephone or Electronic Means to any Beneficial Owner or Notice
912 Party requesting such information.

913 SECTION 2.06. **Determination of Interest Rates during the Daily Mode**
914 **and Weekly Mode.** The interest rate for the Bonds in the Daily Mode or Weekly Mode
915 shall be the rate of interest per annum determined by the Remarketing Agent on and as of
916 the applicable Rate Determination Date as the minimum rate of interest that, in the
917 opinion of the Remarketing Agent under then-existing market conditions, would result in
918 the sale of such Bonds at a price equal to the principal amount thereof, plus interest, if
919 any, accrued through the Rate Determination Date during the then current Interest
920 Accrual Period.

921 (a) During the Daily Mode, the Remarketing Agent shall establish the
922 Daily Rate by 10:00 A.M. on each Rate Determination Date. The Daily Rate for any day
923 during the Daily Mode that is not a Business Day shall be the Daily Rate established on
924 the immediately preceding Rate Determination Date. The Remarketing Agent shall make
925 the Daily Rate available no less frequently than once each week by telephone or
926 Electronic Means to any Beneficial Owner or Notice Party requesting such rate.

927 (b) During the Weekly Mode, the Remarketing Agent shall establish
928 the Weekly Rate by 4:00 P.M. on each Rate Determination Date. The Weekly Rate shall
929 be in effect during the applicable Weekly Rate Period. The Remarketing Agent shall
930 make the Weekly Rate available no later than 5:00 P.M. on the Business Day following
931 the Rate Determination Date by telephone or Electronic Means to any Beneficial Owner
932 or Notice Party requesting such rate.

933 SECTION 2.07. **Determination of Term Rates and Fixed Rates.**

934 (a) *Term Rates.* Except as provided in Section 2.08, once the Bonds
935 are converted to the Term Rate Mode, the Bonds shall continue in the Term Rate Mode
936 until converted to another Mode in accordance with Section 2.10. The Term Rate shall
937 be determined by the Remarketing Agent by 4:00 P.M. on the Rate Determination Date,
938 and the Remarketing Agent shall make the Term Rate available by telephone or by
939 Electronic Means to any Notice Party requesting such rate. The Term Rate shall be the
940 minimum rate that, in the sole judgment of the Remarketing Agent, would result in a sale
941 of the Bonds at a price equal to the principal amount thereof on the Rate Determination
942 Date for the Interest Period selected by the county in writing delivered to the
943 Remarketing Agent before such Rate Determination Date. If a new Interest Period is not

944 selected by the county prior to a Rate Determination Date, the new Interest Period shall
945 be the same length as the current Interest Period (or such lesser period as shall be
946 necessary to comply with the last sentence of this paragraph).

947 By 5:00 P.M. on the Rate Determination Date, the Remarketing Agent
948 shall give notice by Electronic Means to the Registrar and the county of the Term Rate.
949 The Remarketing Agent shall make such Term Rate available after 5:00 P.M. on such
950 Rate Determination Date by telephone or Electronic Means to any Beneficial Owner or
951 Notice Party requesting such information. No Term Rate Period may extend beyond the
952 Maturity Date.

953 (b) *Fixed Rates.* The Remarketing Agent shall determine the Fixed
954 Rate (or Fixed Rates, in the case of Serial Bonds) for the Bonds being converted to the
955 Fixed Rate Mode in the manner and at the times as follows: by 4:00 P.M. on the
956 applicable Rate Determination Date, the Remarketing Agent shall determine the Fixed
957 Rate(s). Except as set forth in Section 2.10(b)(iii), the Fixed Rate on each Bond shall be
958 the minimum interest rate that, in the sole judgment of the Remarketing Agent, will result
959 in a sale of such Bond at a price equal to the principal amount thereof on the Rate
960 Determination Date.

961 By 5:00 P.M. on the Rate Determination Date, the Remarketing Agent
962 shall give notice by Electronic Means to the Registrar and the county of the Fixed
963 Rate(s). The Remarketing Agent shall make such Fixed Rate(s) available after 5:00 P.M.
964 on such Rate Determination Date by telephone or Electronic Means to any Beneficial
965 Owner or Notice Party requesting such information. Subject to Section 2.10(b)(iii), the
966 Fixed Rate(s) so established shall remain in effect until the Maturity Date.

967 SECTION 2.08. **Alternate Rates.** The following provisions shall apply in
968 the event (i) the Remarketing Agent (or the county, with respect to the determination of
969 the Interest Period for Bonds in the Term Rate Mode) fails or is unable to determine the
970 interest rate or Interest Period for the Bonds other than when the Bonds are in the ARS
971 Mode, (ii) the method by which the Remarketing Agent (or the county, if applicable)
972 determines the interest rate or Interest Period with respect to the Bonds shall be held to be
973 unenforceable by a court of law of competent jurisdiction, or (iii) if the Remarketing
974 Agent suspends its remarketing effort in accordance with the Remarketing Agreement.
975 These provisions shall continue to apply until such time as the Remarketing Agent (or the
976 county, if applicable) again makes such determinations. In the case of clause (ii) above,
977 the Remarketing Agent (or the county, if applicable) may again make such determination
978 at such time as there is delivered to the Remarketing Agent and the county an opinion of
979 Bond Counsel to the effect that there are no longer any legal prohibitions against such
980 determinations. The following shall be the methods by which the interest rates and, in
981 the case of the Flexible and Term Rate Modes, the Interest Periods, shall be determined
982 for the Bonds as to which any of the events described in clauses (i), (ii) or (iii) shall be
983 applicable. Such methods shall be applicable from and after the date any of the events
984 described in clauses (i), (ii) or (iii) first become applicable to the Bonds until such time as
985 the events described in clauses (i), (ii) or (iii) are no longer applicable to the Bonds.
986 These provisions shall not apply if the county fails to select an Interest Period for the
987 Bonds in the Term Rate Mode for a reason other than as described in clause (ii) above.
988 (a) If the Bonds are then in the Flexible Rate Mode, then the next
989 Interest Period shall be from, and including, the first day following the last day of the

990 current Interest Period for the Bonds to, but excluding, the next succeeding Business Day
991 and thereafter shall commence on each Business Day and extend to, but exclude, the next
992 succeeding Business Day. For each such Interest Period, the interest rate for the Bonds
993 shall be the applicable Alternate Rate in effect on the Business Day that begins an
994 Interest Period.

995 (b) If the Bonds are then in the Daily Mode or the Weekly Mode, then
996 the Bonds shall bear interest during each subsequent Interest Period at the Alternate Rate
997 in effect on the first day of such Interest Period.

998 (c) If the Bonds are then in the Term Rate Mode, then the Bonds shall
999 automatically convert to Flexible Rate Bonds, with an Interest Period commencing on
1000 the first day following the last day of the current Interest Period for the Bonds to, but
1001 excluding, the next succeeding Business Day and thereafter commencing on each
1002 Business Day and extending to, but excluding, the next succeeding Business Day. For
1003 each such Interest Period, the interest rate for the Bonds shall be the applicable Alternate
1004 Rate in effect at the beginning of each such Interest Period.

1005 SECTION 2.09. **Determination of the ARS Rate.** The ARS Rate shall be
1006 determined as provided in Exhibit B.

1007 SECTION 2.10. **Conversions.** Subject to the provisions of this Section, the
1008 county may convert the Mode of all, but not a portion, of the Bonds then Outstanding by
1009 following the procedures set forth in this Section. It shall be a condition to any
1010 conversion to the Fixed Rate Mode, Flexible Mode or Term Rate Mode that the County
1011 Representative shall have executed a continuing disclosure undertaking satisfying the
1012 requirements of the Rule and shall cooperate with the Remarketing Agent, if any, the

1013 Broker-Dealer, if any, and any Participating Underwriter (as defined in the Rule) in
1014 satisfying the requirements of the Rule.

1015 (a) *Conversions to Modes Other than to Fixed Rate Mode.* At the
1016 option of the county, all but not a portion, of the Bonds then Outstanding (other than
1017 Bonds in the Fixed Rate Mode) may be converted to another Mode (other than the Fixed
1018 Rate Mode) as follows:

1019 (i) Conversion Notice; Notice to Owners. No later than a
1020 Business Day that is at least 30 days (or such shorter time as may be agreed to by the
1021 county, the Registrar, the Remarketing Agent, the Auction Agent and the Broker-Dealer,
1022 but in any event not less than 15 days) preceding the proposed Conversion Date, the
1023 county shall give written notice to the Notice Parties of its intention to convert the Bonds
1024 from the Mode then prevailing (for purposes of this Section, the "Current Mode") to
1025 another Mode (for purposes of this Section, the "New Mode") specified in such written
1026 notice, and, if the conversion is to a Term Rate Mode, the length of the initial Interest
1027 Period. In the case of conversion to a Term Rate Mode, such notice shall also include a
1028 statement as to whether there will be a Liquidity Facility in effect with respect to the
1029 Bonds following such conversion and the identity of the provider of such Liquidity
1030 Facility. Notice of the proposed conversion shall be given by the Registrar to the Owners
1031 of the Bonds not less than the 15th day next preceding the Conversion Date, provided that
1032 no notice need be given for a Conversion Date occurring on the first Business Day
1033 following the last day of a Flexible Rate Period or Term Rate Period or on a Substitution
1034 Date. Such notice shall state: (1) the proposed Conversion Date; (2) the New Mode and,
1035 in the case of a conversion to an ARS Mode, the length of the initial Auction Period; (3)

1036 except in the case of a conversion from the Daily Mode to the Weekly Mode or from the
1037 Weekly Mode to the Daily Mode or a conversion from the ARS Mode, that the Bonds
1038 will be subject to mandatory purchase on the Conversion Date (regardless of whether all
1039 of the conditions to the conversion in the Mode are satisfied) and the Purchase Price of
1040 the Bonds; and (4) if the Book-Entry System is no longer in effect, information with
1041 respect to required delivery of Bond certificates and payment of Purchase Price. If the
1042 conversion is from an ARS Mode, such notice shall also state that such Owner is required
1043 to tender such Owner's Bonds for purchase on the Conversion Date only if all of the
1044 conditions to the conversion are satisfied and that, if such conditions are not satisfied,
1045 then the Bonds shall not be subject to mandatory tender, the Auction Agent will continue
1046 to implement the Auction Procedures on the Auction Dates with respect to the Bonds that
1047 otherwise would have been converted (excluding, however, the Auction Date falling on
1048 the Business Day next preceding the failed Conversion Date), and the interest rate will
1049 continue to be the ARS Rate; provided, however, that the interest rate borne by the Bonds
1050 during the Auction Period commencing on such failed Conversion Date will be the
1051 Maximum Interest Rate, and the Auction Period will be the seven-day Auction Period. In
1052 the case of Bonds being converted to the ARS Mode, the Registrar shall not mail such
1053 written notice if converting from a Flexible Rate Period until it has received a written
1054 confirmation from the Remarketing Agent that no Interest Period for the Bonds extends
1055 beyond the Conversion Date.

1056 (ii) Determination of Interest Rates and Interest Periods. The
1057 New Mode shall commence on the Conversion Date. The interest rate(s) shall be
1058 determined by the Remarketing Agent, and the Interest Period(s) shall be determined by

1059 the Remarketing Agent (in the case of Bonds being converted to the Flexible Mode) or
1060 the county in the case of the Interest Period for the Bonds converted to the Term Rate
1061 Mode) in the manner provided in Sections 2.05, 2.06 and 2.07, as applicable. In the case
1062 of Bonds being converted to the ARS Mode, the length of the initial Auction Period shall
1063 be selected by the county, and the ARS Rate for the Auction Period commencing on the
1064 Conversion Date shall be the lowest rate that, in the judgment of the Broker-Dealer, is
1065 necessary to enable the Bonds to be remarketed at a price equal to the principal amount
1066 thereof, plus accrued interest, if any, on the Conversion Date.

1067 (iii) Conditions Precedent:

1068 (A) The Conversion Date shall be:

1069 (1) in the case of a conversion from the Flexible
1070 Mode, the next Mandatory Purchase Date for all of the Flexible Rate Bonds;

1071 (2) in the case of a conversion from the Daily or
1072 Weekly Mode, any Business Day; provided that in the case of a conversion from the
1073 Daily or Weekly Mode to an ARS Mode, the Conversion Date shall be a regularly
1074 scheduled Interest Payment Date for the Daily or Weekly Mode;

1075 (3) in the case of a conversion from the Term
1076 Rate Mode to another Mode, or from a Term Rate Period to a Term Rate Period of a
1077 different duration, the Conversion Date shall be limited to any Interest Payment Date on
1078 which the Bonds are subject to optional redemption or a Mandatory Purchase Date; and

1079 (4) in the case of a conversion from the ARS
1080 Mode, the Interest Payment Date following the final Auction Period.

1081 (B) The following items shall have been delivered to the
1082 county, Registrar, Remarketing Agent, if any, Broker-Dealer, if any, Bond Insurer, and
1083 Liquidity Provider, on or prior to the Conversion Date:

1084 (1) in the case of a conversion from a Short-
1085 Term Mode to a Long-Term Mode or from a Long-Term Mode to a Short-Term Mode or
1086 to or from the ARS Mode, a Favorable Opinion of Bond Counsel dated the Conversion
1087 Date and addressed to the Notice Parties;

1088 (2) if an Alternate Liquidity Facility is to be
1089 delivered in connection with such conversion, the items required by Section 4.08(c);

1090 (3) a notice from the Rating Agencies of the
1091 rating(s) to be assigned the Bonds on such Conversion Date; and

1092 (4) the prior written consent of the Bond
1093 Insurer.

1094 (C) Bonds may be converted to the ARS Bond only if,
1095 upon conversion, they will be held by a Securities Depository in a Book-Entry System.

1096 (D) All Bonds being converted from an ARS Mode
1097 shall have been remarketed on the Conversion Date.

1098 (b) *Conversion to Fixed Rate Mode.* At the option of the county, all,
1099 but not a portion of the Bonds then Outstanding (other than Bonds in the Fixed Rate
1100 Mode), may be converted to the Fixed Rate Mode as follows:

1101 (i) Conversion Notice; Notice to Owners. No later than a
1102 Business Day that is 30 days (or such shorter time as may be agreed to by the county, the
1103 Registrar, the Remarketing Agent, the Auction Agent and the Broker-Dealer, but in any

1104 event not less than 15 days) preceding the proposed Conversion Date, the county shall
1105 give written notice to the Notice Parties of its intention to effect a conversion from the
1106 Current Mode to the Fixed Rate Mode. Notice of the proposed conversion shall be given
1107 by the Registrar to the Owners of the Bonds not less than 15 days preceding the
1108 Conversion Date, provided that no notice need be given for a Conversion Date occurring
1109 on the first Business Day following the last day of a Flexible Rate Period or Term Rate
1110 Period. Such notice shall state: (1) the proposed Conversion Date; (2) except in the case
1111 of conversion from the ARS Mode, that the Bonds will be subject to mandatory purchase
1112 on the Conversion Date (regardless of whether all of the conditions to the conversion to
1113 the Fixed Rate Mode are satisfied) and the Purchase Price of the Bonds; and (3) if the
1114 Book-Entry System is no longer in effect, information with respect to required delivery of
1115 Bond certificates and payment of Purchase Price. If the conversion is from an ARS
1116 Mode, such notice shall also state that such Owner is required to tender such Owner's
1117 Bonds for purchase on the Mode Change Date only if all of the conditions to the
1118 conversion are satisfied and that, if such conditions are not satisfied, then the Bonds shall
1119 not be subject to mandatory tender, the Auction Agent will continue to implement the
1120 Auction Procedures on the Auction Dates with respect to the Bonds that otherwise would
1121 have been converted, excluding however, the Auction Date falling on the Business Day
1122 next preceding the failed Mode Change Date, and the interest rate will continue to be the
1123 ARS Rate; provided, however, that the interest rate borne by the Bonds during the
1124 Auction Period commencing on such failed Mode Change Date will be the Maximum
1125 Interest Rate, and the Auction Period will be the seven-day Auction Period.

1126 (ii) Determination of Interest Rates. The Fixed Rate (or Fixed
1127 Rates in the case of Serial Bonds) shall be determined by the Remarketing Agent as
1128 provided in Section 2.07(b).

1129 (iii) Serialization and Sinking Fund; Price. The Bonds shall be
1130 remarketed at a price equal to 100% of the principal amount thereof, shall mature on the
1131 same Maturity Date and shall be subject to the same mandatory sinking fund redemption,
1132 if any, and optional redemption provisions as set forth in this ordinance for any prior
1133 Mode; provided, however, that if the county shall deliver to the Registrar a Favorable
1134 Opinion of Bond Counsel, the county may elect to (1) have some of the Bonds be Serial
1135 Bonds maturing on Serial Maturity Dates and some subject to sinking fund redemption
1136 even if such Bonds were not Serial Bonds or subject to mandatory sinking fund
1137 redemption prior to such conversion, (2) change the optional redemption dates and/or
1138 premiums set forth in Section 3.03(b), and/or (3) sell some or all of the Bonds at a
1139 premium or a discount.

1140 (iv) Conditions Precedent:

1141 (A) The Conversion Date shall be:

1142 (1) in the case of conversion from the Flexible
1143 Mode, a Mandatory Purchase Date for all of the Flexible Rate Bonds;

1144 (2) in the case of conversion from the Daily or
1145 Weekly Mode, any Business Day;

1146 (3) in the case of conversion from the Term
1147 Rate Mode, an Interest Payment Date on which the Bonds are subject to optional
1148 redemption or a Mandatory Purchase Date; and

1149 (4) in the case of conversion from the ARS
1150 Mode, the Interest Payment Date following the final Auction Period.

1151 (B) The following items shall have been delivered to the
1152 county, the Registrar, the Remarketing Agent, if any, the Broker-Dealer, if any, the Bond
1153 Insurer and the Liquidity Provider, on or prior to the Conversion Date:

1154 (1) in the case of conversion from a Short-Term
1155 Mode, a Favorable Opinion of Bond Counsel dated the Conversion Date and addressed to
1156 the Notice Parties;

1157 (2) notice from the Rating Agencies of the
1158 rating(s) to be assigned the Bonds on such Conversion Date; and

1159 (3) a firm underwriting commitment or the prior
1160 written consent of the Bond Insurer.

1161 (c) *Failure to Satisfy Conditions Precedent to a Conversion Change.*

1162 In the event the conditions described above in subsections (a) or (b), as applicable, of this
1163 Section have not been satisfied by the applicable Conversion Date, then the New Mode
1164 shall not take effect (although, except in the case of a failed conversion from an ARS
1165 Mode, any mandatory purchase shall be made on such date if notice has been sent to the
1166 Owners stating that such Bonds would be subject to mandatory purchase on such date).

1167 If the failed conversion was from the Flexible Mode, the Bonds shall remain in
1168 the Flexible Mode with interest rates and Interest Periods to be established by the
1169 Remarketing Agent on the failed Conversion Date in accordance with Section 2.05. If
1170 the failed conversion was from the Daily Mode, the Bonds shall remain in the Daily
1171 Mode, and if the failed conversion was from the Weekly Mode, the Bonds shall remain in

1172 the Weekly Mode, in each case with interest rates established in accordance with the
1173 applicable provisions of Section 2.06 on and as of the failed Conversion Date. If the
1174 failed conversion was from the Term Rate Mode, then the Bonds shall stay in the Term
1175 Rate Mode for an Interest Period ending on the following Interest Payment Date for the
1176 Bonds in the Term Rate Mode, and the interest rate shall be established by the
1177 Remarketing Agent on the failed Conversion Date in accordance with Section 2.07(a). If
1178 the Remarketing Agent is unable to determine the interest rate on the failed Conversion
1179 Date, the provisions of Section 2.08 shall apply and be in effect at the beginning of each
1180 such Interest Period.

1181 If the failed conversion was from the ARS Mode, then the Bonds shall not be
1182 subject to mandatory tender, the Auction Agent will continue to implement the Auction
1183 Procedures on the Auction Dates with respect to the Bonds that otherwise would have
1184 been converted excluding however, the Auction Date falling on the Business Day next
1185 preceding the failed Conversion Date, and the interest rate will continue to be the ARS
1186 Rate; provided, however, that the interest rate borne by the Bonds during the Auction
1187 Period commencing on such failed Conversion Date will be the Maximum Interest Rate,
1188 and the Auction Period will be the seven-day Auction Period. The Registrar will give
1189 written notice by first class mail postage prepaid as soon as practicable and in any event
1190 not later than the next succeeding Business Day to the Owners, the county and the Bond
1191 Insurer that such conversion has not occurred, that the Bonds will not be purchased on the
1192 failed Conversion Date, that the Auction Agent will continue to implement the Auction
1193 Procedures on the Auction Dates with respect to the Bonds that otherwise would have
1194 been converted excluding however, the Auction Date falling on the Business Day next

1195 preceding the failed Conversion Date, and that the interest rate will continue to be the
1196 ARS Rate; provided, however, that the interest rate borne by the Bonds during the
1197 Auction Period commencing on such failed Conversion Date will be the Maximum
1198 Interest Rate, and the Auction Period will be the seven-day Auction Period.

1199 (d) *Rescission of Election.* Notwithstanding anything herein to the
1200 contrary, the county may rescind any election by it to convert a Mode as described above
1201 prior to the Conversion Date by giving written notice thereof to the Notice Parties prior to
1202 such Conversion Date; provided, however, that in the case of a conversion to an ARS
1203 Mode, such rescission must occur prior to the setting of the ARS Rate by the Broker-
1204 Dealer. If the Registrar Agent receives notice of such rescission prior to the time the
1205 Registrar Agent has given notice to the Owners of the Bonds, then such notice of
1206 conversion shall be of no force and effect. If the Registrar Agent receives notice from the
1207 county of rescission of a conversion after the Registrar Agent has given notice thereof to
1208 the Owners of the Bonds, then if the proposed Conversion Date would have been a
1209 Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date
1210 except if the conversion is from the ARS Mode. If the proposed conversion was from the
1211 Flexible Mode, the Bonds shall remain in the Flexible Mode with interest rates and
1212 Interest Periods to be established by the Remarketing Agent on the proposed Conversion
1213 Date in accordance with Section 2.05. If the proposed conversion was from the Daily
1214 Mode, the Bonds shall remain in the Daily Mode, and if the proposed conversion was
1215 from the Weekly Mode, the Bonds shall remain in the Weekly Mode, in each case with
1216 interest rates established in accordance with the applicable provisions of Section 2.06 on
1217 and as of the proposed Conversion Date. If the proposed conversion was from the Term

1218 Rate Mode, then the Bonds shall stay in the Term Rate Mode for an Interest Period
1219 ending on the following Interest Payment Date for the Bonds in the Term Rate Mode and
1220 the interest rate shall be established by the Remarketing Agent on the proposed
1221 Conversion Date in accordance with Section 2.07(a). If the Remarketing Agent is unable
1222 to determine the interest rate on the proposed Conversion Date, the provisions of Section
1223 2.08 shall apply in effect at the beginning of each such Interest Period. If the proposed
1224 conversion was from the ARS Mode, then an Auction for the Bonds will be held on the
1225 Business Day immediately preceding the proposed Conversion Date as though no notice
1226 of conversion had ever been given.

1227 **ARTICLE III.**

1228 **REDEMPTION OF BONDS**

1229 **SECTION 3.01. Optional Redemption of Flexible Rate Bonds.** Bonds in
1230 the Flexible Mode are not subject to optional redemption prior to their respective
1231 Purchase Dates. Bonds in the Flexible Mode shall be subject to redemption at the option
1232 of the county in whole or in part on their respective Purchase Dates the Redemption
1233 Price.

1234 **SECTION 3.02. Optional Redemption of Bonds in the Daily Mode or the**
1235 **Weekly Mode.** Bonds in the Daily Mode or the Weekly Mode are subject to optional
1236 redemption by the county, in whole or in part, in Authorized Denominations on any
1237 Business Day, at the Redemption Price.

1238 **SECTION 3.03. Optional Redemption of Bonds in the Term Rate or the**
1239 **Fixed Rate Mode.**

1240 (a) Bonds in the Term Rate Mode shall be subject to optional
1241 redemption by the county, in whole or in part, in Authorized Denominations on each
1242 Mandatory Purchase Date, at the Redemption Price.

1243 (b) Bonds in the Term Rate Mode or the Fixed Rate Mode are subject
1244 to optional redemption by the county, in whole on any date or in part on any Interest
1245 Payment Date (and if in part, in such order of maturity as the county shall specify and
1246 within a maturity by lot or by such other method as the Registrar determines to be fair
1247 and reasonable and in Authorized Denominations) commencing on the Interest Payment
1248 Date next following the tenth anniversary of the conversion to the Term Rate Mode or
1249 Fixed Rate Mode at the Redemption Price. If the length of the Term Rate Period or Fixed
1250 Rate Period is less than ten years, then the Bonds shall not be subject to optional
1251 redemption during such Term Rate Period or Fixed Rate Period.

1252 (c) The county, in connection with a conversion to a Long-Term
1253 Mode, may waive or otherwise alter its rights to direct the redemption of any Bonds so
1254 converted at any time without premium; provided that notice describing the waiver or
1255 alteration shall be submitted to the Registrar and the Remarketing Agent, together with a
1256 Favorable Opinion of Bond Counsel, addressed to them.

1257 SECTION 3.04. **Optional Redemption of Bonds in the ARS Mode.**

1258 Bonds in the ARS Mode shall be subject to optional redemption by the county, in whole
1259 or in part, in Authorized Denominations, on the Interest Payment Date immediately
1260 following the end of an Auction Period at the Redemption Price; provided that unless
1261 otherwise consented to by the Broker-Dealers, after any optional redemption there shall
1262 remain Outstanding not less than \$10,000,000 in aggregate principal amount of Bonds.

1263 SECTION 3.05. **Notice of Redemption on Mandatory Purchase Date.**

1264 Notwithstanding anything herein to the contrary, no additional notice of redemption is
1265 required to be given for a redemption occurring on a Mandatory Purchase Date.

1266 SECTION 3.06. **Mandatory Sinking Fund Redemption of Bonds in the**

1267 **ARS Mode.** During an ARS Mode, if a scheduled sinking fund redemption date is not an
1268 Interest Payment Date, the Bonds shall be redeemed on the Interest Payment Date
1269 immediately preceding the scheduled sinking fund redemption date. The Bonds in a
1270 Special Auction Period may be redeemed prior to the end of the Special Auction Period
1271 pursuant to the sinking fund redemption schedule.

1272 SECTION 3.07. **Notice of Redemption During an ARS Mode.** During an

1273 ARS Mode, if any Bonds are to be redeemed and such Bonds are held by a Securities
1274 Depository, the county shall include in the notice of the call for redemption delivered to
1275 the Securities Depository (i) a date placed under an item entitled "Publication Date for
1276 Securities Depository Purposes" and such date shall be three Business Days after the
1277 Auction Date immediately preceding such Redemption Date, and (ii) an instruction to the
1278 Securities Depository to (x) determine on such Publication Date after the Auction held on
1279 the immediately preceding Auction Date has settled, the Securities Depository
1280 Participants whose Securities Depository positions shall be redeemed and the principal
1281 amount of such Auction Rate Bonds to be redeemed from each such position (the
1282 "Securities Depository Redemption Information"), and (y) notify the Auction Agent
1283 immediately after such determination of (1) the positions of the Securities Depository
1284 Participants in such Bonds immediately prior to such Auction settlement, (2) the position

1285 of the Securities Depository Participants in such Bonds immediately following such
1286 Auction settlement, and (3) the Securities Depository Redemption Information.

1287 SECTION 3.08. **Notice of Redemption.** For so long as the Book
1288 Entry-System is in effect, notice of any redemption shall be provided in accordance with
1289 the operational arrangements of the Securities Depository referred to in the Letter of
1290 Representations, and, except as provided in Section 3.07 or pursuant to an undertaking to
1291 provide continuing disclosure under the Rule, no additional published or other notice
1292 shall be provided by the county. In any event, notice of redemption shall be given by the
1293 county in sufficient time that the Registrar may, and the Registrar shall, give notice to the
1294 Securities Depository at least 30 days prior to the proposed Redemption Date during any
1295 Long-Term Mode and at least 15 days during any Short-Term Mode or the ARS Mode.

1296 If the Bonds are not held in a Book-Entry System, the Registrar shall give written
1297 notice of any redemption of Bonds by first class mail, postage prepaid, not less than 30
1298 days (for Bonds in the Long-Term Mode) or not less than 15 days (for Bonds in any
1299 Short Term Mode) nor more than 60 days before the proposed Redemption Date to the
1300 registered owners of Bonds that are to be redeemed at their last addresses shown on the
1301 Bond Register. Each notice of redemption shall contain the following information: (1)
1302 the redemption date, (2) the redemption price, (3) if less than all outstanding Bonds are to
1303 be redeemed, the identification (and, in the case of partial redemption, the principal
1304 amounts) of the Bonds to be redeemed, (4) that on the redemption date the redemption
1305 price will become due and payable upon each Bond or portion called for redemption, and
1306 that interest shall cease to accrue from the redemption date, (5) that the Bonds are to be
1307 surrendered for payment at the principal office of the Registrar, (6) the CUSIP numbers

1308 of all Bonds being redeemed, (7) the dated date of the Bonds, (8) the rate of interest for
1309 each Bond being redeemed, (9) the date of the notice, and (10) any other information
1310 needed to identify the Bonds being redeemed. The requirements of this section shall be
1311 deemed complied with when notice is mailed, whether or not it is actually received by the
1312 owner.

1313 SECTION 3.09. **Effect of Redemption.** If notice of redemption has been
1314 duly given and money for the payment of the Redemption Price of the Bonds or portions
1315 thereof to be redeemed is held by the Registrar, then on the Redemption Date the Bonds
1316 or portions thereof so called for redemption shall become payable at the Redemption
1317 Price specified in such notice, and from and after the Redemption Date, interest thereon
1318 or on portions thereof so called for redemption shall cease to accrue, such Bonds or
1319 portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection
1320 or security hereunder, and the Owners of such Bonds or portions thereof shall have no
1321 rights in respect thereof except to receive payment of the Redemption Price upon delivery
1322 of such Bonds to the Registrar.

1323 Notwithstanding the foregoing, any Liquidity Provider Bonds shall remain
1324 Outstanding until the Liquidity Provider is paid all amounts due in connection with such
1325 Bonds or portions thereof to be redeemed on the Redemption Date. After payment to the
1326 Liquidity Provider of all amounts due on Liquidity Provider Bonds, the Liquidity
1327 Provider shall surrender such Bonds to the Registrar for cancellation.

1328 SECTION 3.10. **Selection of Bonds for Redemption.** Whenever fewer
1329 than all the Bonds then Outstanding are to be redeemed, the Bonds to be redeemed shall
1330 be selected in accordance with the operational arrangements of the Securities Depository

1331 referred to in the Letter of Representations; provided, however, that Liquidity Provider
1332 Bonds shall in all cases be redeemed first. In no event shall any Bond be Outstanding in
1333 a principal amount that is not an Authorized Denomination.

1334 SECTION 3.11. **Mandatory Redemption of Liquidity Provider Bonds.**

1335 Liquidity Provider Bonds shall be subject to mandatory redemption at the times and in
1336 the amounts set forth in the Liquidity Facility.

1337 **ARTICLE IV.**

1338 **PURCHASE OF BONDS**

1339 SECTION 4.01. **Optional Tenders of Bonds in the Daily Mode or the**

1340 **Weekly Mode.** Subject to Section 4.06, the Beneficial Owners of Bonds in a Daily
1341 Mode or a Weekly Mode may elect to have their Bonds (or portions of those Bonds in
1342 amounts equal to Authorized Denominations) purchased on any Business Day at a price
1343 equal to the Purchase Price, upon delivery of a Tender Notice to the Registrar by the
1344 Tender Notice Deadline. Immediately upon receipt of a Tender Notice, the Registrar
1345 shall notify the Remarketing Agent and provide the Remarketing Agent with a copy of
1346 such Tender Notice.

1347 SECTION 4.02. **Mandatory Purchase on Mandatory Purchase Date.**

1348 The Bonds shall be subject to mandatory purchase at the Purchase Price on each
1349 Mandatory Purchase Date. The Registrar shall give notice of such mandatory purchase
1350 by mail to the Owners of the Bonds subject to mandatory purchase no fewer than 15 days
1351 prior to the Mandatory Purchase Date. No notice shall be given of the Mandatory
1352 Purchase Date at the end of each Interest Period for Flexible Rate Bonds. Each notice
1353 shall state the Mandatory Purchase Date, the Purchase Price, the numbers of the Bonds to

1354 be purchased if less than all of the Bonds owned by such Owner are to be purchased, and
1355 that interest on Bonds subject to mandatory purchase shall cease to accrue from and after
1356 the Mandatory Purchase Date. The failure to mail such notice with respect to any Bond
1357 shall not affect the validity of the mandatory purchase of any other Bond with respect to
1358 which notice was so mailed. Any notice mailed will be conclusively presumed to have
1359 been given, whether or not actually received by any Owner or Beneficial Owner.

1360 SECTION 4.03. **Remarketing of Bonds; Notices.**

1361 (a) *Remarketing of Bonds.* The Remarketing Agent shall use its best
1362 efforts, pursuant to the terms and conditions of the Remarketing Agreement, to offer for
1363 sale:

1364 (i) all Bonds or portions thereof as to which a Tender Notice
1365 pursuant to Section 4.01 has been given; and

1366 (ii) all Bonds required to be purchased on a Mandatory
1367 Purchase Date described in clauses (i), (ii), (iii), (iv) or (vii) of the definition thereof; and

1368 (iii) any Liquidity Provider Bonds (A) purchased on a Purchase
1369 Date described in clause (i) or (ii) above, or (B) with respect to which the Liquidity
1370 Provider has provided notice to the Registrar and the Remarketing Agent that it is ready
1371 to reinstate the Available Amount, or (C) with respect to which an Alternate Liquidity
1372 Facility is in effect, or (D) that are being remarketed in the Fixed Rate Mode. The
1373 Remarketing Agent shall not remarket Bonds to the county or any affiliate thereof. In
1374 connection with the remarketing of any Bonds with respect to which notice of redemption
1375 or notice of mandatory purchase has been given, the Remarketing Agent will notify each

1376 person to which such Bonds are remarketed of such notice of redemption or notice of
1377 mandatory purchase.

1378 Anything in this ordinance to the contrary notwithstanding, if there shall have
1379 occurred and be continuing either a Bond Insurer Default or a Liquidity Provider Failure,
1380 the Remarketing Agent shall not remarket any Bonds. All other provisions of this
1381 ordinance, including without limitation those relating to the setting of interest rates and
1382 Interest Periods and mandatory and optional purchases, shall remain in full force and
1383 effect during the continuance of such Bond Insurer Default or Liquidity Provider failure.

1384 (b) *Notice of Remarketing; Registration Instructions; New Bonds.* On
1385 each Purchase Date:

1386 (i) the Remarketing Agent shall notify by Electronic Means
1387 the Registrar by 12:00 noon of the principal amount of tendered Bonds it has remarketed
1388 and by 1:00 P.M. of the information necessary to register and deliver Bonds remarketed
1389 with respect thereto;

1390 (ii) the Remarketing Agent shall cause the proceeds of such
1391 remarketing to be paid to the Registrar in immediately available funds by 12:15 P.M.; and

1392 (iii) if the Bonds are no longer in the Book-Entry System, the
1393 Registrar shall authenticate new Bonds for the respective purchasers thereof which shall
1394 be available for pick-up by the Remarketing Agent by 2:30 P.M.

1395 (c) *Draw on Liquidity Facility.* On each Purchase Date, the Registrar
1396 shall draw on the Liquidity Facility by 12:30 P.M. in an amount equal to the Purchase
1397 Price of all Bonds tendered less the amount received pursuant to subsection (b)(ii) of this
1398 Section. The Registrar shall give the county notice by 2:30 P.M. on the Purchase Date if

1399 it does not have funds in the Remarketing Proceeds Account and the Liquidity Facility
1400 Purchase Account sufficient to pay the Purchase Price of Bonds tendered on such
1401 Purchase Date.

1402 SECTION 4.04. **Source of Funds for Purchase of Bonds.** By 3:00 P.M.
1403 on each Purchase Date, the Registrar shall purchase tendered Bonds at the Purchase Price
1404 by wire transfer in immediately available funds. Funds for the payment of such Purchase
1405 Price shall be derived solely from the following sources in the order of priority indicated
1406 and neither the Registrar nor the Remarketing Agent shall be obligated to provide funds
1407 from any other source:

- 1408 (a) immediately available funds on deposit in the Remarketing
1409 Proceeds Account;
- 1410 (b) immediately available funds on deposit in the Liquidity Facility
1411 Purchase Account; and
- 1412 (c) money of the county on deposit in the County Purchase Account.

1413 The county may, but shall not be obligated to, deposit amounts into the
1414 County Purchase Account sufficient to pay the Purchase Price to the extent that amounts
1415 on deposit in the Remarketing Proceeds Account and the Liquidity Facility Purchase
1416 Account are insufficient therefor.

1417 SECTION 4.05. **Delivery of Bonds.** On each Purchase Date, each Bond to
1418 be purchased shall be delivered as follows:

- 1419 (a) Bonds purchased by the Registrar with funds described in Section
1420 4.04(a) shall be delivered by the Remarketing Agent to the purchasers of such Bonds by
1421 3:00 P.M.; and

1422 (b) Bonds purchased by the Registrar with money described in Section
1423 4.04(b) shall be registered immediately in the name of the Liquidity Provider or its
1424 nominee (which may be the Securities Depository) by 3:00 P.M.

1425 (c) Bonds purchased by the county with money described in Section
1426 4.04(c) shall be registered immediately in the name of the county or its nominee (which
1427 may be the Securities Depository) by 3:00 P.M. Bonds so owned by the county shall
1428 continue to be Outstanding under the terms of this ordinance and be subject to all of the
1429 terms and conditions of this ordinance and shall be subject to remarketing by the
1430 Remarketing Agent.

1431 SECTION 4.06. **Book-Entry Tenders.** Notwithstanding any other
1432 provision of this Article IV to the contrary, all tenders for purchase of Bonds held in the
1433 Book-Entry System shall be subject to the terms and conditions set forth in the Letter of
1434 Representations and to any regulations promulgated by the Securities Depository. For so
1435 long as the Bonds are held in the Book-Entry System, the tender option rights of Owners
1436 of Bonds may be exercised only by the Securities Depository by giving notice of its
1437 election to tender Bonds or portions thereof at the times and in the manner described
1438 above. Unless permitted under the Letter of Representations, Beneficial Owners will not
1439 have any rights to tender Bonds directly to the Registrar. Procedures under which a
1440 Beneficial Owner may direct a Securities Depository Participant to exercise a tender
1441 option right in respect of Bonds or portions thereof in an amount equal to all or a portion
1442 of such Beneficial Owner's beneficial ownership interest therein shall be governed by
1443 standing instructions and customary practices determined by such Securities Depository
1444 Participant. For so long as the Bonds are registered in the name of the Securities

1445 Depository or its nominee, delivery of Bonds required to be tendered for purchase shall
1446 be effected by the transfer on the Purchase Date of book-entry credits of beneficial
1447 interests in such Bonds with no requirement of physical delivery of any Bonds.

1448 SECTION 4.07. **No Book-Entry System.** If at any time the Bonds shall no
1449 longer be in the Book-Entry System, the following procedures shall be followed:

1450 (a) Bonds shall be delivered (with all necessary endorsements) at or
1451 before 12:00 noon on the Purchase Date at the office of the Registrar in New York, New
1452 York; provided, however, that payment of the Purchase Price shall be made pursuant to
1453 this Section only if the Bond so delivered to the Registrar conforms in all respects to the
1454 description thereof in the notice described in this Section. Payment of the Purchase Price
1455 with respect to purchases under this Section shall be made to the Owners of tendered
1456 Bonds by wire transfer in immediately available funds by the Registrar by 3:00 P.M. on
1457 the Purchase Date.

1458 (b) If a Bond to be purchased is not delivered by the Owner to the
1459 Registrar by 12:00 noon on the Purchase Date, the Registrar shall hold any funds
1460 received for the purchase of those Bonds in the Purchase Fund in trust and shall pay such
1461 funds to the former Owners of the Bonds upon presentation of the Bonds. Such
1462 undelivered Bonds shall cease to accrue interest as to the former Owners on such
1463 Purchase Date, and money representing the Purchase Price shall be available against
1464 delivery of those Bonds at the office of the Registrar in New York, New York; provided,
1465 however, that any funds so held by the Registrar that remain unclaimed by the former
1466 Owner of a Bond not presented for purchase for a period of three years after delivery of
1467 such funds to the Registrar, shall, to the extent permitted by law, upon request in writing

1468 by the county and the furnishing of security or indemnity to the Registrar's satisfaction,
1469 be paid to the county free of any trust or lien, and thereafter the former Owner of such
1470 Bond shall look only to the county and then only to the extent of the amounts so received
1471 by the county without any interest thereon, and the Registrar shall have no further
1472 responsibility with respect to such money or payment of the Purchase Price of such
1473 Bonds. The Registrar shall authenticate a replacement Bond for any undelivered Bond,
1474 which shall then be remarketed by the Remarketing Agent in accordance with the
1475 provisions of this ordinance.

1476 (c) The Registrar shall hold all Bonds properly tendered to it for
1477 purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective
1478 Owners of the Bonds which shall have so tendered such Bonds until money representing
1479 the Purchase Price of such Bonds shall have been delivered to or for the account of or to
1480 the order of such Owners.

1481 **SECTION 4.08. Liquidity Facility.**

1482 (a) If a Liquidity Facility is in effect, on each Purchase Date, the
1483 Registrar, by demand given by Electronic Means by 12:30 P.M., shall draw on the
1484 Liquidity Facility in accordance with the terms thereof so as to receive thereunder by
1485 2:30 P.M. on such date an amount, in immediately available funds, sufficient, together
1486 with the proceeds of the remarketing of Bonds received on such date by 12:15 P.M., to
1487 enable the Registrar to pay the Purchase Price in connection therewith. The proceeds of
1488 such draw shall be deposited in the Liquidity Facility Purchase Account pursuant to
1489 Section 4.09(b).

1490 (b) In no event shall the Registrar draw on the Liquidity Facility with
1491 respect to Bonds owned by the county.

1492 (c) The county may provide an Alternate Liquidity Facility on any
1493 Business Day not later than the fifth (5th) Business Day prior to the Expiration Date of
1494 the Liquidity Facility then in effect. The county shall give the Notice Parties written
1495 notice of the proposed substitution of an Alternate Liquidity Facility no less than 30 days
1496 prior to the date on which the Registrar is required to provide notice of the proposed
1497 substitution to the Owners of the Bonds. The Registrar shall give notice of such
1498 Substitution Date in accordance with Section 4.02. On or before the Substitution Date
1499 there shall be delivered to the Registrar, (i) the Alternate Liquidity Facility in substitution
1500 for the Liquidity Facility then in effect, (ii) a Favorable Opinion of Bond Counsel, (iii) a
1501 written Opinion of Counsel for the provider of the Alternate Liquidity Facility to the
1502 effect that such Alternate Liquidity Facility is a valid, legal and binding obligation of the
1503 provider thereof, (iv) written consent of the Bond Insurer, and (v) unless waived by such
1504 entity, written evidence satisfactory to the Bond Insurer and the Liquidity Provider of the
1505 provision for purchase by the provider of the Alternate Liquidity Provider from the
1506 Liquidity Provider of all Liquidity Provider Bonds (which upon such purchase shall
1507 remain Liquidity Provider Bonds until ceasing to be Liquidity Provider Bonds in
1508 accordance with the provisions of this ordinance), at a price equal to the principal amount
1509 thereof plus accrued and unpaid interest, and payment of all amounts due to the Liquidity
1510 Provider under the Liquidity Facility on or before the Substitution Date. Upon the
1511 satisfaction of the conditions described in the preceding sentence, the Registrar shall
1512 accept such Alternate Liquidity Facility on the close of business on the Substitution Date

1513 and shall surrender the Liquidity Facility then in effect to the provider thereof on the
1514 Substitution Date. If any condition to the substitution is not satisfied, the substitution
1515 shall not occur, but the Bonds shall remain subject to mandatory purchase on the
1516 proposed Substitution Date.

1517 (d) In the event of an extension of the Expiration Date, the county
1518 shall give to the Notice Parties a written notice of the new Expiration Date at least 30
1519 days prior to the Expiration Date in effect prior to such extension.

1520 (e) The references to Liquidity Facility and Liquidity Provider shall be
1521 disregarded during any period during which a Liquidity Facility is not required to be in
1522 effect.

1523 SECTION 4.09. **Purchase Fund.** There is hereby established and there
1524 shall be maintained by the Registrar a separate fund to be known as the "Purchase Fund."
1525 The Registrar shall further establish three separate accounts within the Purchase Fund to
1526 be known as the "Liquidity Facility Purchase Account," the "Remarketing Proceeds
1527 Account" and the "County Purchase Account."

1528 (a) *Remarketing Proceeds Account.* Upon receipt of remarketing
1529 proceeds of Bonds on a Purchase Date, the Registrar shall deposit such proceeds in the
1530 Remarketing Proceeds Account for application to the Purchase Price of the Bonds.
1531 Notwithstanding the foregoing, upon the receipt remarketing proceeds of Liquidity
1532 Provider Bonds, the Registrar shall immediately pay such proceeds to the Liquidity
1533 Provider to the extent of any amount owing to the Liquidity Provider.

1534 (b) *Liquidity Facility Purchase Account.* Upon receipt of proceeds
1535 from a draw on the Liquidity Facility, the Registrar shall deposit such proceeds in the

1536 Liquidity Facility Purchase Account for application to the Purchase Price of the Bonds to
1537 the extent that the money on deposit in the Remarketing Proceeds Account shall not be
1538 sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not
1539 needed with respect to the Purchase Price for any Bonds shall be immediately returned to
1540 the Liquidity Provider.

1541 (c) *County Purchase Account.* Upon receipt of money from the
1542 county pursuant to Section 4.04(c), the Registrar shall deposit such money in the County
1543 Purchase Account for application to the Purchase Price of the Bonds to the extent that the
1544 money on deposit in the Remarketing Proceeds Account and Liquidity Facility Purchase
1545 Account shall not be sufficient. Any amounts deposited in the County Purchase Account
1546 and not needed with respect to the Purchase Price for any Bonds shall be immediately
1547 returned to the county.

1548 (d) *Investment.* Amounts held in the Liquidity Facility Purchase
1549 Account and the Remarketing Proceeds Account shall be held uninvested and separate
1550 and apart from all other funds and accounts.

1551 **SECTION 4.10. Insufficient Funds for Tenders.**

1552 (a) If money sufficient to pay the Purchase Price of all Bonds to be
1553 purchased on any Purchase Date is not available, (1) no purchase shall be consummated
1554 on such Purchase Date; (2) all such Bonds shall be returned to the Owners thereof; (3) all
1555 remarketing proceeds shall be returned to the Remarketing Agent for return to the
1556 Persons providing such money; and (4) all proceeds of draws on the Liquidity Facility, if
1557 any, shall be returned to the Liquidity Provider.

1558 (b) All Bonds shall then automatically convert to the Weekly Mode (if
1559 not already in such Mode) and bear interest at the Alternate Rate plus 3% during the
1560 period of time from and including the applicable Purchase Date to (but not including) the
1561 date on which the Registrar holds in the Purchase Fund money sufficient to pay the
1562 Purchase Price of all Bonds (the "Delayed Remarketing Period"). The first Rate
1563 Determination Date for purposes of determining the Alternate Rate shall be the Purchase
1564 Date.

1565 (c) The county may direct the conversion of the Bonds to a different
1566 Mode during the Delayed Remarketing Period in accordance with Section 2.10; provided
1567 that the county shall not be required to comply with the notice requirements described in
1568 Section 2.10 and provided further, in the event the Delayed Remarketing Period extends
1569 for 90 consecutive days, then the county shall promptly commence the process of
1570 converting the interest rate on the Bonds to another interest rate acceptable to the Bond
1571 Insurer.

1572 (d) Subject to the terms of the Remarketing Agreement, the
1573 Remarketing Agent shall continue to use its best efforts to remarket the Bonds during the
1574 Delayed Remarketing Period.

1575 (e) During the Delayed Remarketing Period, the Registrar may, upon
1576 direction of the county, apply amounts on deposit in the Junior Lien Bond Fund to the
1577 redemption of Bonds, as a whole or in part on any Business Day during the Delayed
1578 Remarketing Period, at the Redemption Price. Notwithstanding Section 3.08 to the
1579 contrary, the Registrar shall give five Business Days' notice of such redemption to the
1580 Owners of the Bonds to be redeemed.

1581 (f) During the Delayed Remarketing Period, interest on the Bonds
1582 shall be paid (i) on the first Business Day of each calendar month occurring during the
1583 Delayed Remarketing Period and (ii) on the last day of the Delayed Remarketing Period.

1584 SECTION 4.11. **County Purchase of Bonds.** The county reserves the right
1585 to purchase any of the Bonds offered to it by a Beneficial Owner or Owner at any time at
1586 any price acceptable to the county. Bonds so purchased by the county will be retired and
1587 will not be remarketed.

1588 **ARTICLE V.**

1589 **BOND FUND AND REVENUE FUND; COVENANTS**

1590 SECTION 5.01. **Security and Sources of Payment.**

1591 (a) *Junior Lien Bond Fund.* A special fund of the county designated
1592 the “King County, Washington, Junior Lien Obligation Redemption Fund” (the “Junior
1593 Lien Bond Fund”) has been created for the purpose of paying and securing the payment
1594 of the 2001 Junior Lien Obligations, the Bonds, the 2006B Bonds, and any Additional
1595 Junior Lien Obligations. The Junior Lien Bond Fund shall be held separate and apart
1596 from all other funds and accounts of the county and shall be a trust fund for the owners of
1597 Junior Lien Obligations.

1598 The county hereby irrevocably obligates and binds itself for as long as any Bonds
1599 remain Outstanding to set aside and pay into the Junior Lien Bond Fund from Revenue of
1600 the System, on or prior to the respective dates the same become due (and if such payment
1601 is made on the due date, such payment shall be made in immediately available funds):

1602 (1) Such amounts as are required to pay the interest scheduled
1603 to become due on Outstanding Bonds (including all Liquidity Provider Bonds); and

1604 (2) Such amounts with respect to Outstanding Bonds as are
1605 required (A) to pay maturing principal, (B) to make any required sinking fund payments,
1606 and (C) to redeem Outstanding Bonds in accordance with any mandatory redemption
1607 provisions (including all Liquidity Provider Bonds).

1608 (b) *Priority of Use of Revenue of the System.* All Revenue of the
1609 System shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be
1610 held separate and apart from all other funds and accounts of the county, and the Revenue
1611 of the System deposited therein shall be used only for the following purposes and in the
1612 following order of priority:

1613 First, to pay all Operating and Maintenance Expenses;

1614 Second, to make all required payments of principal of and interest on Parity
1615 Bonds as the same shall become due and payable and, when permitted under the
1616 provisions of the ordinances authorizing the Parity Bonds, to make any Payment
1617 Agreement Payments with respect to any Parity Payment Agreements;

1618 Third, to make required deposits for the amortization of Parity Term Bonds;

1619 Fourth, to make all payments required to be made pursuant to a reimbursement
1620 agreement or agreements (or other equivalent documents) with the providers of any debt
1621 service reserve insurance, sureties or letters of credit securing Parity Bonds, provided that
1622 if there is not sufficient money to make all payments under such reimbursement
1623 agreements the payments will be made on a pro rata basis;

1624 Fifth, to establish and maintain the Parity Bond Reserve (including the cost of
1625 obtaining debt service reserve insurance, sureties or letters of credit);

1626 Sixth, to make all required payments of principal of and interest on the Parity
1627 Lien Obligations and Payment Agreement Payments with respect to any Parity Lien
1628 Obligation Payment Agreements;

1629 Seventh, to make all required payments of principal of and interest on the Bonds,
1630 the 2006B Bonds and any other Junior Lien Obligations, as the same shall become due
1631 and payable, to make all Payment Agreement Payments for any Payment Agreements
1632 entered into with respect to Junior Lien Obligations and to make any payments required
1633 to be made to the Bond Insurer pursuant to the Insurance Agreement and to other
1634 providers of credit enhancement or liquidity facilities for any Junior Lien Obligations;

1635 Eighth, to make all required payments of principal of and interest on the
1636 Commercial Paper Notes, the Bank Note, or Additional Subordinate Lien Obligations as
1637 the same shall become due and payable;

1638 Ninth, to make all required payments of principal and interest on bonds, notes,
1639 warrants and other evidences of indebtedness, the lien and charge against Revenue of the
1640 System of which is junior and inferior to the Commercial Paper Notes, the Bank Note and
1641 Additional Subordinate Lien Obligations, as the same shall become due and payable;

1642 Tenth, to make all required payments of principal and interest due on the SRF
1643 Loans and the Public Works Trust Fund Loans as the same shall become due and
1644 payable; and

1645 Eleventh, to accumulate in the special reserve fund for the SRF Loans the amount
1646 to be accumulated therein pursuant to the terms of the SRF Loans.

1647 Any surplus money that the county may have on hand in the Revenue Fund after
1648 making all required payments set forth above may be used by the county (i) to make

1649 necessary improvements, additions and repairs to and extensions and replacements of the
1650 System, (ii) to purchase or redeem and retire outstanding sewer revenue bonds of the
1651 county, (iii) to make deposits into the Rate Stabilization Fund, or (iv) for any other lawful
1652 purposes of the county related to the System.

1653 (c) *Lien on Revenue of the System.* The Bonds and the lien thereof
1654 created and established hereunder shall be obligations only of the Junior Lien Bond Fund.
1655 The Bonds shall be payable solely from and secured solely by Revenue of the System and
1656 by drawings under the Bond Insurance of the Liquidity Facility; *provided, however,* that
1657 any series of Additional Junior Lien Obligations also may be payable from and secured
1658 by a separate credit or liquidity facility pledged specifically to or provided for that series
1659 of Additional Junior Lien Obligations, and such separate credit or liquidity facility shall
1660 not secure payment of the Bonds. No Additional Junior Lien Obligations shall be
1661 secured by the Bond Insurance or the Liquidity Facility unless the Bond Insurer or the
1662 Liquidity Provider, as the case may be, shall amend the Bond Insurance or increase the
1663 Available Amount under the Liquidity Facility, as the case may be, to account for such
1664 Additional Junior Lien Obligations. Unless the Bond Insurance is so amended or the
1665 Available Amount is so increased, funds drawn under the Bond Insurance or the
1666 Liquidity Facility shall be held separately and shall not be available for payments with
1667 respect to any Additional Junior Lien Obligations.

1668 From and after the time of issuance and delivery of the Bonds and so long
1669 thereafter as any of the same remain Outstanding, the county hereby irrevocably obligates
1670 and binds itself to set aside and pay into the Junior Lien Bond Fund out of Revenue of the
1671 System, on or prior to the date on which the interest on, premium, if any, or principal of

1672 and interest on the Bonds shall become due, the amount necessary to pay such interest,
1673 premium, or principal and interest coming due on the Bonds.

1674 The amounts herein covenanted to be paid out of the Revenue of the System and
1675 deposited into the Junior Lien Bond Fund shall constitute and the county hereby grants
1676 and pledges to the owners of the Bonds, a lien and charge on such Revenue junior,
1677 subordinate and inferior to Operating and Maintenance Expenses; junior, subordinate and
1678 inferior to the lien and charge on such Revenue for the payments required to be made into
1679 the Parity Bond Fund and the accounts therein; junior, subordinate and inferior to the lien
1680 and charge on such Revenue of the payments required to be made into the Parity Lien
1681 Obligation Bond Fund and the accounts therein; equal to the lien and charge on such
1682 Revenue to pay and secure the payment of the 2001 Junior Lien Obligations, the 2006B
1683 Bonds and any Additional Junior Lien Obligations; and superior to all other liens and
1684 charges of any kind or nature, including, *inter alia*, the lien and charge on such Revenue
1685 to pay and secure the payment of the Commercial Paper Notes, the Bank Note and any
1686 Additional Subordinate Lien Obligations, and the SRF Loans and Public Works Trust
1687 Fund Loans.

1688 The Bonds shall not be deemed to constitute a general obligation or a pledge of
1689 the faith and credit of the county, or a debt or a pledge of the faith and credit of the State
1690 of Washington or any other municipal corporation or political subdivision thereof.
1691 Neither the State of Washington nor any other municipal corporation or political
1692 subdivision thereof shall be obligated to pay the principal of or interest on the Bonds, and
1693 neither the faith and credit nor the taxing power of the county, the State of Washington or

1694 any other municipal corporation or political subdivision thereof is pledged to the payment
1695 of the principal of or interest on the Bonds.

1696 (d) *Due Regard for Expenses of Maintenance and Operation.* The
1697 county council hereby declares that, in fixing the amounts to be paid into the Junior Lien
1698 Bond Fund and the accounts therein out of the Revenue of the System, it has exercised
1699 due regard for the necessary Operating and Maintenance Expenses and has not obligated
1700 the county to set aside, pay into and maintain in said fund and accounts a greater amount
1701 of the Revenue of the System than in its judgment will be available over and above such
1702 necessary Operating and Maintenance Expenses.

1703 SECTION 5.02. **Defeasance.** If money and/or Defeasance Securities
1704 maturing at such time(s) and bearing such interest to be earned thereon (without any
1705 reinvestment thereof) as will provide a series of payments that shall be sufficient together
1706 with any money initially deposited, to provide for the payment of the principal of,
1707 premium, if any, and interest (if the rate of interest is not fixed, at the Maximum Rate) on
1708 all or a designated portion of the Bonds when due (whether at maturity or upon earlier
1709 redemption in accordance with their respective terms) or on the first date on which such
1710 Bonds must be tendered for purchase are set aside in a special fund (hereinafter called the
1711 "trust account") to effect such payment and are pledged irrevocably in accordance with a
1712 refunding or defeasance plan adopted by the county for the purpose of effecting such
1713 payment, then no further payments need be made in the Junior Lien Bond Fund for the
1714 payment of the principal of, interest or redemption premium on such Bonds, the Owners
1715 thereof shall cease to be entitled to any lien, benefit or security of this ordinance, except
1716 the right to receive payment of the principal of, premium, if any, and interest on such

1717 Bonds when due in accordance with their respective terms from the money and the
1718 principal and interest proceeds on the Defeasance Securities set aside in the trust account,
1719 and such Bonds shall no longer be deemed to be Outstanding hereunder; provided,
1720 however, that the Bonds may not be defeased in whole until the Registrar receives written
1721 notice from (i) the Bond Insurer that all fees and expenses owed to the Bond Insurer
1722 under the Bond Policy and the Insurance Agreement have been paid and (ii) the Liquidity
1723 Provider that all amounts due the Liquidity Provider under the Liquidity Facility have
1724 been paid and that the Liquidity Facility has been terminated in accordance with its
1725 terms. In addition to the foregoing requirements, so long as the Bond Insurance is in full
1726 force and effect, the Bond Insurer shall be provided with (i) an Opinion of Counsel
1727 acceptable to the Bond Insurer that the Bonds so provided for have been legally defeased
1728 and that the agreement establishing such trust account operates to legally defease the
1729 Bonds within the meaning of this ordinance and (ii) a verification from an independent
1730 certified public accountant that the cash and Defeasance Securities deposited in the trust
1731 account are sufficient to defease the Bonds so provided for. In addition, the county shall
1732 provide the Bond Insurer with 15 Business Days' notice of any defeasance of Bonds.
1733 Notwithstanding the foregoing, no defeasance of Bonds then in a Short-Term Mode may
1734 be made unless the county shall have received written notice from each Rating Agency
1735 then maintaining a rating on the Bonds to the effect that the rating then in effect with
1736 respect to such Bonds will not be withdrawn, reduced or suspended as a result of the
1737 proposed defeasance.

1738 SECTION 5.03. **Covenants.** The county hereby makes the following
1739 covenants and agrees with the Owners of the Bonds for as long as any of the same remain
1740 Outstanding.

1741 (a) *General Rate Covenant.* The county shall establish, maintain and
1742 collect rates and charges for sewage disposal service for each calendar year that shall be
1743 fair and nondiscriminatory and adequate to provide the county with Revenue of the
1744 System sufficient (1) to pay all Operating and Maintenance Expenses during such
1745 calendar year; (2) to pay punctually all amounts described in Paragraphs Second through
1746 Eleventh in Section 5.01(b) due during such calendar year; and (3) to pay any and all
1747 amounts that the county is now or may hereafter become obligated by law or contract to
1748 pay during such calendar year from the Revenue of the System.

1749 (b) *Coverage Requirement.*

1750 (i) Subject to the provisions of subparagraph (ii) of this
1751 Section 5.03(b), the county hereby covenants with the owners of the Bonds for so long as
1752 any of the same are Outstanding that the county will at all times establish, maintain and
1753 collect rates and charges for sewage disposal service that, together with the interest to be
1754 earned on investments made of money in the Revenue Fund, Parity Bond Fund, Parity
1755 Lien Obligation Bond Fund, Junior Lien Bond Fund, and Construction Account will
1756 provide in each calendar year Net Revenue, after deducting therefrom amounts required
1757 in such year to pay Annual Parity Debt Service and Annual Debt Service on the Parity
1758 Lien Obligations, in an amount equal to at least 1.10 times the amounts required to pay:

1759 (A) All amounts required to be paid in such year in
1760 respect of interest on the 2001 Junior Lien Obligations, the Bonds, the 2006B Bonds and

1761 any Additional Junior Lien Obligations and Payment Agreement Payments (less Payment
1762 Agreement Receipts) for Payment Agreements entered into with respect to any Junior
1763 Lien Obligations.

1764 (B) All principal coming due in such year on the 2001
1765 Junior Lien Obligations, the Bonds, the 2006B Bonds, and any Additional Junior Lien
1766 Obligations.

1767 (C) The amounts required to be paid into the Junior
1768 Lien Bond Fund in such year for amortization of principal of Junior Lien Obligations that
1769 are Term Bonds. For purposes of clause (C) of this paragraph, "amounts required to be
1770 paid" means the amount to be deposited or accumulated in any fund or account for
1771 amortization of Term Bonds in such year for outstanding Term Bonds irrespective of the
1772 date or dates such amount, or any portion thereof, is actually deposited into such fund or
1773 account.

1774 (ii) For purposes of calculating the amounts required to
1775 pay interest on Parity Lien Obligations and Junior Lien Obligations, capitalized interest
1776 and accrued interest paid to the county upon the issuance of Parity Lien Obligations and
1777 Junior Lien Obligations shall be excluded.

1778 (iii) There shall be added to Revenue of the System for
1779 any calendar year any amount withdrawn from the Rate Stabilization Fund and deposited
1780 in the Revenue Fund. There shall be subtracted from Revenue of the System for any year
1781 any amounts in such year withdrawn from the Revenue Fund and deposited into the Rate
1782 Stabilization Fund in such year.

1783 (c) *Maintain in Good Order.* The county shall cause the System and
1784 the business in connection therewith to be operated in a safe, sound, efficient, and
1785 economic manner in compliance with all health, safety, and environmental laws,
1786 regulatory body rules, regulatory body orders and court orders applicable to the county's
1787 operation of the System, and shall cause to be maintained, preserved, reconstructed,
1788 expanded and kept, with all appurtenances and every part and parcel thereof, in good
1789 repair, working order and condition, and shall from time to time cause to be made,
1790 without undue deferral, all necessary or proper repairs, replacements and renewals, so
1791 that all times the operation of the System shall be properly and advantageously
1792 conducted.

1793 (d) *Sale or Disposition.* The county will not sell or voluntarily dispose
1794 of all of the operating properties of the System unless provision is made for payment into
1795 the appropriate bond funds of a sum sufficient to pay the principal of and interest on all
1796 outstanding Parity Bonds, Parity Lien Obligations and Junior Lien Obligations, in
1797 accordance with the terms thereof, nor will the county sell or voluntarily dispose of any
1798 part of the operating properties of the System unless the county has first complied with
1799 any applicable covenants of the Parity Bonds and Parity Lien Obligations.

1800 (e) *Books and Records.* The county will cause proper books of record
1801 and accounts of operation of the System to be kept, including an annual financial report.

1802 (f) *Annual Audit.* The county shall cause its books of accounts,
1803 including its annual financial report, to be audited annually by the State auditor's office
1804 or other State department or agency as may be authorized and directed by law to make
1805 such audits, or if such an audit shall not be made for twelve months after the close of any

1806 calendar year of the county, by a Certified Public Accountant. The county will furnish
1807 such audit to the owner or holder of any Bond upon written request therefor.

1808 (g) *Insurance.* The county will at all times carry fire and extended
1809 coverage and such other forms of insurance on such of the buildings, equipment, facilities
1810 and properties of the Sewer System as under good practice are ordinarily carried on such
1811 buildings, equipment, facilities and properties by municipal or privately owned utilities
1812 engaged in the operation of sewer systems and will also carry adequate public liability
1813 insurance at all times, provided that the county may, if deemed advisable by the county
1814 council, institute or continue a self insurance program with respect to any or all of the
1815 aforementioned risks.

1816 (h) *Construction.* The county shall cause the construction of any duly
1817 authorized and ordered portions of the Comprehensive Plan to be performed and
1818 completed within a reasonable time and at the lowest reasonable cost.

1819 (i) *Collection of Revenue.* The county shall so operate and maintain
1820 the System and conduct its affairs as to entitle it at all times to receive and enforce
1821 payment to it of sewage disposal charges payable under any Service Agreement that the
1822 county has now or may hereafter enter into and to entitle the county to collect all
1823 revenues derived from the operation of the System. The county shall not release the
1824 obligations of any person, corporation or political subdivision under such Service
1825 Agreements and shall at all times, to the extent permitted by law, defend, enforce,
1826 preserve and protect the rights and privileges of the county and of the Owners of the
1827 Bonds under or with respect to such agreements.

1828 SECTION 5.04. **Tax Covenants.**

1829 (a) *Tax Covenant.* The county covenants to undertake all actions
1830 required to maintain the tax-exempt status of interest on the Bonds under Section 103 of
1831 the Code as set forth in the Federal Tax Certificate.

1832 (b) *No Bank Qualification.* The Bonds have not been designated as
1833 “qualified tax-exempt obligations” pursuant to Section 265(b) of the Code for investment
1834 by financial institutions.

1835 SECTION 5.05. **Additional Obligations of the Sewer System.**

1836 (a) *Senior Lien Bonds.* The county may issue from time to time
1837 additional Parity Bonds and Parity Lien Obligations on the terms and conditions set forth
1838 in the ordinances authorizing issuance of the Parity Bonds and the Parity Lien
1839 Obligations.

1840 (b) *Additional Junior Lien Obligations.* The county also hereby
1841 reserves the right to issue Additional Junior Lien Obligations, but only if such Junior
1842 Lien Obligations are issued (i) for the purpose of refunding any then outstanding Junior
1843 Lien Obligations or (ii) for any lawful purpose of the county related to the System, and
1844 the following conditions are met:

1845 (i) At the time of issuing such Additional Junior Lien
1846 Obligations, there shall be no default in the payment of the principal of or interest on any
1847 Parity Bonds, Parity Lien Obligations, any Outstanding Junior Lien Obligations, any
1848 Subordinate Lien Obligations, the Public Works Trust Fund Loans or the SRF Loans.

1849 (ii) The county shall have on file one of the following
1850 certificates:

1851 (A) A certificate of the Finance Director showing that
1852 Net Revenue in any 12 consecutive months out of the most recent 18 months preceding
1853 the issuance of such Additional Junior Lien Obligations, based on financial statements of
1854 the System prepared by the county and after deducting therefrom the Senior Lien
1855 Payments required in each calendar year during the life of such Additional Junior Lien
1856 Obligations, shall be at least equal to 1.10 times the Annual Debt Service for the
1857 proposed Additional Junior Lien Obligations and all then outstanding Junior Lien
1858 Obligations in each year during the life of such Additional Junior Lien Obligations; or

1859 (B) A certificate from a licensed professional engineer
1860 experienced in the design, construction and operation of municipal utilities of scope
1861 similar to the System (the certificate may not be dated more than 90 days prior to the date
1862 of delivery of such Additional Junior Lien Obligations) showing that in his or her
1863 professional opinion the Net Revenue, estimated on the basis of all factors as he or she
1864 may consider reasonable, for each of the five calendar years next following the year in
1865 which such Additional Junior Lien Obligations are to be issued, after deducting therefrom
1866 Senior Lien Payments for each such year, shall be at least equal to 1.10 times the Annual
1867 Debt Service for the proposed Additional Junior Lien Obligations and all then
1868 outstanding Junior Lien Obligations in each of those five years.

1869 (c) Nothing herein contained shall prevent the county from issuing
1870 revenue bonds, notes or other obligations that are a charge upon the Revenue of the
1871 System junior or inferior to the payments required to be made therefrom into the Junior
1872 Lien Bond Fund to pay and secure the payment of any Junior Lien Obligations.

1873 SECTION 5.06. **Payment Agreements.**

1874 (a) *General.* To the extent and for the purposes permitted from time
1875 to time by Chapter 39.96 RCW and other applicable provisions of State law, the county
1876 may enter into Payment Agreements with respect to any Junior Lien Obligations, subject
1877 to the conditions set forth in this section and in other provisions of this ordinance.

1878 (b) *Manner and Schedule of Payments.* Each Payment Agreement
1879 shall set forth the manner in which the Payment Agreement Payments and the Payment
1880 Agreement Receipts shall be calculated and a schedule of payment dates.

1881 (c) *Authorizing Ordinance.* Prior to entering into a Payment
1882 Agreement, the county council shall pass an ordinance authorizing such agreement and
1883 setting forth such provisions as the county deems necessary or desirable and are not
1884 inconsistent with the provisions of this ordinance.

1885 (d) *Calculation of Payment Agreement Payments and Debt Service on*
1886 *Junior Lien Obligations with Respect to which a Payment Agreement is in Force.* It is
1887 the intent of the county, for purposes of Sections 5.04(b) and 5.05(b) of this ordinance,
1888 that debt service on Junior Lien Obligations with respect to which a Payment Agreement
1889 is in force shall be calculated to reflect the net economic effect on the county intended to
1890 be produced by the terms of the Junior Lien Obligations and the terms of the Payment
1891 Agreement. In calculating such amounts, the county shall be guided by the following
1892 requirements.

1893 (i) The amount of interest deemed to be payable on any Junior
1894 Lien Obligations with respect to which a Payment Agreement is in force shall be an
1895 amount equal to the amount of interest that would be payable at the rate or rates stated in

1896 those Junior Lien Obligations plus Payment Agreement Payments minus Payment
1897 Agreement Receipts.

1898 (ii) For any period during which Payment Agreement
1899 Payments are not taken into account in calculating interest on any outstanding Junior
1900 Lien Obligations because the Payment Agreement is not then related to any outstanding
1901 Junior Lien Obligations, Payment Agreement Payments on that Parity Payment
1902 Agreement shall be calculated based upon the following assumptions:

1903 (A) County Obligated to Make Payments Based on
1904 Fixed Rate. If the county is obligated to make Payment Agreement Payments based on a
1905 fixed rate and the Qualified Counterparty is obligated to make payments based on a
1906 variable rate index, payments by the county will be based on the assumed fixed payor
1907 rate, and payments by the Qualified Counterparty will be based on a rate equal to the
1908 average rate determined by the variable rate index specified by the Payment Agreement
1909 during the fiscal quarter preceding the quarter in which the calculation is made; and

1910 (B) County Obligated to Make Payments Based on
1911 Variable Rate Index. If the county is obligated to make Payment Agreement Payments
1912 based on a variable rate index and the Qualified Counterparty is obligated to make
1913 payments based on a fixed rate, payments by the county will be based on a rate equal to
1914 the average rate determined by the variable rate index specified by the Payment
1915 Agreement during the fiscal quarter preceding the quarter in which the calculation is
1916 made, and the Qualified Counterparty will make payments based on the fixed rate
1917 specified by the Payment Agreement.

1941 the whole or any substantial part of the System; or (v) consent to the assumption by any
1942 court of competent jurisdiction under the provisions of any other law for the relief or aid
1943 of debtors of custody or control of the county or of the whole or any substantial part of
1944 the System.

1945 SECTION 6.02. **Remedies.**

1946 (a) *Bond Insurer's Control.* Upon the occurrence and continuation of
1947 a Default, the Bond Insurer shall be entitled to exercise, on behalf of the Bondowners,
1948 any of the remedies provided under this section and, for as long as the Bond Insurer is not
1949 in default of its obligations under the Bond Insurance, the Bond Insurer shall be the only
1950 party entitled to exercise the remedies provided under this section.

1951 (b) *Bondowners' Trustee.* Upon the occurrence of a Default and so
1952 long as such Default shall not have been remedied and subject to the rights of the Bond
1953 Insurer, as provided in subsection (a) above, a Bondowners' Trustee may be appointed
1954 for the Bonds by the owners of 51% in principal amount of the Outstanding Bonds by an
1955 instrument or concurrent instruments in writing signed and acknowledged by such
1956 Bondowners or by their attorneys-in-fact duly authorized and delivered to such
1957 Bondowners' Trustee, notification thereof being given to the county. Any Bondowners'
1958 Trustee appointed under the provisions of this Section shall be a bank or trust company
1959 organized under the laws of a state or a national banking association. The fees and
1960 expenses of a Bondowners' Trustee shall be borne by the Bondowners and not by the
1961 county. The bank or trust company acting as a Bondowners' Trustee may be removed at
1962 any time, and a successor Bondowners' Trustee may be appointed by the owners of 51%
1963 in principal amount of the Bonds Outstanding, by an instrument or concurrent

1964 instruments in writing signed and acknowledged by such Bondowners or by their
1965 attorneys-in-fact duly authorized. The Bondowners' Trustee may resign upon 60 days'
1966 notice and a new Bondowners' Trustee appointed by the owners of at least 51% in
1967 principal amount of Bonds; provided, however, that no such resignation or removal shall
1968 be effective until a successor Bondowners' Trustee shall have been appointed and shall
1969 have delivered a written instrument of acceptance of the duties and responsibilities of the
1970 Bondowners' Trustee under this ordinance to the county and the Owners of the Bonds
1971 then Outstanding.

1972 The Bondowners' Trustee appointed in the manner herein provided, and each
1973 successor thereto, is hereby declared to be a trustee for the owners of all Bonds then
1974 Outstanding and is empowered to exercise all the rights and powers herein conferred on
1975 the Bondowners' Trustee.

1976 (c) *Legal Action by Bondowners' Trustee.* Subject to the rights
1977 of the Bond Insurer, upon the happening of a Default and during the continuation thereof,
1978 the Bondowners' Trustee may, and upon the written request of the Owners of not less
1979 than 25% in principal amount of Bonds then Outstanding shall, take such steps and
1980 institute such suits, actions or other proceedings, all as it may deem appropriate for the
1981 protection and enforcement of the rights of Bondowners to collect any amounts due and
1982 owing to or from the county, or to obtain other appropriate relief, and may enforce the
1983 specific performance of any covenant, agreement or condition contained in this ordinance
1984 or the Bonds. Any action, suit or other proceedings instituted by a Bondowners' Trustee
1985 hereunder shall be brought in its name as trustee for the Bondowners, and all such rights
1986 of action upon or under any of the Bonds or the provisions of this ordinance may be

1987 enforced by a Bondowners' Trustee without the possession of any of said Bonds, and
1988 without the production of the same at any trial or proceedings relating thereto except
1989 where otherwise required by law. Any such suit or proceeding instituted by the
1990 Bondowners' Trustee shall be brought for the ratable benefit of all Owners of the Bonds,
1991 subject to the provisions of this ordinance. The respective owners of said Bonds by
1992 taking and holding the same, shall be conclusively deemed irrevocably to appoint a
1993 Bondowners' Trustee the true and lawful trustee of the respective Owners of said Bonds,
1994 with authority to institute any such action, suit or proceeding; to receive as trustee and
1995 deposit in trust any sums that become distributable on account of said Bonds; to execute
1996 any paper or documents for the receipt of such money, and to do all acts with respect
1997 thereto that the Bondowner himself might have done. Nothing herein shall be deemed to
1998 authorize or empower any Bondowners' Trustee to consent to accept or adopt, on behalf
1999 of any Owner of said Bonds, any plan of reorganization or adjustment affecting the said
2000 Bonds or any right of any Owner thereof, or to authorize or empower the Bondowners'
2001 Trustee to vote the claims of the Owners thereof in any receivership, insolvency,
2002 liquidation, bankruptcy, reorganization or other proceeding to which the county shall be a
2003 party.

2004 (d) *Restrictions on Legal Action by Individual Bondowners.* No
2005 Owner or Beneficial Owner of any Bonds shall have any right to institute any action, suit
2006 or proceedings at law or in equity for the enforcement of the same unless:

- 2007 (i) A Default shall have happened and be continuing; and
2008 (ii) a Bondowners' Trustee has been appointed as herein
2009 provided, and

2010 (iii) such owner previously has given to the Bondowners'
2011 Trustee written notice of the Default as to which such suit, action or proceeding is to be
2012 instituted; and

2013 (iv) the Owners of 25% in principal amount of the Bonds then
2014 Outstanding, after the occurrence of such Default, have made written request of the
2015 Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable
2016 opportunity to institute such suit, action or proceedings; and

2017 (v) the Bondowners' Trustee has been offered security and
2018 indemnity satisfactory to it against the costs, expenses and liabilities to be incurred
2019 therein or thereby; and

2020 (vi) the Bondowners' Trustee has refused or neglected to
2021 comply with such request within a reasonable time.

2022 No Owner or Beneficial Owner of any Bond shall have any right in any manner
2023 whatever by his or her action to affect or impair the obligation of the county, which is
2024 absolute and unconditional, to pay from Revenue of the System the principal of and
2025 interest on said Bonds to the respective Owners thereof when due.

2026 (e) *Waivers of Default; Remedies not Exclusive.* The remedies herein
2027 conferred upon or reserved to the owners of the Bonds and to a Bondowners' Trustee are
2028 not intended to be exclusive of any other remedy or remedies, and each and every such
2029 remedy shall be cumulative and shall be in addition to every other remedy given
2030 hereunder or now or hereafter existing at law or in equity or by statute. The privileges
2031 herein granted shall be exercised from time to time and continued so long as and as often
2032 as the occasion therefor may arise.

2056 Remarketing Agreement that the County Representative is hereby authorized to execute
2057 and deliver on behalf of the county. The Remarketing Agent shall keep such books and
2058 records as are consistent with prudent industry practice and make such books and records
2059 available for inspection by the Notice Parties at all reasonable times.

2060 (b) *Resignation or Removal.* The Remarketing Agent may at any time
2061 resign and be discharged of the duties and obligations created by this ordinance as set
2062 forth in the Remarketing Agreement. The Remarketing Agent may suspend its
2063 remarketing efforts as set forth in the Remarketing Agreement. The Remarketing Agent
2064 may be removed at any time, at the direction of the county as set forth in the Remarketing
2065 Agreement. Any successor Remarketing Agent shall be appointed by the County
2066 Representative on behalf of the county, with the consent of the Bond Insurer and
2067 Liquidity Provider, and shall be a member of the National Association of Securities
2068 Dealers, Inc., have a capitalization of at least \$50,000,000, be authorized by law to
2069 perform all the duties of the Remarketing Agent set forth in this ordinance and be
2070 acceptable to the Bond Insurer and Liquidity Provider. The delivery to the Registrar of a
2071 certificate of the County Representative setting forth the effective date of the appointment
2072 of a successor Remarketing Agent and the name of such successor, together with written
2073 evidence of the consent of the Bond Insurer and Liquidity Provider, shall be conclusive
2074 evidence that (i) if applicable, the predecessor Remarketing Agent has been removed in
2075 accordance with the provisions of this ordinance and (ii) such successor has been
2076 appointed and is qualified to act as Remarketing Agent under the terms of this ordinance.

2077 (c) *Merger or Consolidation.* If the Remarketing Agent consolidates
2078 with, merges or converts into, or transfers all or substantially all of its assets (or, in the

2079 case of a bank, national banking association or trust company, its corporate assets) to,
2080 another entity, the resulting, surviving or transferee entity without any further act shall be
2081 the successor Remarketing Agent.

2082 SECTION 7.03. **Bond Insurance.**

2083 (a) *Acceptance of Commitment.* The council hereby accepts the
2084 commitment from MBIA Insurance Corporation (the “Bond Insurer”) to provide a
2085 financial guaranty insurance policy guaranteeing the scheduled payment of principal of
2086 and interest on the Bonds (the “Bond Insurance”). The council further authorizes and
2087 directs the Finance Director and all other proper officers, agents, attorneys and employees
2088 of the county to cooperate with the Bond Insurer in preparing such additional agreements,
2089 certificates, and other documentation on behalf of the county as shall be necessary or
2090 advisable in providing for the Bond Insurance.

2091 (b) *Payments Under the Bond Insurance.* As long as the Bond
2092 Insurance shall be in full force and effect, the county and the Registrar agree to comply
2093 with the following provisions:

2094 (i) In the event that, on the second Business Day, and again on
2095 the Business Day, prior to a payment date on the Bonds, the Registrar has not received
2096 sufficient money to pay all principal of and interest on the Bonds due on the second
2097 following or following, as the case may be, Business Day, the Registrar shall
2098 immediately notify the Bond Insurer or its designee on the same Business Day by
2099 telephone or telegraph, confirmed in writing by registered or certified mail, of the amount
2100 of the deficiency.

2101 (ii) If the deficiency is made up in whole or in part prior to or
2102 on the payment date, the Registrar shall so notify the Bond Insurer or its designee.

2103 (iii) In addition, if the Registrar has notice that any Bond holder
2104 has been required to disgorge payments of principal or interest on the Bonds to a trustee
2105 in bankruptcy or creditors or others pursuant to a final judgment by a court of competent
2106 jurisdiction that such payment constitutes an avoidable preference to such Bond holder
2107 within the meaning of any applicable bankruptcy laws, then the Registrar shall notify the
2108 Bond Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in
2109 writing by registered or certified mail.

2110 (iv) The Registrar is hereby irrevocably designated, appointed,
2111 directed and authorized to act as attorney in fact for owners of the Bonds as follows:

2112 (A) If and to the extent there is a deficiency in amounts
2113 required to pay interest on the Bonds, the Registrar shall (i) execute and deliver to U.S.
2114 Bank Trust National Association, or its successor under the Bond Insurance (the
2115 “Insurance Paying Agent”), in form satisfactory to the Insurance Paying Agent, an
2116 instrument appointing the Bond Insurer as agent for such owners in any legal proceeding
2117 related to the payment of such interest and an assignment to the Bond Insurer of the
2118 claims for interest to which such deficiency relates and which are paid by the Bond
2119 Insurer, (ii) receive as designee of the respective owners (and not as Registrar) in
2120 accordance with the tenor of the Bond Insurance payment from the Insurance Paying
2121 Agent with respect to the claims for interest so assigned, and (iii) disburse the same to
2122 such respective owners; and

2123 (B) If and to the extent of a deficiency in amounts
2124 required to pay principal of the Bonds, the Registrar shall (i) execute and deliver to the
2125 Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument
2126 appointing the Bond Insurer as agent for such owner in any legal proceeding relating to
2127 the payment of such principal and an assignment to the Bond Insurer of any of the Bonds
2128 surrendered to the Insurance Paying Agent of so much of the principal amount thereof as
2129 has not previously been paid or for which money is not held by the Registrar and
2130 available for such payment (but such assignment shall be delivered only if payment from
2131 the Insurance Paying Agent is received), (ii) receive as designee of the respective owners
2132 (and not as Registrar) in accordance with the tenor of the Bond Insurance payment
2133 therefor from the Insurance Paying Agent, and (iii) disburse the same to such owner.

2134 (v) Payments with respect to claims for interest on and
2135 principal of Bonds disbursed by the Registrar from proceeds of the Bond Insurance shall
2136 not be considered to discharge the obligation of the county with respect to such Bonds,
2137 and the Bond Insurer shall become the owner of such unpaid Bonds and claims for the
2138 interest in accordance with the tenor of the assignment made to it under the provisions of
2139 this subsection or otherwise.

2140 (vi) Irrespective of whether any such assignment is executed
2141 and delivered, the county and the Registrar hereby agree for the benefit of the Bond
2142 Insurer that:

2143 (A) They recognize that to the extent the Bond Insurer
2144 makes payments, directly or indirectly (as by paying through the Registrar), on account
2145 of principal of or interest on the Bonds, the Bond Insurer will be subrogated to the rights

2146 of such owners to receive the amount of such principal and interest from the county, with
2147 interest thereon as provided and solely from the sources stated in this ordinance and the
2148 Bonds; and

2149 (B) They will accordingly pay to the Bond Insurer the
2150 amount of such principal and interest (including principal and interest recovered under
2151 subparagraph (ii) of the first paragraph of the Bond Insurance, which principal and
2152 interest shall be deemed past due and not to have been paid), with interest thereon as
2153 provided in this ordinance and the Bonds, but only from the sources and in the manner
2154 provided herein for the payment of principal of and interest on the Bonds to owners, and
2155 will otherwise treat the Bond Insurer as the owner of such rights to the amount of such
2156 principal and interest.

2157 (c) *Rights of the Bond Insurer.* The following provisions shall govern,
2158 notwithstanding anything to the contrary set forth in this ordinance:

2159 (i) In connection with the issuance of Additional Junior Lien
2160 Obligations, the county shall deliver to the Bond Insurer a copy of the disclosure
2161 document, if any, circulated with respect to such Additional Junior Lien Obligations.

2162 (ii) The Bond Insurer shall receive on an annual basis copies of
2163 the county's audited financial statements and annual budget.

2164 (iii) The county shall give notice to the Bond Insurer of the
2165 adoption of any ordinance supplementing or amending this ordinance without the consent
2166 of Bondowners. Bond Insurer consent is required for the adoption of any ordinance
2167 supplementing or amending this ordinance where such supplement or amendment
2168 requires the consent of Bondowners. The county shall send or cause to be sent to S&P

2169 copies of any supplements or amendments to this ordinance or to any documents
2170 executed in connection with the issuance of the Bonds that are consented to by the Bond
2171 Insurer.

2172 (iv) The Bond Insurer shall receive notice of the resignation or
2173 removal of the Registrar and the appointment of a successor, other than the designated
2174 state fiscal agent.

2175 (v) Any notices required to be given by any party under this
2176 ordinance shall also be given to the Bond Insurer and sent by registered or certified mail
2177 addressed to: MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504,
2178 Attention: Surveillance.

2179 (vi) Upon the occurrence of an Event of Default the Bond
2180 Insurer shall be considered the Bondowner of all outstanding Bonds for purposes of
2181 exercising rights and remedies in connection with such default pursuant to Article IX.

2182 (vii) The county agrees to reimburse the Bond Insurer
2183 immediately and unconditionally upon demand, to the extent permitted by law, for all
2184 reasonable expenses, including reasonable attorneys' fees and expenses, incurred by the
2185 Bond Insurer in connection with (i) enforcement by the Bond Insurer of the county's
2186 obligations, or the preservation or defense of any rights of the Bond Insurer, under this
2187 ordinance and any other document executed in connection with the issuance of the
2188 Bonds, and (ii) any consent, amendment, waiver or other action with respect to this
2189 ordinance or any related document, whether or not granted or approved, together with
2190 interest on all such expenses from and including the date incurred to the date of payment
2191 at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law,

2192 whichever is less. In addition, the Bond Insurer reserves the right to charge a reasonable
2193 fee in connection with its review of any such consent, amendment or waiver, whether or
2194 not granted or approved.

2195 (viii) The county agrees not to use the Bond Insurer's name in any
2196 public document including, without limitation, a press release or presentation, announcement or
2197 forum without the Bond Insurer's prior consent; provided however, such prohibition on the use of
2198 the Bond Insurer's name shall not relate to the use of the Bond Insurer's standard approved form
2199 of disclosure in public documents issued in connection with the Bonds to be issued in accordance
2200 with the terms of the Bond Insurer's commitment to provide the Bond Insurance; and provided
2201 further such prohibition shall not apply to the use of the Bond Insurer's name to comply with
2202 public notice, public meeting or public reporting requirements.

2203 (ix) The county shall not enter into any agreement nor shall it consent
2204 to or participate in any arrangement pursuant to which Bonds are tendered or purchased for any
2205 purpose other than the redemption and cancellation or legal defeasance of such Bonds without the
2206 prior written consent of the Bond Insurer.

2207 SECTION 7.04. **Liquidity Facility.**

2208 (a) *Initial Liquidity Facility.* The council hereby accepts the
2209 commitment from KBC Bank N.V., acting through its New York branch, to enter into a
2210 standby bond purchase agreement as the initial Liquidity Facility for the Bonds. The
2211 council authorizes and directs the County Representative and all other proper officers,
2212 agents, attorneys and employees of the county to cooperate with the Liquidity Provider in
2213 preparing the Liquidity Facility and such additional agreements, certificates, and other

2214 documentation on behalf of the county as shall be necessary or advisable in providing for
2215 the Liquidity Facility.

2216 (b) *Extensions of Expiration Date or Alternate Liquidity Facilities.*

2217 The council authorizes the County Representative to obtain one or more extensions of the
2218 Expiration Date of the Liquidity Facility or to obtain an Alternate Liquidity Facility at
2219 any time and from time to time when the County Representative, in consultation with the
2220 county's financial advisors, determines that such extension or replacement is necessary or
2221 beneficial to the county. The council authorizes and directs the County Representative
2222 and all other proper officers, agents, attorneys and employees of the county to cooperate
2223 with the Liquidity Provider or the provider of any Alternate Liquidity Facility in
2224 preparing such additional agreements, certificates, and other documentation on behalf of
2225 the county as shall be necessary or advisable in providing for the such extension or
2226 replacement.

2227 SECTION 7.05. **Official Statement.** The county hereby authorizes and
2228 directs the County Representative: (i) to review and approve the information contained
2229 in the official statement (the "Official Statement") prepared in connection with the sale of
2230 the Bonds; and (ii) for the sole purpose of the Underwriter's compliance with paragraph
2231 (b)(1) of the Rule, to "deem final" a preliminary Official Statement, if any, as of its date,
2232 except for the omission of information permitted to be omitted under the Rule. After an
2233 Official Statement has been reviewed and approved in accordance with the provisions of
2234 this section, the county hereby authorizes distribution of the Official Statement to
2235 prospective purchasers of the Bonds.

2236 The county agrees to cooperate with the Underwriter to deliver or cause to be
2237 delivered, within seven business days after the date of sale of the Bonds and in sufficient
2238 time to accompany any confirmation that requests payment from any customer of the
2239 Underwriter, copies of the Official Statement in sufficient quantity to comply with
2240 paragraph (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board.

2241 SECTION 7.06. **Sale of Bonds.** The Bonds shall be sold by negotiated sale
2242 the Underwriter. The County Representative is hereby authorized to negotiate and
2243 execute on behalf of the county a Bond Purchase Contract on terms consistent with this
2244 ordinance and substantially in the form presented to this council with only such changes
2245 he or she deems reasonable. The Bond Purchase Contract shall set forth the initial
2246 interest rate for the Bonds. The County Representative is hereby authorized and directed
2247 to do everything necessary for the prompt execution and delivery of the Bonds to the
2248 Underwriter and for the proper application and use of the proceeds of sale thereof. The
2249 Bonds will be printed at county expense and will be delivered to the Underwriter in
2250 accordance with the Bond Purchase Contract.

2251 The proper county officials are authorized and directed to do everything necessary
2252 for the prompt delivery of the Bonds to the Underwriter and for the proper application
2253 and use of the proceeds of the sale thereof.

2254 SECTION 7.07. **Construction Account; Disposition of Bond Proceeds.**
2255 There has heretofore been established a special fund of the county known as the "Second
2256 Water Quality Construction Account" (the "Construction Account"). For purposes of
2257 separately accounting for investment earnings on the proceeds of the Bonds to facilitate
2258 compliance with the requirements of the Federal Tax Certificate, there is hereby

2259 established a special subaccount within the Construction Account to be designated as the
2260 2006A Construction Subaccount (the “2006A Construction Subaccount”).

2261 Money in the 2006A Construction Subaccount shall be held and applied to pay
2262 costs of acquiring, constructing and equipping improvements, additions or betterments to
2263 the System set forth in the Comprehensive Plan and all costs incident thereto, including
2264 but not limited to engineering, architectural, planning, financial, legal, design and costs of
2265 issuance of the Bonds, and to repay any advances heretofore or hereafter made on
2266 account of such costs, provided that if deficiencies exist in the Junior Lien Bond Fund,
2267 money in the 2006A Construction Account may be transferred to the Junior Lien Bond
2268 Fund in such amounts as shall be necessary to pay principal and interest on the Bonds.

2269 The proceeds of the Bonds shall be applied as follows:

2270 (1) All interest, if any, on the Bonds accrued from their date to the
2271 date of delivery shall be paid into the Junior Lien Bond Fund;

2272 (2) The balance of the proceeds of the Bonds shall be deposited in the
2273 2006A Construction Account and applied as provided above.

2274 All or part of the proceeds of the Bonds may be temporarily invested in or with
2275 such institutions or in such obligations as may now or hereafter be permitted to counties
2276 of the State of Washington by law that will mature prior to the date on which such money
2277 shall be needed.

2278 SECTION 7.08. **Specific Authorizations.** In addition to the authority
2279 granted to the County Representative elsewhere in this ordinance, the County
2280 Representative may, in his or her discretion, without further action by the council, (a)
2281 authorize conversions from one Mode to another and execute agreements and certificates

2282 as necessary or desirable to effect such conversions, (b) establish such dates, terms and
2283 series of Bonds as may be necessary or desirable in connection with conversion of the
2284 Bonds to the ARS Mode; and (c) execute a continuing disclosure undertaking on behalf
2285 of the county when necessary to comply with the Rule.

2286 SECTION 7.09. **Broker-Dealer.**

2287 (a) *Initial Appointments.* At such time as the Bonds are converted to
2288 the ARS Mode, the County Representative on behalf of the county shall appoint one or
2289 more Broker-Dealers, each meeting the qualifications of a successor Broker-Dealer set
2290 forth in subsection (b) of this Section. The County Representative is authorized to enter
2291 into an agreement on behalf of the county with each Broker-Dealer setting forth the
2292 duties of a Broker-Dealer consistent with the provisions of this ordinance.

2293 (b) *Resignation or Removal.* A Broker-Dealer may at any time resign
2294 and be discharged of the duties and obligations created by this ordinance as set forth in its
2295 Broker-Dealer Agreement. A Broker-Dealer may suspend its efforts as set forth in its
2296 Broker-Dealer Agreement. A Broker-Dealer may be removed at any time, at the
2297 direction of the county as set forth in the Broker-Dealer Agreement. Any successor or
2298 additional Broker-Dealer shall be selected and appointed by the County Representative
2299 on behalf of the county and shall be a member of the National Association of Securities
2300 Dealers, Inc., have a capitalization of at least \$50,000,000, be authorized by law to
2301 perform all the duties of the Broker-Dealer set forth in this ordinance and be acceptable
2302 to the Bond Insurer (and, if a Liquidity Facility is in effect immediately prior to the
2303 effectiveness of the appointment of such successor Broker-Dealer, the Liquidity
2304 Provider). The appointment of any additional Broker-Dealer shall comply with the

2305 provisions of each Broker-Dealer Agreement then in effect. The delivery to the Registrar
2306 of a certificate of the County Representative setting forth the effective date of the
2307 appointment of a successor or additional Broker-Dealer and the name of such successor
2308 or additional Broker-Dealer shall be conclusive evidence that (i) if applicable, the
2309 predecessor Broker-Dealer has been removed in accordance with the provisions of this
2310 ordinance and (ii) such successor or additional Broker-Dealer has been appointed and is
2311 qualified to act as a Broker-Dealer under the terms of this ordinance.

2312 (c) *Merger or Consolidation.* If a Broker-Dealer consolidates with,
2313 merges or converts into, or transfers all or substantially all of its assets (or, in the case of
2314 a bank, national banking association or trust company, its corporate assets) to, another
2315 corporation, the resulting, surviving or transferee corporation without any further act
2316 shall be the successor Broker-Dealer.

2317 **ARTICLE VIII.**

2318 **AMENDMENTS**

2319 SECTION 8.01. **Amendments Without Owners' Consent.** This ordinance
2320 may be amended or supplemented from time to time, without the consent of the Owners
2321 by a Supplemental Ordinance passed by the council for one or more of the following
2322 purposes:

2323 (a) to add additional covenants of the council or to surrender any right
2324 or power herein conferred upon the county; or

2325 (b) to cure any ambiguity or to cure, correct or supplement any
2326 defective (whether because of any inconsistency with any other provision hereof or
2327 otherwise) provision of this ordinance or to make any other provisions with respect to

2328 matters or questions arising under this ordinance, provided such action shall not impair
2329 the security hereof or adversely affect the interests of the Owners; or

2330 (c) to provide or modify procedures permitting Owners to utilize a
2331 certificated system of registration for Bonds; or

2332 (d) to modify, alter, amend, supplement or restate this ordinance in
2333 any and all respects necessary, desirable or appropriate in connection with the delivery of
2334 an Alternate Liquidity Facility (other than modifying notice provision to Owners of the
2335 Bonds); or

2336 (e) to modify, alter, amend, supplement or restate this ordinance in
2337 any and all respects necessary, desirable or appropriate to satisfy the requirements of any
2338 Rating Agency to obtain or retain a rating on the Bonds as county deems necessary,
2339 provided such action shall not impair the security hereof or materially adversely affect
2340 the interests of the Owners; or

2341 (f) for any purpose, (i) on any Mandatory Purchase Date and (ii) at
2342 any time during the Daily Mode or the Weekly Mode provided that notice of such
2343 amendment is given by first class mail to each Owner of Bonds at least 30 days prior to
2344 the effective date of such amendment.

2345 SECTION 8.02. **Amendments With Owners' Consent.** This ordinance
2346 may be amended from time to time by a Supplemental Ordinance approved by the Bond
2347 Insurer; provided, that (a) no amendment shall be made that affects the rights of some but
2348 fewer than all of the Owners of the Outstanding Bonds without the consent of the Owners
2349 of 51% in aggregate principal amount of the Bonds so affected, and (b) without the
2350 consent of the Owners of all Outstanding Bonds affected thereby, no amendment shall be

2374 until the applicant shall furnish (a) evidence satisfactory to the Registrar and County
2375 Representative of the destruction or loss of the original Bond and of the ownership
2376 thereof, and (b) such additional security, indemnity or evidence as may be required by the
2377 County Representative. No substitute Bond shall be furnished unless the applicant shall
2378 reimburse the county and the Registrar for their expenses in the furnishing thereof. Any
2379 such substitute Bond so furnished shall be equally and proportionately entitled to the
2380 security of this ordinance with all other Bonds issued hereunder.

2381 SECTION 9.03. **Acts of Owners; Evidence of Ownership.** Any action to
2382 be taken by Owners may be evidenced by one or more concurrent written instruments of
2383 similar tenor signed or executed by such Owners in person or by an agent appointed in
2384 writing. The fact and date of the execution by any Person of any such instrument may be
2385 proved by acknowledgment before a notary public or other officer empowered to take
2386 acknowledgments or by an affidavit of a witness to such execution or by any other
2387 method satisfactory to the Registrar. Any action by the Owner of any Bond shall bind all
2388 future Owners of the same Bond or of any Bond issued upon the exchange or registration
2389 of transfer thereof in respect of anything done or suffered by the county or the Registrar
2390 in pursuance thereof.

2391 SECTION 9.04. **Notices.** Any notice required to be given hereunder by
2392 mail to Owners shall be given by mailing a copy of such notice, first class postage
2393 prepaid, to the Owners at their addresses appearing in the Bond Register.

2394 Any notice required to be given hereunder to any Notice Party shall be given by
2395 mail, first class postage prepaid, to the party entitled thereto at the address set forth

2396 below, or at such other address as may be provided to the other parties hereinafter listed
2397 in writing from time to time, namely:

2398 The County:

2399

2400 KING COUNTY, WASHINGTON

2401 Treasury Operations Section

2402 500 4th Avenue 6th Floor

2403 Seattle, Washington 98104

2404 Attention: Nigel Lewis, Senior Debt Analyst

2405 Telephone: (206) 296-1168

2406 Telecopy: (206) 296-7345

2407

2408 The Liquidity Provider:

2409

2410 KBC BANK N.V., NEW YORK BRANCH

2411 515 South Figuereroa Street, Suite 1920

2412 Los Angeles, California 90071

2413 Attention: John Castanon

2414 Telephone: (213) 996-7528

2415 Telecopy: (213) 629-5801

2416

2417 with a copy to:

2418 KBC Bank N.V., New York Branch

2419 125 West 55th Street, 10th Floor
2420 New York, New York 10019
2421 Attention: Kurt Barkley
2422 Telephone: (212) 541-0726
2423 Telecopy:
2424
2425 The Bond Insurer:
2426
2427 MBIA INSURANCE CORPORATION
2428 113 King Street
2429 Armonk, NY 10504
2430 Attention: Insured Portfolio Management
2431 Telephone: (914) 273-4545
2432 Telecopy: (914) 765-3163
2433
2434 The Remarketing Agent:
2435
2436 GOLDMAN, SACHS & CO.
2437 85 Broad Street, 29th Floor
2438 New York, New York 10004
2439 Attention: Municipal Money Market Desk
2440 Telephone: 212-902-6633
2441 Telecopy: (212) 428-3132

2442 E-mail: gs-vrdb@gs.com

2443

2444 Registrar:

2445

2446 THE BANK OF NEW YORK

2447 101 Barclay Street, 21st Floor

2448 New York, New York 10286

2449 Attention: Corporate Trust Registrar Administration

2450 Telephone: (212) 815-5091

2451 Telecopy: (212) 815-5393

2452

2453 Moody's:

2454

2455 MOODY'S INVESTORS SERVICE, INC.

2456 99 Church Street

2457 New York, New York 10007

2458 Attention: Public Finance Department Rating Desk/VRDO

2459

2460 S&P:

2461

2462 STANDARD & POOR'S RATINGS SERVICES,

2463 a Division of the McGraw Hill Companies

2464 55 Water Street

2465 New York, New York 10041

2466 Attention: Municipal Structured Surveillance

2467 SECTION 9.05. **Payments Due on Holidays.** If an Interest Payment Date
2468 is not a Business Day then payment shall be made on the next Business Day and, except
2469 as provided in Article II, no interest shall accrue for the intervening period.

2470 SECTION 9.06. **Notices to Rating Agencies.** The county shall give
2471 immediate notice to each Rating Agency if:

2472 (a) The Remarketing Agent, Broker-Dealer, Auction Agent, or
2473 Registrar resigns or is replaced;

2474 (b) This ordinance is amended or supplemented;

2475 (c) An Alternate Liquidity Facility is provided;

2476 (d) The Bonds are converted to another Mode (specifying the length of
2477 the new Interest Period(s));

2478 (e) There has been a redemption or defeasance of the Bonds;

2479 (f) A Mandatory Purchase Date has occurred as a result of the
2480 nonreinstatement of the Liquidity Facility; or

2481 (g) The Remarketing Agreement or the Liquidity Facility is amended,
2482 supplemented, extended, terminated or expired or replaced.

2483 SECTION 9.07. **Effective Date.** This ordinance shall be effective 10 days
2484 after its enactment, in accordance with Article II of the county charter.
2485

Ordinance 15584 was introduced on 7/10/2006 and passed as amended by the Metropolitan King County Council on 9/11/2006, by the following vote:

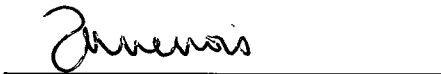
Yes: 9 - Mr. Phillips, Mr. von Reichbauer, Ms. Lambert, Mr. Dunn, Mr. Ferguson, Mr. Gossett, Ms. Hague, Mr. Constantine and Ms. Patterson
No: 0
Excused: 0

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



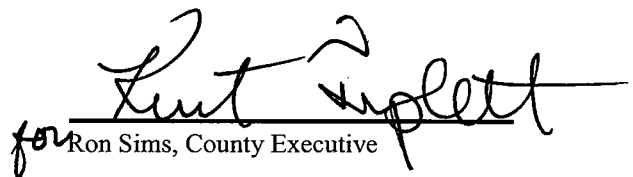
Larry Phillips, Chair

ATTEST:



Anne Noris, Clerk of the Council

APPROVED this 20th day of September, 2006.



for Ron Sims, County Executive

Attachments A. Exhibit A, dated August 30, 2006, B. Exhibit B, dated August 30, 2006

RECEIVED
2006 SEP 21 AM 9:28
KING COUNTY COUNCIL
CLERK

This bond is issued pursuant to the Bond Ordinance to finance capital improvements to the sewer system of the County (the "System"). Simultaneously with the issuance of the Bonds, the County is also issuing its Junior Lien Multi-Modal Sewer Revenue Bonds, Series 2006B, in the aggregate principal amount of \$50,000,000 (the "2006B Bonds").

This bond is subject to optional redemption and optional and mandatory tender for purchase prior to its scheduled maturity at prices and times as provided in the Bond Ordinance.

The Bonds are not "qualified tax exempt obligations" eligible for investment by financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

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 owner 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 Junior Lien Bond Fund and certain accounts therein the various amounts required by the Bond Ordinance to be paid into and maintained in said fund and accounts, all within the times provided by said ordinance.

The amounts covenanted to be paid out of the Revenue of the System and deposited into the Junior Lien Bond Fund shall constitute a lien and charge on such Revenue junior, subordinate and inferior to Operating and Maintenance Expenses; junior, subordinate and inferior to the lien and charge on such Revenue for the payments required to be made into the Parity Bond Fund and the accounts therein; junior, subordinate and inferior to the lien and charge on such Revenue of the payments required to be made into the Parity Lien Obligation Bond Fund and the accounts therein; equal to the lien and charge on such Revenue to pay and secure the payment of the 2001 Junior Lien Obligations, 2006B Bonds and any Additional Junior Lien Obligations; and superior to all other liens and charges of any kind or nature, including, *inter alia*, the lien and charge on such Revenue to pay and secure the payment of the Commercial Paper Notes, the Bank Note and any Additional Subordinate Lien Obligations, and the SRF Loans and Public Works Trust Fund Loans.

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 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, King County, Washington, has caused this bond to be executed with the manual or facsimile signatures of the County Executive and Clerk of the County Council and caused a facsimile of the official seal of the County to be reproduced hereon.

KING COUNTY, WASHINGTON

(SEAL)

By _____
County Executive

ATTEST:

By _____
Clerk of the County Council

The Certificate of Authentication for the Bonds shall be in substantially the following form and shall appear on each Bond:

AUTHENTICATION CERTIFICATE

This bond is one of the King County, Washington, Junior Lien Multi-Modal Sewer Revenue Bonds, Series 2006A, described in the within-mentioned Bond Ordinance.

WASHINGTON STATE FISCAL
AGENCY, as Registrar

By _____
Authorized Signatory

Date of Authentication: _____

EXHIBIT B dated August 30, 2006

ARS Provisions

ARTICLE I

DEFINITIONS

In addition to the words and terms elsewhere defined in this ordinance, the following words and terms as used in this Exhibit B and elsewhere in this ordinance have the following meanings with respect to the Bonds in an ARS Rate Period unless the context or use indicates another or different meaning or intent:

“Agent Member” means a member of, or Securities Depository Participant who shall act on behalf of a Bidder.

“All Hold Rate” means, as of any Auction Date, [60% national/55% specialty state] of the ARS Index in effect on such Auction Date.

“ARS” means the Bonds while they bear interest at the ARS Rate.

“ARS Index” shall have the meaning specified in Section 2.6 of this Exhibit B.

“ARS Rate” means for each series of the Bonds, the rate of interest to be borne by the Bonds of such series during each Auction Period determined in accordance with Section 2.3 of this Exhibit B; provided, however, in no event may the ARS Rate exceed the Maximum Interest Rate.

“ARS Rate Conversion Date” means with respect to any series of the Bonds, the date on which the Bonds of such series convert from an Interest Period other than an ARS Rate Period and begin to bear interest at an ARS Rate.

“ARS Rate Period” means after the period from and including an ARS Rate Conversion Date to but excluding the next Conversion Date.

“Auction” means each periodic implementation of the Auction Procedures.

“Auction Agent” means the auctioneer appointed in accordance with Section 3.1 or 3.2 of this Exhibit B.

“Auction Agreement” means an agreement between the Auction Agent and the Registrar pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit B, with respect to the Bonds while bearing interest at an ARS Rate, as such agreement may from time to time be amended or supplemented.

“Auction Date” means, with respect to any series of the Bonds, (a) if the Bonds are in a daily Auction Period, each Business Day, (b) if the Bonds are in a Special Auction Period, the last Business Day of the Special Auction Period, and (c) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); provided, however, that the last Auction Date with respect to a series of the Bonds in an Auction Period other than a daily Auction Period or a Special Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Special Auction Period shall be the Auction Date for the Auction Period that begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion.

“Auction Period” means with respect to each series of ARS Bonds:

- (a) a Special Auction Period;
- (b) with respect to a series of ARS Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day;
- (c) with respect to a series of ARS Bonds in a seven day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally seven days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (ii) Mondays, a period of generally seven days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (iii) Tuesdays, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (iv) Wednesdays, a period of generally seven days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the Wednesday thereafter (unless such Wednesday is not

followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), and (v) Thursdays, a period of generally seven days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day);

(d) with respect to a series of ARS Bonds in a 14-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 14 days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the fourth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (ii) Mondays, a period of generally 14 days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the fourth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (iii) Tuesdays, a period of generally 14 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (iv) Wednesdays, a period of generally 14 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), and (v) Thursdays, a period of generally 14 days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the fourth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day);

(e) with respect to a series of ARS Bonds in a 28 day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 28 days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the fourth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (ii) Mondays, a period of generally 28 days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the fourth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (iii) Tuesdays, a period of generally 28 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (iv) Wednesdays, a

period of generally 28 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), and (v) Thursdays, a period of generally 28 days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the fourth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day);

(f) with respect to a series of ARS Bonds in a 35 day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 35 days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Sunday) and ending on the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (ii) Mondays, a period of generally 35 days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Monday) and ending on the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (iii) Tuesdays, a period of generally 35 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (iv) Wednesdays, a period of generally 35 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Wednesday) and ending on the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), and (v) Thursdays, a period of generally 35 days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Thursday) and ending on the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day);

(g) with respect to a series of ARS Bonds in a three month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period (unless such first day of the month is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day); and

(h) with respect to a series of ARS Bonds in a six month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction

Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding [April 30] or [October 31];

provided, however, that

(a) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Fridays (i) from a daily Auction Period to a seven day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (ii) from a daily Auction Period to a 14-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than seven days but not more than 14 days from such date of conversion, (iii) from a daily Auction Period to a 28 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than 21 days but not more than 28 days from such date of conversion, and (iv) from a daily Auction Period to a 35 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than 28 days but no more than 35 days from such date of conversion;

(b) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Mondays (i) from a daily Auction Period to a seven day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (ii) from a daily Auction Period to a 14-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than seven days but not more than 14 days from such date of conversion, (iii) from a daily Auction Period to a 28 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than 21 days but not more than 28 days from such date of conversion, and (iv) from a daily Auction Period to a 35 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Monday (unless

such Monday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than 28 days but no more than 35 days from such date of conversion;

(c) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Tuesdays (i) from a daily Auction Period to a seven day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (ii) from a daily Auction Period to a 14-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than seven days but not more than 14 days from such date of conversion; (iii) from a daily Auction Period to a 28 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than 21 days but not more than 28 days from such date of conversion, and (iv) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than 28 days but no more than 35 days from such date of conversion;

(d) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Wednesdays (i) from a daily Auction Period to a seven day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (ii) from a daily Auction Period to a 14-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and will end on the Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than seven days but not more than 14 days from such date of conversion, (iii) from a daily Auction Period to a 28 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than 21 days but not more than 28 days from such date of conversion, and (iv) from a daily Auction Period to a 35 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Wednesday (unless such Wednesday is not followed by a Business Day, in which case

on the next succeeding day that is followed by a Business Day) that is more than 28 days but no more than 35 days from such date of conversion; and

(e) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Thursdays (i) from a daily Auction Period to a seven day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day), (ii) from a daily Auction Period to a 14-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than seven days but not more than 14 days from such date of conversion; (iii) from a daily Auction Period to a 28 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than 21 days but not more than 28 days from such date of conversion, and (iv) from a daily Auction Period to a 35 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) that is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Interest Rate because Sufficient Clearing Bids do not exist, the Auction Period shall automatically change to a seven-day Auction Period.

“Auction Procedures” means the procedures for conducting Auctions for the Bonds during an ARS Rate Period set forth in this Exhibit B.

“Auction Rate” means for each series of the Bonds for each Auction Period, (a) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of such Bonds are the subject of Submitted Hold Orders, the All Hold Rate with respect to such Bonds and (b) if Sufficient Clearing Bids do not exist, the Maximum Interest Rate with respect to such Bonds.

“Available Bonds” means for each series of the Bonds on each Auction Date, the aggregate principal amount of the Bonds that are not the subject of Submitted Hold Orders.

“Bid” has the meaning specified in subsection (a) of Section 2.1 of this Exhibit B.

“Bidder” means each Existing Owner and Potential Owner who places an Order.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit B that is a member of, or a direct participant in, the Securities Depository, that has been selected by the county, with the consent of Goldman, Sachs & Co., so long as Goldman, Sachs & Co. is a Broker-Dealer, and that is a party to a Broker-Dealer Agreement with the Auction Agent.

“Broker-Dealer Agreement” means an agreement among the Auction Agent, the county and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit B, as such agreement may from time to time be amended or supplemented.

“Broker-Dealer Deadline” means the internal deadline established by each Broker-Dealer after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer. Initially, the Broker-Dealer Deadline shall be 12:15 P.M. for any Auction in an Auction Period other than a daily Auction Period and 10:15 A.M. for any Auction in a daily Auction Period. Any Broker-Dealer may change the times referred to in the prior sentence as they relate to such Broker-Dealer by giving notice to the Auction Agent. Notwithstanding the foregoing, the Broker-Dealer Deadline is implemented for the benefit of the Broker-Dealers and may be waived by any individual Broker-Dealer in any particular circumstance in the sole discretion of such Broker-Dealer.

“Existing Owner” means a Person who is listed as the beneficial owner of the Bonds in the records of the Auction Agent; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

“Hold Order” has the meaning specified in subsection (a) of Section 2.1 of this Exhibit B.

“Initial Period” means for each series of the Bonds bearing interest at ARS Rates a period commencing on the ARS Rate Conversion Date to but not including a date to be established by the County Representative.

“Interest Payment Date” with respect to each series of the Bonds bearing interest at ARS Rates, means an initial date to be established by the County Representative and thereafter (a) when used with respect to any Auction Period other than a daily Auction Period or a Special Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Special Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Special Auction Period, or (ii) more than 182 days, each [May 15] and [November 15] and on the Business Day immediately following such Special Auction Period.

“LIBOR” means, on any date of determination for an Auction Period, the offered rate (rounded up to the next highest one one thousandth of one percent (0.001%)) for deposits in U.S. dollars for a one-month period that appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

“Maximum Interest Rate” means the lesser of 15% or the maximum rate permitted by applicable law.

“Order” means a Hold Order, Bid or Sell Order.

“Potential Owner” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

“Principal Office” means, with respect to the Auction Agent, the office thereof designated in writing to the county, the Registrar, and each Broker-Dealer.

“Sell Order” has the meaning specified in subsection (a) of Section 2.1 of this Exhibit B.

“Special Auction Period” means, with respect to a series of ARS Bonds, (a) any period of 182 days or less that is divisible by seven and begins on an Interest Payment Date and ends (i) in the case of a series of ARS Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day, (ii) in the case of a series of ARS Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day, (iii) in the case of a series of ARS Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day, (iv) in the case of a series of ARS Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day, and (v) in the case of a series of ARS Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day or (b) any period that is longer than 182 days, begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such series of ARS Bonds.

“Submission Deadline” means 1:00 P.M. on each Auction Date for a series of the Bonds not in a daily Auction Period and 11:00 A.M. on each Auction Date for a series of the Bonds in a daily Auction Period, or such other time on such date as shall be specified

from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

“Submitted Bid” has the meaning specified in subsection (b) of Section 2.3 of this Exhibit B.

“Submitted Hold Order” has the meaning specified in subsection (b) of Section 2.3 of this Exhibit B.

“Submitted Order” has the meaning specified in subsection (b) of Section 2.3 of this Exhibit B.

“Submitted Sell Order” has the meaning specified in subsection (b) of Section 2.3 of this Exhibit B.

“Sufficient Clearing Bids” means with respect to a series of the Bonds, an Auction for which the aggregate principal amount of the Bonds of such series that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Interest Rate is not less than the aggregate principal amount of the Bonds of such series that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Interest Rate.

“Winning Bid Rate” means with respect to a series of the Bonds the lowest rate specified in any Submitted Bid for such series that, if selected by the Auction Agent as the ARS Rate, would cause the aggregate principal amount of the Bonds of such series that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds of such series.

ARTICLE II

AUCTION PROCEDURES

Section 2.1. *Orders by Existing Owners and Potential Owners.*

(a) Prior to the Broker-Dealer Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of the Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period;

(B) the principal amount of the Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner offers to sell on the next succeeding Interest Payment Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner); and/or

(C) the principal amount of the Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the next succeeding Interest Payment Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period.

(ii) for the purpose of implementing the Auctions, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of the Bonds, if any, which each such Potential Owner offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof, an Order containing the information referred to in clause (i)(A) above is herein referred to as a "Hold Order", an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "Bid", and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "Sell Order."

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of the Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of the Bonds to be determined as described in subsection (a)(v) of Section 2.4 of this Exhibit B if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of the Bonds to be determined as described in subsection (b)(iv) of Section 2.4 of this Exhibit B if such specified rate shall be higher than the Maximum Interest Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of the Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of the Bonds as described in subsection (b)(iv) of Section 2.4 of this Exhibit B if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of the Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of the Bonds as described in subsection (a)(vi) of Section 2.4 of this Exhibit B if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order that specifies the Bonds to be held, purchased or sold in a principal amount other than \$25,000 or an integral multiple thereof shall be rounded down to the nearest \$25,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond that has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond that has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline all Orders shall be irrevocable.

Section 2.2. *Submission of Orders by Broker-Dealers to Auction Agent.*

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, including such electronic communication acceptable to the parties, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and, if requested, specifying with respect to each Order:

- (i) the name of the Bidder placing such Order;
- (ii) the aggregate principal amount of the Bonds of each series, if any, that are the subject of such Order;
- (iii) to the extent that such Bidder is an Existing Owner:
 - (A) the principal amount of the Bonds of each series, if any, subject to any Hold Order placed by such Existing Owner;
 - (B) the principal amount of the Bonds of each series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and
 - (C) the principal amount of the Bonds of each series, if any, subject to any Sell Order placed by such Existing Owner.
- (iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds of a particular series held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of the Bonds of such series held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of the Bonds of the series to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of the Bonds of such series to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Bonds of a series held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the principal amount of the Bonds of such series held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of the Bonds of such series held by such Existing Owner over the principal amount of the Bonds of such series subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of the Bonds of such series held by such Existing Owner over the principal amount of the Bonds of such series held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of the Bonds of such series held by such Existing Owner over the principal amount of the Bonds of such series held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such Bonds of such series subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner.

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including a principal amount of the Bonds of such series equal to the excess of the principal amount of the Bonds of such series held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of the Bonds of such series considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate may be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of the Bonds specified therein.

(f) Neither the county, the Registrar, nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Section 2.3. Determination of ARS Rate.

(a) Not later than 9:30 A.M. on each Auction Date for each series of the Bonds, the Auction Agent shall advise the Broker-Dealers and the Registrar by telephone or other electronic communication acceptable to the parties of the All Hold Rate and the ARS Index for such series of Bonds.

(b) Promptly after the Submission Deadline on each Auction Date for each series of the Bonds, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above, the Auction Agent shall advise the Registrar by telephone (promptly confirmed in writing), telex or facsimile transmission or other electronic communication acceptable to the parties of the Auction Rate for the next succeeding Auction Period and the Registrar shall promptly notify the Securities Depository of such Auction Rate.

(d) In the event the Auction Agent shall fail to calculate or, for any reason (including, but not limited to, the lack of a duly appointed Broker-Dealer), fails to provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period shall be the same as the preceding Auction Period and the ARS Rate for the new Auction Period shall be the same as the ARS Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period shall be extended to the next seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the ARS Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no ARS Rate shall be extended for more than 35 days. If at the end of 35 days the Auction Agent fails to calculate or provide the Auction Rate, the ARS Rate shall be the Maximum Interest Rate.

(e) In the event of a failed conversion, with respect to any series of the Bonds to a Daily Rate Period, a Weekly Rate Period, a Flexible Rate Period, a Term Rate Period

or a Fixed Rate Period, or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the ARS Rate for the next Auction Period shall be the Maximum Interest Rate and the Auction Period shall be a seven-day Auction Period.

(f) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the ARS Rate shall be the Maximum Interest Rate.

(g) In the event the ARS Rate is equal to the Maximum Interest Rate for 70 consecutive days, then the county shall promptly commence the process of converting the interest rate on the Bonds to another interest rate acceptable to the Bond Insurer.

Section 2.4. Allocation of Bonds.

(a) In the event of Sufficient Clearing Bids for a series of the Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for such series shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of the Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds that are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that

specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of the Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of the Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds that are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction, the numerator of which shall be the principal amount of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a series of the Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders, for each series of the Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Interest Rate, shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Interest Rate, shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Interest Rate, shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of the Bonds obtained by multiplying (A) the aggregate principal amount of the Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction, the numerator of which shall be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or

such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of the Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Interest Rate shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds other than an integral multiple of \$25,000 on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of \$25,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase less than \$25,000 in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of ARS purchased on such Auction Date by any Potential Owner shall be an integral multiple of \$25,000, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

Section 2.5. *Notice of ARS Rate.*

(a) On each Auction Date, the Auction Agent shall notify by telephone or other telecommunication device or other electronic communication acceptable to the parties or in writing each Broker-Dealer that participated in the Auction held on such Auction Date of the following with respect to each series of the Bonds for which an Auction was held on such Auction Date:

(i) the ARS Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of the Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of the Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of the Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker Dealer) and the principal amount of the Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each series of the Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the ARS Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of the Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of the Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Section 2.6. *ARS Index.*

(a) For ARS in an Auction Period of 35 days or less, the ARS Index is LIBOR. For ARS in an Auction Period of more than 35 days, the ARS Index is equal to the yield on the United States Treasury security on the date the Auction Period began that has a maturity most closely matching the last day of the Auction Period.

(b) If for any reason on any Auction Date the ARS Index shall not be determined, the ARS Index shall be the ARS Index for the Auction Period ending on such Auction Date.

(c) The determination of the ARS Index as provided herein shall be conclusive and binding upon the county, the Registrar, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 2.7. *Miscellaneous Provisions Regarding Auctions.*

(a) In this Exhibit B, each reference to the purchase, sale or holding of "Bonds" shall refer to beneficial interests in the Bonds, unless the context clearly requires otherwise.

(b) During an ARS Rate Period with respect to each series of the Bonds, the provisions of the ordinance and the definitions contained therein and described in this Exhibit B, including without limitation the definitions of Maximum Interest Rate, All Hold Rate, ARS Index, Interest Payment Date, and the ARS Rate, may be amended pursuant to the ordinance, by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at an ARS Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Registrar mailed notice of such proposed amendment to the registered owners of the affected Outstanding Bonds as required by the ordinance, (i) the ARS Rate that is determined on such date is the Winning Bid Rate and (ii) there is delivered to the county and the Registrar an Opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income tax to which the interest on such Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the owners of all affected Outstanding Bonds bearing interest at an ARS Rate.

(c) If the Securities Depository notifies the county that it is unwilling or unable to continue as owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the county within 90 days after the county receives notice or becomes aware of such condition, as the case may be, the county shall execute and the Registrar shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and authorized denominations as the Securities

Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the county and the Registrar.

During an ARS Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a Beneficial Owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of the Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.8. *Changes in Auction Period or Auction Date.*

(a) Changes in Auction Period. (i) During any ARS Rate Period, the county may, from time to time, with the consent of the Bond Insurer, on any Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds of any series in an ARS Rate Period among daily, seven-days, 14-days, 28-days, 35-days, three months, six months and a Special Auction Period to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds; provided, however, in the case of a change from a Special Auction Period, the date of such change shall be the Interest Payment Date immediately following the last day of such Special Auction Period. The county shall initiate the change in the length of the Auction Period by giving written notice to the Registrar, Bond Insurer, Auction Agent, Broker-Dealers and Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 14-days, 28-days, 35-days, three months, six months or a Special Auction Period and shall be for all Bonds in an ARS Rate Period.

(iii) The change in the length of the Auction Period for any series of the Bonds shall not be allowed unless Sufficient Clearing Bids existed at the Auction immediately preceding the proposed change.

(iv) The change in length of the Auction Period for any series of the Bonds shall take effect only if (A) the Registrar and the Auction Agent receive, by 11:00 A.M. on the Business Day before the Auction Date for the first such Auction Period, a certificate from the county consenting to the change in the length of the Auction

Period specified in such certificate and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds except to the extent such Existing Owner submits an Order with respect to such Bonds. If the condition referred to in (A) above is not met, the Auction Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Auction Rate for the next Auction Period shall be the Maximum Interest Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARS Rate Period, the Auction Agent, with the written consent of the county, may specify an earlier Auction Date for any series (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Registrar, the county, the Broker-Dealers and the Securities Depository. In the event the Auction Agent specifies an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Special Auction Period ends and the Interest Payment Date relating to a Special Auction Period shall be adjusted accordingly.

ARTICLE III

AUCTION AGENT

Section 3.1. *Auction Agent.*

(a) The Auction Agent shall be appointed by the Registrar at the written direction of the County Representative, to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the county, Registrar, each Broker-Dealer, the Bond Insurer and the Liquidity Provider, that shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the county and the Registrar.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in the Bonds with the same rights as if such entity were not the Auction Agent.

Section 3.2. *Qualifications of Auction Agent; Resignation; Removal.* The Auction Agent shall be acceptable to the Bond Insurer and shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by this ordinance and a member of or a Securities Depository Participant. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this ordinance by giving at least 90 days notice to the county, the Bond Insurer, and the Registrar. The Auction Agent may be removed at any time by the county by written notice, delivered to the Auction Agent, the county, the Bond Insurer, and the Registrar. Upon any such resignation or removal, the Registrar shall appoint a successor Auction Agent meeting the requirements of this section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any money and the Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Registrar. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving 45 days' notice to the county, the Bond Insurer and the Registrar even if a successor Auction Agent has not been appointed.