



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

June 21, 2011

Ordinance 17111

Proposed No. 2011-0210.1

Sponsors Patterson

1 AN ORDINANCE providing long-term financing for
2 capital needs of the county's sewer system by authorizing
3 the issuance of sewer revenue bonds and limited tax
4 general obligation bonds (payable from sewer revenues) of
5 the county in the aggregate principal amount of not to
6 exceed \$300,000,000 to provide funds for acquiring and
7 constructing improvements to the sewer system and not to
8 exceed \$1,200,000,000 of such bonds for refunding certain
9 outstanding bonds of the county payable from sewer
10 revenues; providing for the form, terms and covenants of
11 such bonds; providing for the sale of the bonds in one or
12 more series and for a plan of refunding; establishing funds
13 for the receipt and expenditure of bond proceeds and for the
14 payment of the bonds; pledging sewer revenues to pay the
15 principal of and interest on any sewer revenue bonds issued
16 hereunder; and pledging the annual levy of taxes and an
17 additional pledge of sewer revenues to pay the principal of
18 and interest on any limited tax general obligation bonds
19 (payable from sewer revenues) issued hereunder.

20 PREAMBLE:

21 The county owns and operates facilities for the conveyance and treatment
22 of sewage and control of combined sewer overflows that include, but are
23 not limited to, wastewater treatment plants, interceptor and trunk sewers,
24 pumping stations, regulator stations, outfall sewers, storm sewers to divert
25 stormwater from sanitary sewers, lands for application of biosolids,
26 property rights, and buildings and other structures (collectively the "Sewer
27 System" or the "System"), all in accordance with a comprehensive plan for
28 metropolitan water pollution abatement under the authority of chapters
29 36.56 and 35.58 of the Revised Code of Washington ("RCW").

30 Long term service agreements with participating municipalities and other
31 entities (the "Participants") obligate the county to treat and dispose of
32 sewage collected by the Participants. The Participants must pay the costs
33 of such services including debt service on bonds payable from sewer
34 revenues, including the bonds authorized herein, and other indebtedness
35 payable from and secured by sewer revenues. Comparable rates and
36 charge have been established for customers who deliver sewage to the
37 System but are not subject to a contract with the county for such service.

38 In accordance with RCW 35.58.200(3), the county has declared that the
39 health, safety and welfare of people within the metropolitan area require
40 that certain Participants discharge sewage collected by such Participants
41 into facilities of the System.

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

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (As of 6/1/2011)
2001 Bonds	14225	11/28/2001	\$270,060,000	\$179,830,000
2002A Bonds	14406	8/14/2002	100,000,000	94,960,000
2002B Bonds	14406	10/03/2002	346,130,000	202,775,000
2003A Bonds	14406	4/24/2003	96,470,000	90,155,000
2004A Bonds	14753	3/18/2004	185,000,000	185,000,000
2004B Bonds	14753	3/18/2004	61,760,000	55,080,000
2006 Bonds	15385	5/16/2006	124,070,000	124,070,000
2006 (2nd) Bonds	15385	11/30/2006	193,435,000	183,405,000
2007 Bonds	15758	6/26/2007	250,000,000	250,000,000
2008 Bonds	16133	8/14/2008	350,000,000	350,000,000
2009 Bonds	16133	8/12/2009	250,000,000	250,000,000
2010 Bonds	16868	7/29/2010	334,365,000	334,215,000
2011 Bonds	16868	1/25/2011	175,000,000	175,000,000

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

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (As of 6/1/2011)
Series 2005	15033	4/21/2005	\$ 200,000,000	\$ 200,000,000
Series 2008	15779	2/12/2008	236,950,000	227,885,000
Series 2009	16133	4/8/2009	300,000,000	300,000,000

48 The county may have opportunities to refund all or portions of the
49 currently outstanding Parity Bonds and Parity Lien Obligations (the
50 "Refunding Candidates") and thereby realize savings to the county and
51 ratepayers of the Sewer System. It is deemed necessary and advisable that
52 the county authorize the issuance and sale of not to exceed \$1,200,000,000
53 principal amount of its bonds payable from sewer revenues (the
54 "Refunding Bonds") for such refunding opportunities, as provided herein.
55 It is deemed necessary and desirable that the county also authorize the
56 issuance and sale of its bonds payable from sewer revenues in the
57 aggregate principal amount of \$300,000,000 (the "Project Bonds") to pay
58 costs of certain capital improvements to the System, in accordance with
59 the comprehensive plan.
60 Since market conditions can change quickly, it is in the best interest of the
61 county to delegate to the county's Finance Director authority to sell the
62 Refunding Bonds and the Project Bonds in one or more series, as either
63 Parity Bonds or Parity Lien Obligations, or a combination thereof, by
64 competitive bid or negotiated sale, as provided in this ordinance, so long

65 as the aggregate principal amount of Project Bonds does not exceed
66 \$300,000,000 and the aggregate principal amount of Refunding Bonds
67 does not exceed \$1,200,000,000. The sale of any Series of the Bonds will
68 be ratified and confirmed by motion of the council, as provided herein.
69 The ordinances authorizing the issuance of the outstanding Parity Bonds
70 and Parity Lien Obligations all provide that the county may issue
71 additional Parity Bonds and additional Parity Lien Obligations if certain
72 conditions are met. By each Sale Motion the county council must find that
73 the applicable parity conditions have been or will be met for each series of
74 Bonds issued hereunder

75 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

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

79 "Accreted Value" means with respect to any Parity Bonds that are Capital
80 Appreciation Bonds, as of any date of calculation, the sum of the amounts set forth in the
81 ordinance, resolution or motion authorizing such bonds as the amounts representing the
82 initial principal amount of such bonds plus the interest accumulated, compounded and
83 unpaid thereon as of the most recent compounding date, as provided in the ordinance,
84 resolution or motion authorizing the issuance of such bonds; provided that if such
85 calculation is not made as of a compounding date, such amount shall be determined by
86 straight-line interpolation as of the immediately preceding and the immediately
87 succeeding compounding dates.

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

92 "Agency Customer" means any city, town, water-sewer district or other political
93 subdivision, person, firm, private corporation or other entity that collects sewage from
94 customers and disposes of any portion of that sewage into the Metropolitan Sewerage
95 System and is not a Participant.

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

98 (1) The interest due for all outstanding Parity Bonds and Parity Lien
99 Obligations (i) on all interest payment dates (other than January 1) in such calendar year,
100 and (ii) on January 1 of the next succeeding year, and any Payment Agreement Payments
101 due on such dates in respect of any Parity Payment Agreements and Parity Lien
102 Obligation Payment Agreements, minus any Payment Agreement Receipts due in such
103 period in respect of any Parity Payment Agreements and Parity Lien Obligation Payment
104 Agreements.

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

108 (ii) The amount of interest deemed to be payable on any issue of Variable
109 Rate Parity Bonds or Variable Rate Parity Lien Obligations shall be calculated on the
110 assumption that the interest rate on those bonds would be equal to the rate (the "assumed

111 RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or comparable
112 index during the fiscal quarter preceding the quarter in which the calculation is made;
113 provided, however, that for purposes of determining actual compliance in any past
114 calendar year with the rate covenant made in Section 18 of this ordinance, the actual
115 amount of interest paid on any issue of Variable Rate Parity Bonds or Parity Lien
116 Obligations shall be taken into account.

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

121 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or
122 upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation
123 Bonds shall be included in the calculation of Annual Debt Service, and references in this
124 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or
125 upon the mandatory redemption of any Capital Appreciation Bonds.

126 Notwithstanding the foregoing, debt service on Parity Bonds or Parity Lien
127 Obligations with respect to which a Payment Agreement is in force shall be calculated by
128 the county to reflect the net economic effect on the county intended to be produced by the
129 terms of the Parity Bonds or Parity Lien Obligations and the terms of the applicable
130 Payment Agreement, in accordance with the requirements for Payment Agreements set
131 forth in the ordinances authorizing issuance of such Parity Bonds or Parity Lien
132 Obligations.

133 From and after the date when no Series 2005 Bonds, Series 2008 Bonds or Series
134 2009 Bonds remain outstanding, for purposes of satisfying the rate covenant in Section
135 18.B. of this ordinance and the tests for the issuance of additional Parity Lien Obligations
136 in Section 25 of this ordinance, Annual Debt Service for any Fiscal Year or calendar year
137 shall exclude any Debt Service Offsets.

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

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

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

148 (ii) The amount of interest deemed to be payable on any issue of
149 Variable Rate Parity Bonds shall be calculated on the assumption that the interest rate on
150 those bonds would be equal to the rate (the "assumed RBI rate") that is 90% of the
151 average Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter
152 preceding the quarter in which the calculation is made; provided, however, that for
153 purposes of determining actual compliance in any past calendar year with the rate
154 covenant made in Section 18 of this ordinance, the actual amount of interest paid on any
155 issue of Variable Rate Parity Bonds shall be taken into account.

156 (2) The principal due (at maturity or upon the mandatory redemption of Term
157 Bonds prior to their maturity) for all outstanding Parity Bonds (i) on all principal
158 payment dates (other than January 1) of such calendar year and (ii) on January 1 of the
159 next succeeding year.

160 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or
161 upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation
162 Bonds shall be included in the calculation of Annual Debt Service, and references in this
163 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or
164 upon the mandatory redemption of any Capital Appreciation Bonds.

165 Notwithstanding the foregoing, debt service on Parity Bonds with respect to
166 which a Payment Agreement is in force shall be calculated by the county to reflect the net
167 economic effect of the terms of the Parity Bonds and the applicable Payment Agreement,
168 in accordance with the requirements set forth in Section 23 of this ordinance.

169 From and after the date when no 2001 Bonds, 2002A Bonds, 2002B Bonds,
170 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds, 2007
171 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, for purposes of calculating the
172 Reserve Requirement and satisfying the rate covenant in Section 18.A. of this ordinance
173 and the tests for the issuance of Future Parity Bonds in Section 24 of this ordinance,
174 Annual Parity Debt Service for any Fiscal Year or calendar year shall exclude any Debt
175 Service Offsets.

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

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

180 "Bond Registrar" means the fiscal agency of the State of Washington in either
181 Seattle, Washington, or New York, New York, for the purposes of registering and
182 authenticating the Bonds, maintaining the Bond Register, effecting the transfer of
183 ownership of the Bonds and paying the principal of and interest and redemption
184 premium, if any, on the Bonds.

185 "Bonds" means all or a portion of the Project Bonds or the Refunding Bonds
186 issued pursuant to this ordinance.

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

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

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

199 "Code" means the Internal Revenue Code of 1986, as amended, together with
200 corresponding and applicable final, temporary or proposed regulations and revenue

201 rulings issued or amended with respect thereto by the United States Treasury Department
202 or the Internal Revenue Service, to the extent applicable to the Bonds.

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

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

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

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

215 "Credit Facility" means any letter of credit, standby bond purchase agreement,
216 line of credit, surety bond, insurance policy or other insurance commitment or similar
217 agreement (but not including a Payment Agreement), satisfactory to the county, that is
218 provided by a commercial bank, insurance company or other financial institution with a
219 current long term rating (or whose obligations thereunder are guaranteed by a financial
220 institution with a long term rating): (i) from Moody's and S&P not lower, when issued,
221 than the credit rating of any series of Parity Bonds, to provide support for a series of
222 Parity Bonds, and shall include any substitute therefor in accordance with the provisions
223 of the ordinance providing for the issuance of Parity Bonds supported by a Credit

224 Facility, or (ii) from Fitch, Moody's and S&P not lower, when issued, than the credit
225 rating of any series of Parity Lien Obligations, to provide support for a series of Parity
226 Lien Obligations (including Variable Rate Parity Lien Obligations), and shall include any
227 substitute therefor in accordance with the provisions of the ordinance providing for the
228 issuance of Parity Lien Obligations supported by a Credit Facility.

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

231 "Debt Service Offset" means receipts of the county, including but not limited to
232 federal interest subsidy payments, designated as such by the county that are not included
233 in Gross Revenue and that are legally available to pay debt service on Parity Bonds,
234 Parity Lien Obligations or other obligations of the county payable from and secured by a
235 pledge of Gross Revenue.

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

237 "Escrow Agent" means each corporate trustee chosen pursuant to the provisions of
238 Section 16 of this ordinance to serve as escrow agent in connection with the refunding of
239 Refunded Bonds upon the issuance of any series of Refunding Bonds.

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

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

246 "Future Parity Bonds" means any sewer revenue bonds, warrants or other
247 obligations that may be issued in the future with a lien on Revenue of the System equal to
248 the lien thereon of the Parity Bonds.

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

251 "Junior Lien Obligations" means the county's Junior Lien Variable Rate Demand
252 Sewer Revenue Bonds, Series 2001A and Series 2001B, issued under date of August 15,
253 2001, as authorized by Ordinances 14171 and 14172, and any other revenue bonds or
254 other revenue obligations having a lien on Revenue of the System equal to the lien
255 thereon of such bonds.

256 "Moody's" means Moody's Investors Service, a corporation duly organized and
257 existing under and by virtue of the laws of the State of Delaware, and its successors and
258 assigns, except that if such corporation is dissolved or liquidated or no longer performs
259 the functions of a securities rating agency, then the term "Moody's" will be deemed to
260 refer to any other nationally recognized securities rating agency selected by the county.

261 "MSRB" means the Municipal Securities Rulemaking Board or any successor to
262 its functions.

263 "Multi-Modal LTGO/Sewer Revenue Bonds" means the county's Multi-Modal
264 Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2010A
265 and Series 2010B Bonds, and any additional limited tax general obligation bonds of the
266 county payable from Revenue of the System and having the same lien on that revenue as
267 those bonds.

268 "Net Revenue" means Revenue of the System less Operating and Maintenance
269 Expenses.

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

275 "Parity Bond Fund" means the "Water Quality Revenue Bond Account"
276 designated pursuant to Ordinance 12076, Section 30, of the county for the purpose of
277 paying and securing the payment of the Parity Bonds.

278 "Parity Bond Reserve Account" means the bond reserve account in the Parity
279 Bond Fund securing the payment of the Parity Bonds.

280 "Parity Bonds" means the bonds identified as such in the Preamble to this
281 ordinance, together with any Bonds issued with a lien on Revenue of the System equal to
282 the lien thereon of the bonds identified as Parity Bonds in the Preamble to this ordinance
283 and any Future Parity Bonds. "Parity Bonds" include any Parity Payment Agreements
284 and parity reimbursement agreements entered into with the provider of a Credit Facility
285 securing any Parity Bonds.

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

289 "Parity Lien Obligation Payment Agreement" means a Payment Agreement under
290 which the county's payment obligations are expressly stated to constitute a charge and

291 lien on the Revenue of the System equal in rank with the charge and lien upon such
292 revenue securing amounts required to be paid into the Parity Lien Obligation Bond Fund
293 to pay and secure the payment of principal of and interest on the Parity Lien Obligations.

294 "Parity Lien Obligation Term Bonds" means Parity Lien Obligations that are
295 Term Bonds.

296 "Parity Lien Obligations" means bonds identified as such in the Preamble to this
297 ordinance, together with any Bonds issued with a lien on Revenue of the System equal to
298 the lien thereon of the bonds identified as Parity Lien Obligations in the Preamble to this
299 ordinance and any future Parity Lien Obligations. "Parity Lien Obligations" include any
300 Parity Lien Obligation Payment Agreements and parity reimbursement agreements
301 entered into with the provider of a Credit Facility securing any Parity Lien Obligations.

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

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

308 "Participant" means each city, town, county, water-sewer district, municipal
309 corporation, person, firm, private corporation or other entity that disposes of any portion
310 of its sanitary sewage into the Sewer System and has entered into a Service Agreement
311 with the county.

312 "Payment Agreement" means, to the extent permitted from time to time by
313 applicable law, a written agreement entered into by the county (i) in connection with or

314 incidental to the issuance, incurring or carrying of bonds or other obligations of the
315 county secured in whole or in part by a lien on Revenue of the System; (ii) for the
316 purpose of managing or reducing the county's exposure to fluctuations or levels of
317 interest rates, currencies or commodities or for other interest rate, investment, asset or
318 liability management purposes; (iii) with a Qualified Counterparty; and (iv) which
319 provides, on either a current or forward basis, for an exchange of payments determined in
320 accordance with a formula specified therein.

321 "Payment Agreement Payments" means the amounts periodically required to be
322 paid by the county to the Qualified Counterparty pursuant to a Payment Agreement. The
323 term "Payment Agreement Payments" does not include any termination payment required
324 to be paid with respect to a Payment Agreement.

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

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

332 "Project Bonds" means the \$300,000,000 aggregate principal amount of bonds of
333 the county authorized to be issued hereunder to pay costs of acquiring and constructing
334 improvements to the System. The Project Bonds may be issued in one or more series of
335 Parity Bonds or Parity Lien Obligations, as provided herein.

336 "Public Works Trust Fund Loans" means loans to the county by the State of
337 Washington Department of Commerce under the Public Works Trust Fund loan program
338 pursuant to loan agreements in effect as of the date of this ordinance and any loan
339 agreements hereafter entered into by the county under the Public Works Trust Fund loan
340 program, the repayment obligations of which are secured by a lien on Revenue of the
341 System equal to the lien thereon established by such loan agreements.

342 "Qualified Counterparty" means with respect to a Payment Agreement an entity
343 (i) whose senior long term debt obligations, other senior unsecured long term obligations
344 or claims paying ability or whose payment obligations under a Payment Agreement are
345 guaranteed by an entity whose senior long term debt obligations, other senior unsecured
346 long term obligations or claims paying ability are rated (at the time the Payment
347 Agreement is entered into) at least as high as A3 by Moody's and A- by S&P (and A- by
348 Fitch for any Parity Lien Obligation Payment Agreement), or the equivalent thereof by
349 any successor thereto, and (ii) who is otherwise qualified to act as the other party to a
350 Payment Agreement under any applicable laws of the State.

351 "Qualified Insurance" means (i) so long as any 2001 Bonds, 2002A Bonds, 2002B
352 Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds,
353 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, any unconditional
354 municipal bond insurance policy or surety bond issued by any insurance company
355 licensed to conduct an insurance business in any state of the United States or by a service
356 corporation acting on behalf of one or more such insurance companies, which insurance
357 company or service corporation is rated in one of the two highest rating categories by
358 Moody's, S&P, and any other rating agency then maintaining a rating on the Parity

359 Bonds, provided, that, as of the time of issuance of such policy or surety bond, such
360 insurance company or companies maintain a policy owner's surplus in excess of
361 \$500,000,000; and (ii) from and after such time as no 2001 Bonds, 2002A Bonds, 2002B
362 Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds,
363 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, any unconditional
364 municipal bond insurance policy or surety bond issued by any insurance company
365 licensed to conduct an insurance business in any state of the United States or by a service
366 corporation acting on behalf of one or more such insurance companies, which insurance
367 company or service corporation, as of the time of issuance of such policy or surety bond,
368 is then rated in one of the two highest rating categories by Moody's, S&P, and any other
369 rating agency then maintaining a rating on the Parity Bonds and maintains a policy
370 owner's surplus in excess of \$500,000,000.

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

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

379 "RCW" means the Revised Code of Washington.

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

383 "Refunded Bonds" means with respect to each series of Refunding Bonds, those
384 Refunding Candidates that will be refunded from proceeds of that series of Refunding
385 Bonds, as determined by the Finance Manager pursuant to Sections 16 and 28 of this
386 ordinance and set forth in a Sale Motion in accordance with Sections 16 and 28 of this
387 ordinance.

388 "Refunding Candidates" means any of the currently outstanding Parity Bonds and
389 Parity Lien Obligations.

390 "Refunding Account" means any account authorized to be created pursuant to
391 Section 16 of this ordinance to provide for the refunding of any Refunded Bonds.

392 "Refunding Bonds" means not to exceed \$1,200,000,000 principal amount of
393 bonds authorized to be issued in one or more series by this ordinance to refund the
394 Refunded Bonds. The Refunding Bonds may be issued in one or more series of Parity
395 Bonds or Parity Lien Obligations, as provided herein.

396 "Registered Owner" means any person or entity who is the registered owner of
397 any Bond.

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

400 "Revenue Fund" means the "Water Quality Operating Account" as designated by
401 Ordinance 12076, Section 30, of the county.

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

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

409 "S&P" means Standard and Poor's Ratings Services and its successors and
410 assigns, except that if such entity is dissolved or liquidated or no longer performs the
411 functions of a securities rating agency, then the term "S&P" will be deemed to refer to
412 any other nationally recognized securities rating agency selected by the county.

413 "Sale Motion" means a motion of the county council approving each sale of a
414 series of the Bonds and ratifying and confirming each plan of refunding any Refunded
415 Bonds, in accordance with Sections 16 and 28 of this ordinance.

416 "Service Agreements" means the sewage disposal agreements entered into
417 between the county and municipal corporations, persons, firms, private corporations, or
418 governmental agencies providing for the disposal by the county of sewage collected from
419 such contracting parties.

420 "SRF Loans" means loans to the county by the State of Washington Department
421 of Ecology pursuant to loan agreements in effect as of the date of this ordinance and any
422 loans and loan agreements hereafter entered into by the county under the State of
423 Washington water pollution control revolving fund loan program, the repayment

424 obligations of which are secured by a lien on Revenue of the System equal to the lien
425 thereon established by such loan agreements.

426 "State" means the State of Washington.

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

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

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

435 "Tax-Benefited Bonds" means Bonds other than Tax-Exempt Bonds that are
436 structured so as to confer certain benefits under the Code to the county or to the owners
437 of such Bonds, as provided in Section 21 of this ordinance and so designated pursuant to
438 Section 28.A. of this ordinance.

439 "Tax-Exempt Bonds" means Bonds the interest on which the county intends to be
440 excludable from gross income for federal income tax purposes, as provided in Section 21
441 of this ordinance and so designated pursuant to Section 28.A. of this ordinance.

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

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

447 "Variable Rate Parity Bonds" means Parity Bonds bearing interest at a variable
448 rate of interest, provided that at least one of the following conditions is met: (i) at the
449 time of issuance the county has entered into a Payment Agreement with respect to such
450 Parity Bonds, which Agreement converts the effective interest rate to the county on the
451 Variable Rate Parity Bonds from a variable interest rate to a fixed interest rate, or (ii) the
452 Parity Bonds bear interest at a variable rate but are issued concurrently in equal par
453 amounts with other Parity Bonds bearing interest at a variable rate and which are required
454 to remain outstanding in equal amounts at all times, if the net effect of such equal par
455 amounts and variable rates at all times is a fixed rate of interest to the county.

456 "Variable Rate Parity Lien Obligations" means Parity Lien Obligations bearing
457 interest at a variable rate of interest, provided that at least one of the following conditions
458 is met: (i) at the time of issuance the county has entered into a Payment Agreement with
459 respect to such Parity Lien Obligations, which Agreement converts the effective interest
460 rate to the county on the Variable Rate Parity Lien Obligations from a variable interest
461 rate to a fixed interest rate or (ii) the Parity Lien Obligations bear interest at a variable
462 rate but are issued concurrently in equal par amounts with other Parity Lien Obligations
463 bearing interest at a variable rate and which are required to remain outstanding in equal
464 amounts at all times, if the net effect of such equal par amounts and variable rates at all
465 times is a fixed rate of interest to the county.

466 SECTION 2. Findings. Because conditions in the capital markets are volatile,
467 the council finds that it is in the best interests of the county and ratepayers of the System
468 that the county retain the flexibility to issue the Bonds in one or more series, as Parity
469 Bonds or Parity Lien Obligations, to maximize interest rate savings and, where possible,

470 to achieve further savings by refunding all or some of the Refunding Candidates. To
471 achieve this flexibility, the council further finds that it is in the best interests of the
472 county and ratepayers of the System that a plan of refunding and the sale of the Bonds in
473 one or more series, as Parity Bonds or Parity Lien Obligations, as Tax-Exempt Bonds,
474 Tax Benefited Bonds or otherwise, by competitive bid or negotiated sale, for current or
475 future delivery, be determined by the Finance Director, in consultation with the county's
476 financial advisors. Each sale of a series of Bonds and plan of refunding, if any, will be
477 ratified and confirmed by the council in a Sale Motion.

478 SECTION 3. Authorization of Bonds. To provide funds necessary to pay costs
479 of acquiring, constructing and equipping improvements, additions or betterments to the
480 System set forth in the Comprehensive Plan, the county will issue the Project Bonds in
481 the aggregate principal amount of \$300,000,000.

482 To provide funds to refund the Refunded Bonds, the county will issue one or
483 more series of Refunding Bonds in principal amounts to be established as provided in
484 Sections 16 and 28 of this ordinance and in any event not to exceed an aggregate
485 principal amount of \$1,200,000,000.

486 The Refunding Bonds and Project Bonds may be issued and sold in one or more
487 series of Parity Bonds or Parity Lien Obligations, as provided in Section 28 of this
488 ordinance, each such series of Parity Bonds to be designated as "King County,
489 Washington, Sewer Revenue [and Refunding] Bonds" with an applicable year and series
490 designation, and each such series of Parity Lien Obligations to be designated as "King
491 County Limited Tax General Obligation [and Refunding] Bonds (Payable from Sewer
492 Revenues)" with an applicable year and series description. The Bonds will be fully

493 registered as to both principal and interest, will be in the denomination of \$5,000 each or
494 any integral multiple thereof (but no Bond shall represent more than one maturity), will
495 be numbered separately in such manner and with any additional designation as the Bond
496 Registrar deems necessary for purposes of identification, and will be dated as of such
497 date and mature on the dates, in the years and the amounts established as provided in
498 Section 28 of this ordinance.

499 Each series of the Bonds will bear interest (computed on the basis of a 360-day
500 year of twelve 30-day months) from their date or from the most recent interest payment
501 date for which interest has been paid or duly provided for, whichever is later, payable on
502 interest payment dates and at the rate or rates established as provided in Section 28 of this
503 ordinance and ratified and confirmed by a Sale Motion. The Accreted Values of any
504 Bonds that are Capital Appreciation Bonds will be set forth in a Sale Motion.

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

506 A. Bond Registrar/Bond Register. In accordance with K.C.C. chapter
507 4.84, the county hereby adopts for the Bonds the system of registration specified and
508 approved by the Washington State Finance Committee, which utilizes the fiscal agencies
509 of the State of Washington in Seattle, Washington, and New York, New York, as
510 registrar, authenticating agent, paying agent and transfer agent (collectively, the "Bond
511 Registrar"). The Bond Registrar will keep, or cause to be kept, at its principal corporate
512 trust office, sufficient books for the registration and transfer of the Bonds, which will at
513 all times be open to inspection by the county. The Bond Registrar is authorized, on
514 behalf of the county, to authenticate and deliver the Bonds transferred or exchanged in

515 accordance with the provisions of those Bonds and this ordinance and to carry out all of
516 the Bond Registrar's powers and duties under this ordinance.

517 The Bond Registrar will be responsible for its representations contained in the
518 Certificate of Authentication on the Bonds. The Bond Registrar may become the
519 Registered Owner of Bonds with the same rights it would have if it were not the Bond
520 Registrar, and to the extent permitted by law may act as depository for and permit any of
521 its officers or directors to act as a member of, or in any other capacity with respect to, any
522 committee formed to protect the rights of Registered Owners.

523 B. Registered Ownership. The county and the Bond Registrar, each
524 in its discretion, may deem and treat the Registered Owner of each Bond as the absolute
525 owner thereof for all purposes, and neither the county nor the Bond Registrar will be
526 affected by any notice to the contrary. Payment of any such Bond will be made only as
527 described in Section 4.G. of this ordinance, but such registration may be transferred as
528 herein provided. All payments made as described in Section 4.G. of this ordinance will
529 be valid and will satisfy and discharge the liability of the county upon such Bond to the
530 extent of the amount or amounts so paid. The county and the Bond Registrar are entitled
531 to treat the person in whose name any Bond is registered as the absolute owner thereof
532 for all purposes of this ordinance and any applicable laws, notwithstanding any notice to
533 the contrary received by the Bond Registrar or the county.

534 C. DTC Acceptance/Letter of Representations. The Bonds will
535 initially be held in fully immobilized form by DTC acting as depository. To induce DTC
536 to accept the Bonds as eligible for deposit at DTC, the county has heretofore executed
537 and delivered to DTC a Blanket Issuer Letter of Representations.

538 Neither the county nor the Bond Registrar will have any responsibility or
539 obligation to DTC participants or the persons for whom they act as nominees with respect
540 to the Bonds in respect of the accuracy of any records maintained by DTC or any DTC
541 participant, the payment by DTC or any DTC participant of any amount in respect of the
542 principal of or interest on the Bonds, any notice that is permitted or required to be given
543 to Registered Owners under this ordinance (except those notices that are required to be
544 given by the county to the Bond Registrar or to DTC), or any consent given or other
545 action taken by DTC as the Registered Owner. For so long as any Bonds are held in fully
546 immobilized form hereunder, DTC or its successor depository will be deemed to be the
547 Registered Owner for all purposes hereunder, and all references herein to the Registered
548 Owners will mean DTC or its nominee and will not mean the owners of any beneficial
549 interest in the Bonds.

550 D. Use of Depository.

551 (1) The Bonds will be registered initially in the name of "Cede
552 & Co.," as nominee of DTC, with one Bond maturing on each of the maturity dates for
553 the Bonds of each series in a denomination corresponding to the total principal therein
554 designated to mature on such date. Registered ownership of those immobilized Bonds, or
555 any portions thereof, may not thereafter be transferred except (i) to any successor of DTC
556 or its nominee, provided that any such successor must be qualified under any applicable
557 laws to provide the service proposed to be provided by it; (ii) to any substitute depository
558 appointed by the county pursuant to subsection (2) below or such substitute depository's
559 successor; or (iii) to any person as provided in subsection (4) below.

560 (2) Upon the resignation of DTC or its successor (or any
561 substitute depository or its successor) from its functions as depository or a determination
562 by the county to discontinue the system of book entry transfers through DTC or its
563 successor (or any substitute depository or its successor), the county may hereafter appoint
564 a substitute depository. Any such substitute depository must be qualified under any
565 applicable laws to provide the services proposed to be provided by it.

566 (3) In the case of any transfer pursuant to clause (i) or (ii) of
567 subsection (1) of this section, the Bond Registrar will, upon receipt of all outstanding
568 Bonds, together with a written request on behalf of the county, issue a single new Bond
569 for each maturity of such Bonds then outstanding, registered in the name of such
570 successor or such substitute depository, or their nominees, as the case may be, all as
571 specified in such written request of the county.

572 (4) If (i) DTC or its successor (or substitute depository or its
573 successor) resigns from its functions as depository, and no substitute depository can be
574 obtained, or (ii) the county determines that it is in the best interest of the beneficial
575 owners of any of the Bonds that they be able to obtain such Bonds in the form of bond
576 certificates, the ownership of Bonds may then be transferred to any person or entity as
577 herein provided, and the Bonds will no longer be held in fully immobilized form. The
578 county will deliver a written request to the Bond Registrar, together with a supply of
579 definitive Bonds, to issue Bonds as herein provided in any authorized denomination.
580 Upon receipt of all then outstanding Bonds by the Bond Registrar together with a written
581 request on behalf of the county to the Bond Registrar, new Bonds will be issued in such

582 denominations and registered in the names of such persons as are requested in the written
583 request.

584 E. Transfer or Exchange of Registered Ownership; Change in
585 Denominations. The registered ownership of any Bond may be transferred or exchanged,
586 but no transfer of any Bond will be valid unless it is surrendered to the Bond Registrar
587 with the assignment form appearing on the Bond duly executed by the Registered Owner
588 or the Registered Owner's duly authorized agent in a manner satisfactory to the Bond
589 Registrar. Upon that surrender, the Bond Registrar will cancel the surrendered Bond and
590 will authenticate and deliver, without charge to the Registered Owner or transferee
591 therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same
592 series, date, maturity and interest rate and for the same aggregate principal amount in any
593 authorized denomination, naming as Registered Owner the person or persons listed as the
594 assignee on the assignment form appearing on the surrendered Bond, in exchange for
595 such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond
596 Registrar and exchanged, without charge, for an equal aggregate principal amount of
597 Bonds of the same series, date, maturity and interest rate, in any authorized
598 denomination. The Bond Registrar is not obligated to transfer or exchange any Bond
599 during a period beginning at the opening of business on the 15th day of the month next
600 preceding any interest payment date and ending at the close of business on such interest
601 payment date, or, in the case of any proposed redemption of the Bonds, after the mailing
602 of notice of the call of such Bonds for redemption.

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

606 G. Place and Medium of Payment. Both principal of and interest on
607 the Bonds are payable in lawful money of the United States of America. For so long as
608 all Bonds are in fully immobilized form, payments of principal thereof and interest
609 thereon will be made as provided in accordance with the operational arrangements of
610 DTC referred to in the Letter of Representations. If the Bonds are no longer held in fully
611 immobilized form, interest on the Bonds will be paid by check or draft mailed to the
612 Registered Owners at the addresses for such Registered Owners appearing on the Bond
613 Register on the 15th day of the month preceding the interest payment date; provided,
614 however, that if so requested in writing by the Registered Owner of at least \$1,000,000
615 principal amount of a series of Bonds, interest will be paid by wire transfer on the interest
616 payment date to an account with a bank located within the United States. Principal of the
617 Bonds is payable upon presentation and surrender of the Bonds by the Registered Owners
618 at the principal office of the Bond Registrar.

619 SECTION 5. Redemption of Bonds; Open Market Purchases. The county
620 may reserve the right to redeem outstanding Bonds prior to their maturity on the dates
621 and at the prices established as provided in Section 28 of this ordinance and ratified and
622 confirmed by a Sale Motion. Portions of the principal amount of any Bond, in
623 increments of \$5,000 or any integral multiple of \$5,000, may be redeemed.

624 If less than all of the Bonds subject to optional redemption are called for
625 redemption, the county may choose the maturities to be redeemed. If less than a whole of

626 a maturity is called for redemption, the Bonds to be redeemed will be chosen randomly or
627 by a method to be established in connection with the sale of each series of the Bonds in
628 accordance with Section 28 of this ordinance.

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

634 Any optional redemption of Bonds may be subject to such conditions, including
635 but not limited to the receipt of refunding bond proceeds, as the county may set forth in
636 the notice of redemption, as provided in Section 6 of this ordinance.

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

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

640 A. **Notice of Redemption.** Written notice of any redemption of Bonds
641 will be given by the Bond Registrar on behalf of the county by first class mail, postage
642 prepaid, not less than 20 days nor more than 60 days before the redemption date to the
643 Registered Owners of Bonds that are to be redeemed at their last addresses shown on the
644 Bond Register. So long as the Bonds are in book-entry form, notice of redemption will
645 be given as provided in the Letter of Representations. The Bond Registrar will provide
646 additional notice of redemption to the MSRB in accordance with the ongoing disclosure
647 provisions to be adopted by the Sale Motion.

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

650 Each notice of redemption will contain the following information: (1) the
651 redemption date, (2) the redemption price, (3) any condition to the redemption (including,
652 but not limited, to the receipt of proceeds of refunding bonds), (4) if less than all
653 outstanding Bonds are to be redeemed, the identification (and, in the case of partial
654 redemption, the principal amounts) of the Bonds to be redeemed, (5) that on the
655 redemption date, upon the satisfaction of any conditions, the redemption price will
656 become due and payable upon each Bond or portion called for redemption, and that
657 interest will cease to accrue from the redemption date, (6) that the Bonds are to be
658 surrendered for payment at the principal office of the Bond Registrar, (7) the CUSIP
659 numbers of all Bonds being redeemed, (8) the dated date of the Bonds, (9) the rate of
660 interest for each Bond being redeemed, (10) the date of the notice, (11) information
661 regarding the county's right to cancel an optional redemption prior to the designated
662 redemption date by giving notice of such cancellation, and (12) any other information
663 relating to the redemption or identifying the Bonds being redeemed.

664 Upon the payment of the redemption price of Bonds being redeemed, each check
665 or other transfer of funds issued for that purpose will bear the CUSIP number identifying,
666 by issue and maturity, the Bonds being redeemed with the proceeds of such check or
667 other transfer.

668 B. Cancellation of Redemption. The county may cancel any notice of
669 an optional redemption of Bonds by giving written notice of such cancellation no later

670 than seven days prior to the designated redemption date to all parties who were given
671 notice of redemption in the in the same manner as such notice was given.

672 C. Effect of Redemption. Unless the county has cancelled a notice of
673 redemption or a condition to the redemption has not been satisfied, the county will
674 transfer to the Bond Registrar amounts that, in addition to other money, if any, held by
675 the Bond Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to
676 be redeemed. From the redemption date interest on each Bond to be redeemed will cease
677 to accrue.

678 D. Amendment of Notice Provisions. The foregoing notice provisions
679 of this section, including but not limited to the information to be included in redemption
680 notices and the persons designated to receive notices, may be amended by additions,
681 deletions and changes to maintain compliance with duly promulgated regulations and
682 recommendations regarding notices of redemption of municipal securities.

683 **SECTION 7. Form of Bonds; Execution of Bonds.** Bonds issued as Parity
684 Bonds will be in substantially the form set forth in Exhibit A of this ordinance. Bonds
685 issued as Parity Lien Obligations will be in substantially the form set forth in Exhibit B of
686 this ordinance. The Bonds will be executed on behalf of the county with the manual or
687 facsimile signature of the county executive, attested by the manual or facsimile signature
688 of the clerk of the county council, and will have the seal of the county impressed or
689 imprinted thereon.

690 If an officer who has executed any Bond ceases to be an officer of the county
691 before the Bond so signed is authenticated or delivered by the Bond Registrar or issued
692 by the county, that Bond may nevertheless be authenticated, delivered and issued and

693 upon such authentication, delivery and issuance will be as binding upon the county as
694 though the person who signed the Bond had continued to be such officer of the county.
695 Any Bond also may be signed and attested on behalf of the county by the person who at
696 the actual date of execution of the Bond is the proper officer of the county although at the
697 original date of that Bond that person was not such officer of the county.

698 Only Bonds that bear thereon a Certificate of Authentication in the forms set forth
699 in Exhibits A and B of this ordinance, as applicable, manually executed by the Bond
700 Registrar, will be valid or obligatory for any purpose or entitled to the benefits of this
701 ordinance. Such Certificate of Authentication will be conclusive evidence that the Bonds
702 so authenticated have been duly executed, authenticated and delivered hereunder and are
703 entitled to the benefits of this ordinance.

704 SECTION 8. Mutilated, Lost, or Destroyed Bonds. If any Bond becomes
705 mutilated, the Bond Registrar will authenticate and deliver a new Bond of like series,
706 amount, date, interest rate and tenor in exchange and substitution for the Bond so
707 mutilated, upon the owner's paying the expenses and charges of the county and the Bond
708 Registrar in connection therewith and upon surrender to the Bond Registrar of the Bond
709 so mutilated. Every mutilated Bond so surrendered will be canceled and destroyed by the
710 Bond Registrar.

711 If any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate
712 and deliver a new Bond or Bonds of like series, amount, date, and tenor to the Registered
713 Owner thereof upon the owner's paying the expenses and charges of the county and the
714 Bond Registrar in connection therewith and upon his or her filing with the Bond Registrar
715 evidence satisfactory to the Bond Registrar that such Bond or Bonds were actually lost,

716 stolen or destroyed and of his or her ownership thereof, and upon furnishing the county
717 and Bond Registrar with indemnity satisfactory to the Finance Director and the Bond
718 Registrar.

719 **SECTION 9. Parity Bond Fund.** There has heretofore been created a special
720 fund of the county known as the "Water Quality Revenue Bond Account" (the "Parity
721 Bond Fund"). The Parity Bond Fund is at all times completely segregated and set apart
722 from all other funds and accounts of the county and is a trust fund for the security and
723 payment of the principal of and interest and any redemption premium on any Parity
724 Bonds. All money credited to the Parity Bond Fund is pledged and ordered to be used for
725 the sole purpose of paying the principal of and interest and any redemption premium on
726 the Parity Bonds.

727 A. **Debt Service Account.** A "Debt Service Account" has heretofore
728 been established in the Parity Bond Fund. The county hereby obligates and binds itself to
729 set aside and pay into that account out of the Revenue of the System amounts sufficient,
730 together with accrued interest, if any, received at the time of delivery of any series of
731 Bonds that are Parity Bonds and deposited therein, income from the investment of money
732 in the Debt Service Account and Parity Bond Reserve Account, and any other money on
733 deposit in the Debt Service Account and legally available, to pay the principal of and
734 interest on outstanding Parity Bonds as the same become due and payable.

735 For each series of the Bonds that are Parity Bonds there is hereby authorized to be
736 created a special subaccount in the Debt Service Account. All money required by this
737 Section 9.A. to be deposited into the Debt Service Account for the payment of principal
738 of and interest on that series of the Bonds will be deposited into the subaccount created

739 for the series. Money in the subaccount will be treated in all respects as all other money
740 in the Debt Service Account, but will be accounted for separately for the purpose of
741 calculating any Rebate Amount payable with respect to such series of the Bonds.

742 Payments on account of each series of the Bonds that are Parity Bonds will be
743 made out of the Revenue of the System into the applicable debt service subaccount in the
744 Parity Bond Fund on or before the day each payment of interest on or principal of those
745 Bonds is due.

746 B. Term Bond Provisions. If any Bonds issued as Parity Bonds are
747 designated as Term Bonds pursuant to Section 28 of this ordinance, the Sale Motion for
748 that series of Bonds will set forth a mandatory redemption schedule to amortize the
749 principal of those Parity Term Bonds. Payments of principal of Parity Term Bonds under
750 any such mandatory redemption schedule will be made from the Debt Service Account,
751 as provided in Section 9.A. of this ordinance; provided, however, that if more than the
752 required principal amount of the Parity Term Bonds is retired by purchase or optional
753 redemption in any given year, the mandatory redemption amount in the next succeeding
754 year or years may be reduced accordingly.

755 The county covenants that if it issues any Future Parity Bonds as Term Bonds, it
756 will identify those Future Parity Bonds as Parity Term Bonds in the proceedings
757 authorizing their issuance and establish a schedule of mandatory redemptions, payable
758 from the Debt Service Account, to amortize the principal of the Parity Term Bonds prior
759 to their maturity.

760 C. Parity Bond Reserve Account. A Parity Bond Reserve Account
761 has heretofore been established in the Parity Bond Fund. The county hereby pledges that

762 it will pay into and maintain in the Parity Bond Reserve Account an amount that together
763 with other funds in the Parity Bond Reserve Account will be at least equal to the Reserve
764 Requirement. The county may substitute Qualified Insurance or a Qualified Letter of
765 Credit for amounts required to be paid into or maintained in the Parity Bond Reserve
766 Account. Such Qualified Letter of Credit or Qualified Insurance must not be cancelable
767 on less than five years' notice. In the event of any cancellation, the Parity Bond Reserve
768 Account will be funded in accordance with the provisions of this section providing for
769 payment in the event of a deficiency therein, as if the Parity Bonds that remain
770 outstanding had been issued on the date of such notice of cancellation.

771 On the date of Closing of a series of Bonds that are Parity Bonds, an amount
772 sufficient to satisfy the Reserve Requirement in the Parity Bond Reserve Account
773 required by the issuance of that series of Bonds must be deposited therein from the
774 proceeds of Parity Bonds or other funds available therefor or provided for by Qualified
775 Insurance or a Qualified Letter of Credit, as herein permitted.

776 If there is a deficiency in the Debt Service Account to make any payment when
777 due of either principal of or interest on any Parity Bonds, the deficiency will be made up
778 from the Parity Bond Reserve Account by the withdrawal of money therefrom and by the
779 sale or redemption of obligations held in the Parity Bond Reserve Account, if necessary,
780 in such amounts as will provide cash in the Parity Bond Reserve Account sufficient to
781 make up any such deficiency. If a deficiency still exists immediately prior to an interest
782 payment date and after the withdrawal of cash, the county will then draw from any
783 Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in
784 sufficient amount to make up the deficiency. The draw will be made at such times and

785 under such conditions as the agreement for such Qualified Letter of Credit or such
786 Qualified Insurance provides. If more than one Qualified Letter of Credit or Qualified
787 Insurance is available, draws will be made ratably thereon to make up the deficiency.
788 Any deficiency created in the Parity Bond Reserve Account by reason of any such
789 withdrawal must then be made up from Revenue of the System that is available after first
790 making the payments required to be made under paragraph "FIRST" through "THIRD" of
791 Section 14 of this ordinance.

792 Income from the investment of money in the Parity Bond Reserve Account will
793 be deposited in and become a part of the Parity Bond Fund.

794 SECTION 10. Parity Lien Obligation Bond Fund. There has heretofore been
795 created a special fund of the county known as the "Water Quality Limited Tax General
796 Obligation Bond Redemption Fund" (the "Parity Lien Obligation Bond Fund"). The
797 Parity Lien Obligation Bond Fund is at all times completely segregated and set apart from
798 all other funds and accounts of the county and is a trust fund for the security and payment
799 of the principal of and interest and any redemption premium on the Parity Lien
800 Obligations. All money credited to the Parity Lien Obligation Bond Fund is pledged and
801 ordered to be used for the sole purpose of paying the principal of and interest and any
802 redemption premium on the Parity Lien Obligations.

803 A. Debt Service Account. A "Debt Service Account" has heretofore
804 been established in the Parity Lien Obligation Bond Fund. The county hereby obligates
805 and binds itself to set aside and pay into that Account out of the Revenue of the System
806 amounts sufficient, together with accrued interest, if any, received at the time of delivery
807 of any series of Bonds issued as Parity Lien Obligations and deposited therein, income

808 from the investment of money in the Debt Service Account and any other money on
809 deposit in the Debt Service Account and legally available, to pay the principal of and
810 interest on outstanding Parity Lien Obligations as the same become due and payable.

811 For each series of the Bonds issued as Parity Lien Obligations, there is hereby
812 authorized to be created a special subaccount in the Debt Service Account. All money
813 required by this Section 10.A. to be deposited into the Debt Service Account for the
814 payment of principal of and interest on that series of the Bonds will be deposited into the
815 subaccount created for the series. Money in such subaccount will be treated in all
816 respects as all other money in the Debt Service Account, but will be accounted for
817 separately for the purpose of calculating any Rebate Amount payable with respect to such
818 series of the Bonds.

819 Payments on account of each series of the Bonds issued as Parity Lien
820 Obligations will be made out of the Revenue of the System into the applicable debt
821 service subaccount in the Parity Lien Obligation Bond Fund on or before the day each
822 payment of interest on or principal of such Bonds is due.

823 B. Term Bond Provisions. If any Bonds issued as Parity Lien
824 Obligations are designated as Term Bonds pursuant to Section 28 of this ordinance, the
825 Sale Motion for that series of Bonds will set forth a mandatory redemption schedule to
826 amortize the principal of those Parity Lien Obligation Term Bonds. Payments of
827 principal of Parity Lien Obligation Term Bonds under any such mandatory redemption
828 schedule will be made from the Debt Service Account, as provided in Section 10.A. of
829 this ordinance; provided, however, that if more than the required principal amount of the
830 Parity Lien Obligation Term Bonds is retired by purchase or optional redemption in any

831 given year, the mandatory redemption amount in the next succeeding year or years may
832 be reduced accordingly.

833 The county covenants that if it issues any additional Parity Lien Obligations that
834 are Term Bonds, it will identify those Parity Lien Obligations as Term Bonds in the
835 proceedings authorizing their issuance and establish a schedule of mandatory
836 redemptions, payable from the Debt Service Account, to amortize the principal of those
837 Parity Lien Obligation Term Bonds prior to their maturity.

838 SECTION 11. Pledge of Taxation and Credit. The county hereby irrevocably
839 covenants and agrees for as long as any Bonds issued as Parity Lien Obligations are
840 outstanding and unpaid, that each year it will include in its budget and levy an *ad*
841 *valorem* tax upon all the property within the county subject to taxation in an amount that
842 will be sufficient, together with all other revenues and money of the county legally
843 available for such purposes, to pay the principal of and interest on those Bonds issued as
844 Parity Lien Obligations as the same become due. All of the taxes so collected will be
845 paid into the Parity Lien Obligation Bond Fund no later than the date such funds are
846 required for the payment of principal and interest on those Bonds issued as Parity Lien
847 Obligations.

848 The county hereby irrevocably pledges that the annual tax herein authorized to be
849 levied for the payment of such principal and interest shall be within and a part of the tax
850 levy permitted to counties without a vote of the people, and that a sufficient portion of the
851 taxes to be levied and collected annually by the county prior to the full payment of the
852 principal of and interest on the Bonds issued as Parity Lien Obligations will be and is

853 hereby irrevocably set aside, pledged and appropriated for the payment of the principal of
854 and interest on those Bonds.

855 The full faith, credit and resources of the county are hereby irrevocably pledged
856 for the annual levy and collection of those taxes and for the prompt payment of the
857 principal of and interest on those Bonds issued as Parity Lien Obligations as the same
858 become due.

859 Any Bonds issued hereunder as Parity Bonds are not general obligations of the
860 county, and no pledge of taxes secures the payment of any Bonds issued as Parity Bonds
861 hereunder.

862 **SECTION 12. Pledge of Sewer Revenues.**

863 A. **Parity Bonds.** The amounts covenanted to be paid out of the
864 Revenue of the System into the Parity Bond Fund and the accounts therein shall
865 constitute a lien and charge on such revenue superior to all other charges of any kind or
866 nature except Operating and Maintenance Expenses, and of equal lien to any charges
867 heretofore or hereafter made upon the Revenue of the System for the payment of the
868 principal of and interest on any Parity Bonds.

869 If money and investments in the Debt Service Account of the Parity Bond Fund
870 and the Parity Bond Reserve Account are reduced below the amounts required to pay the
871 principal and/or interest then due and payable on any Parity Bonds, funds on deposit in
872 any reserve created in the Revenue Fund not then required for the payment of necessary
873 Operating and Maintenance Expenses will be transferred to the Debt Service Account of
874 the Parity Bond Fund to the extent required to pay such principal and interest.

875 B. Parity Lien Obligations. The amounts covenanted to be paid out of
876 the Revenue of the System into the Parity Lien Obligation Bond Fund and the accounts
877 therein shall constitute a lien and charge on such Revenue subject to Operating and
878 Maintenance Expenses, and junior, subordinate and inferior to the lien and charge on
879 such Revenue for the payments required by the ordinances authorizing the Parity Bonds
880 to be made into the Parity Bond Fund and the accounts therein, and equal to the lien and
881 charge on such Revenue of the payments required to be made by the ordinances
882 authorizing the issuance of the outstanding Parity Lien Obligations and any additional
883 Parity Lien Obligations, and superior to all other liens and charges on such Revenue
884 whatsoever.

885 SECTION 13. Revenue Fund. There has heretofore been created a special fund
886 of the county known as the "Water Quality Operating Account" (the "Revenue Fund").
887 All of the Revenue of the System will be deposited in the Revenue Fund. All Operating
888 and Maintenance Expenses will be paid out of the Revenue Fund or appropriate reserves
889 therein.
890 A special fund of the county designated as the "Sewer Rate Stabilization Fund" (the "Rate
891 Stabilization Fund") has been established in anticipation of increases in revenue
892 requirements of the System. In accordance with the provisions of Section 14 of this
893 ordinance, the county may from time to time appropriate or budget amounts in the
894 Revenue Fund for deposit in the Rate Stabilization Fund and may from time to time
895 withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate
896 sewer rate increases or for other lawful purposes of the county related to the System.

897 SECTION 14. Sewer Revenue Priorities of Payment. So long as any Bond is
898 outstanding, the Revenue of the System will be deposited into the Revenue Fund and
899 used and applied in the following order of priority:

900 First, to pay all Operating and Maintenance Expenses;

901 Second, to make all required deposits into the Debt Service Account in the Parity
902 Bond Fund to provide for the payment of principal of and interest on Parity Bonds as the
903 same become due and payable and to make any Payment Agreement Payments with
904 respect to any Parity Payment Agreements;

905 Third, to make all payments required to be made pursuant to a reimbursement
906 agreement or agreements (or other equivalent documents) in connection with Qualified
907 Insurance or a Qualified Letter of Credit, provided that if there is not sufficient money to
908 make all payments under such reimbursement agreements the payments will be made on
909 a pro rata basis;

910 Fourth, to establish and maintain the Parity Bond Reserve Account (including
911 making deposits into such Account and paying the costs of obtaining Qualified Insurance
912 or a Qualified Letter of Credit therefor);

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

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

919 Lien Obligations, and to make any payments required to be made to providers of any
920 credit enhancements or liquidity facilities for Junior Lien Obligations;

921 Seventh, to make all required payments of principal of and interest on the Multi-
922 Modal LTGO/Sewer Revenue Lien Obligations as the same become due and payable, to
923 make all Payment Agreement Payments for any Payment Agreements entered into with
924 respect to Multi-Modal LTGO/Sewer Revenue Bonds, and to make any payments
925 required to be made to providers of credit enhancements or liquidity facilities for any
926 Multi-Modal LTGO/Sewer Revenue Bonds;

927 Eighth, to make all required payments of principal of and interest on the
928 Subordinate Lien Obligations as the same become due and payable;

929 Ninth, to make all required payments of principal and interest on bonds, notes,
930 warrants and other evidences of indebtedness, the lien and charge against Revenue of the
931 System of which is junior and inferior to the Subordinate Lien Obligations, as the same
932 become due and payable; and

933 Tenth, to make all required payments of principal and interest due on the SRF
934 Loans and the Public Works Trust Fund Loans.

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

941 SECTION 15. Construction Account; Disposition of Bond Proceeds.

942 A. Construction Account. There has heretofore been created a special
943 fund of the county known as the "Second Water Quality Construction Account" (the
944 "Construction Account"). For purposes of separately accounting for investment earnings
945 on the proceeds of the Project Bonds to facilitate compliance with the requirements of
946 Section 21 of this ordinance, there is hereby established for each series of Project Bonds
947 issued hereunder a special subaccount within the Construction Account to be designated
948 as the "Series [applicable year designation] Construction Subaccount" (each a
949 "Construction Subaccount").

950 Money in each Construction Subaccount will be held and applied to pay costs of
951 acquiring, constructing and equipping improvements, additions or betterments to the
952 System set forth in the Comprehensive Plan and all costs incidental thereto, including but
953 not limited to engineering, architectural, planning, financial, legal, urban design or any
954 other incidental costs, and to repay any advances heretofore or hereafter made on account
955 of such costs, provided that if deficiencies exist in the Parity Bond Fund or Parity Lien
956 Obligation Bond Fund, money in any Construction Subaccount may be transferred to
957 such Fund in such amounts as may be necessary to pay principal of and interest on Parity
958 Bonds or Parity Lien Obligations, as applicable. Pursuant to a Sale Motion, proceeds of a
959 series of Project Bonds may be designated to pay capitalized interest on such Project
960 Bonds and may be held in the applicable Construction Subaccount or in a trust account to
961 be established with an escrow agent appointed by the Finance Director, as provided in
962 such Sale Motion.

963 B. Disposition of Bond Proceeds. The proceeds of the Bonds will be
964 deposited as follows:

965 (1) The amount equal to the interest, if any, accruing on each
966 series of the Bonds from their dated date to the date of their Closing will be deposited in
967 the appropriate subaccount for such series created in the Debt Service Account in the
968 Parity Bond Fund or Parity Lien Obligation Bond Fund, as applicable.

969 (2) Proceeds of each series of the Bonds issued as Parity Bonds
970 may be deposited into the Parity Bond Reserve Account, as will be provided for in each
971 Sale Motion for any Bonds issued as Parity Bonds.

972 (3) The balance of the proceeds of any Project Bonds will be
973 deposited in the appropriate Construction Subaccount (including an escrow account that
974 may be established for capitalized interest) as provided in Subsection A of this Section 15
975 and applied as provided in subsection A of this Section 15.

976 (4) The balance of the proceeds of any Refunding Bonds will
977 be deposited into the appropriate Refunding Account (as hereinafter defined) and applied
978 as provided in Section 16 of this ordinance.

979 **SECTION 16. Refunding Account; Plan of Refunding.**

980 A. Refunding Account; Guidelines for Refunding. There is hereby
981 authorized to be established one or more special accounts of the county to be maintained
982 with the Escrow Agent (as hereinafter defined) each to be known as a "King County
983 [appropriate year and series designation] Sewer Revenue Bonds Refunding Account"
984 (each a "Refunding Account"). Each Refunding Account will be drawn upon for the sole
985 purpose of paying the principal of and interest and redemption premium, if any, on the
986 applicable Refunded Bonds and of paying costs related to the issuance of that series of
987 Refunding Bonds and to refunding the applicable Refunded Bonds. Proceeds of the sale

988 of any Refunding Bonds, together with other county funds that may be designated for that
989 purpose, will be deposited into each Refunding Account to provide for refunding the
990 applicable Refunded Bonds, as authorized by the ordinances authorizing the Refunded
991 Bonds, and to pay the costs of issuance of such Refunding Bonds.

992 The Finance Director is authorized to determine, in consultation with the county's
993 financial advisors, which of the Refunding Candidates, if any, are to be refunded. In
994 determining which of the Refunding Candidates, if any, should be advance refunded
995 under the authority of this ordinance, the council intends that the Finance Director adhere
996 to a refunding guideline that the present value of the savings achieved by any advance
997 refunding meet or exceed a minimum level of 5% of the principal amount of Refunded
998 Bonds that are advance refunded. This requirement does not apply to the current
999 refunding of any Refunded Bonds, i.e., the redemption of such Refunded Bonds paid for
1000 with proceeds of Refunding Bonds issued no earlier than 90 days prior to the date fixed
1001 for redemption of the Refunded Bonds.

1002 B. Plan of Refunding. Each plan of refunding and call for redemption
1003 of Refunded Bonds will be set forth in and ratified and confirmed by a Sale Motion.
1004 Money in each Refunding Account will be used immediately upon receipt thereof to
1005 defease the applicable Refunded Bonds and discharge the other obligations of the county
1006 relating thereto under the ordinances that authorized the Refunded Bonds, by providing
1007 for the payment of the principal of and interest and redemption premium, if any, on the
1008 Refunded Bonds as set forth in a Sale Motion. The county will defease such bonds and
1009 discharge such obligations by the use of the money in each Refunding Account to
1010 purchase Government Obligations (which obligations so purchased are herein called

1011 "Escrow Securities") bearing such interest and maturing as to principal and interest in
1012 such amounts and at such times that, together with any necessary beginning cash balance,
1013 will provide for the payment of such Refunded Bonds, as set forth in the Sale Motion.
1014 Such Escrow Securities will be purchased at a yield not greater than the yield permitted
1015 by the Code and regulations relating to obligations acquired in connection with refunding
1016 bond issues.

1017 In connection with the issuance of each series of Refunding Bonds, to carry out
1018 the refunding and defeasance of Refunded Bonds, the Finance Director is hereby
1019 authorized to appoint as escrow agent a bank or trust company qualified by law to
1020 perform the duties described herein (each, an "Escrow Agent"). Any beginning cash
1021 balance and the Escrow Securities will be irrevocably deposited with the Escrow Agent
1022 in an amount sufficient to defease the Refunded Bonds in accordance with this Section 16
1023 and the applicable Sale Motion.

1024 The county will take such actions as are found necessary to see that all necessary
1025 and proper fees, compensation and expenses of the Escrow Agent are paid when due.
1026 The proper officers and agents of the county are directed to obtain from each Escrow
1027 Agent an agreement setting forth the duties, obligations and responsibilities of such
1028 Escrow Agent in connection with the redemption and retirement of the Refunded Bonds
1029 as provided herein and setting forth provisions for the payment of the fees, compensation
1030 and expenses of such Escrow Agent as are satisfactory to it. To carry out the purposes of
1031 this section of this ordinance, the Finance Director is authorized and directed to execute
1032 and deliver to each Escrow Agent an escrow agreement in form approved by the county's
1033 bond counsel.

1034 C. Findings of Savings and Defeasance. By a Sale Motion, the
1035 council will set forth its findings of savings and defeasance with respect to those
1036 Refunded Bonds authorized to be refunded from the proceeds of each series of Refunding
1037 Bonds.

1038 SECTION 17. Due Regard for Expenses. The county council hereby declares
1039 that, in fixing the amounts to be paid into the Parity Bond Fund and Parity Lien
1040 Obligation Bond Fund, as applicable, and the accounts therein, out of the Revenue of the
1041 System, it has exercised due regard for the necessary Operating and Maintenance
1042 Expenses and has not obligated the county to set aside, pay into and maintain in said fund
1043 and accounts a greater amount of the Revenue of the System than in its judgment will be
1044 available over and above such necessary Operating and Maintenance Expenses.

1045 SECTION 18. Rate Covenants.

1046 A. Parity Bonds. The county hereby covenants with the owner of
1047 each of the Bonds issued as Parity Bonds for so long as any of the same are outstanding
1048 that the county will at all times establish, maintain and collect rates and charges for
1049 sewage disposal service that, together with the interest to be earned on investments of
1050 money in the Revenue Fund, Parity Bond Fund, Parity Bond Reserve Account and
1051 Construction Account, will provide in each calendar year Net Revenue in an amount
1052 equal to at least 1.15 times the amount required to pay the Annual Parity Debt Service for
1053 such calendar year.

1054 At all times and in any event, rates and charges for sewage disposal service will
1055 be sufficient to provide funds adequate to operate and maintain the System, to make all
1056 payments and to establish and maintain all reserves required by this or any other

1057 ordinance authorizing obligations of the county payable from Revenue of the System, to
1058 make up any deficit in such payments remaining from prior years and to pay all costs
1059 incurred in the construction or acquisition of any portion of the Comprehensive Plan that
1060 may be ordered by the county and for the payment of which sewer revenue bonds (or
1061 other obligations payable from Revenue of the System) are not issued.

1062 B. Parity Lien Obligations. The county hereby covenants with the
1063 owner of each of the Bonds issued as Parity Lien Obligations for so long as any of the
1064 same are outstanding that the county will at all times establish, maintain and collect rates
1065 and charges for sewage disposal service that will be fair and nondiscriminatory and
1066 adequate to provide Revenue of the System sufficient for the proper operation and
1067 maintenance of the System; for the punctual payment of the principal of and interest on
1068 all outstanding Parity Bonds for which payment has not otherwise been provided and all
1069 amounts that the county is obligated to set aside in the Parity Bond Fund securing the
1070 Parity Bonds; for the punctual payment of the principal of and interest on all outstanding
1071 Parity Lien Obligations and for all amounts that the county is obligated to set aside in the
1072 Parity Lien Obligation Bond Fund; and for the payment of any and all other amounts that
1073 the county is now or may hereafter become obligated to pay from Revenue of the System.

1074 The county hereby further covenants with the owner of each of the Bonds issued
1075 as Parity Lien Obligations for so long as any of the same are outstanding that the county
1076 will at all times establish, maintain and collect rates and charges for sewage disposal
1077 service that, together with the interest to be earned on investments made of money in the
1078 Revenue Fund, Construction Account, Parity Bond Fund and the Parity Lien Obligation

1079 Bond Fund, will provide in each calendar year Net Revenue in an amount equal to at least
1080 1.15 times the amounts required to pay the Annual Debt Service for such calendar year.

1081 C. Rate Stabilization Account. For the purpose of meeting the
1082 requirements of this Section 18, there may be added to Revenue of the System for any
1083 fiscal year any amount withdrawn from the Rate Stabilization Fund and deposited in the
1084 Revenue Fund. For any fiscal year, amounts withdrawn from the Revenue Fund and
1085 deposited into the Rate Stabilization Fund for such fiscal year must be subtracted from
1086 Net Revenue.

1087 SECTION 19. Certain Other Covenants of the Bonds. The county hereby
1088 covenants with the owner and holder of each of the Bonds for as long as any of such
1089 Bonds are outstanding, as follows:

1090 A. Maintain in Good Order. The county will cause the System and
1091 the business in connection therewith to be operated in a safe, sound, efficient, and
1092 economic manner in compliance with all health, safety, and environmental laws,
1093 regulatory body rules, regulatory body orders and court orders applicable to the county's
1094 operation of the System, and will cause to be maintained, preserved, reconstructed,
1095 expanded and kept, with all appurtenances and every part and parcel thereof, in good
1096 repair, working order and condition, and will from time to time cause to be made, without
1097 undue deferral, all necessary or proper repairs, replacements and renewals, so that all
1098 times the operation of the System will be properly and advantageously conducted.

1099 B. Books and Records. The county will cause proper books of record
1100 and accounts of operation of the System to be kept, including an annual financial report.

1101 C. Annual Audit. The county will cause its books of accounts,
1102 including its annual financial report, to be audited annually by the State auditor's office or
1103 other State department or agency as may be authorized and directed by law to make such
1104 audits, or if such an audit is not made for twelve months after the close of any fiscal year
1105 of the county, by a Certified Public Accountant. The county will furnish such audit to the
1106 owner or holder of any Bond upon written request therefor.

1107 D. Insurance. The county will at all times carry fire and extended
1108 coverage and such other forms of insurance on such of the buildings, equipment, facilities
1109 and properties of the Sewer System as under good practice are ordinarily carried on such
1110 buildings, equipment, facilities and properties by municipal or privately owned utilities
1111 engaged in the operation of sewer systems and will also carry adequate public liability
1112 insurance at all times, provided that the county may, if deemed advisable by the county
1113 council, institute or continue a self insurance program with respect to any or all of the
1114 aforementioned risks.

1115 E. Construction. The county will cause the construction of any duly
1116 authorized and ordered portions of the Comprehensive Plan to be performed and
1117 completed within a reasonable time and at the lowest reasonable cost.

1118 F. Collection of Revenue. The county will so operate and maintain the
1119 System and conduct its affairs as to entitle it at all times to receive and enforce payment
1120 to it of sewage disposal charges payable (i) pursuant to the ordinance or ordinances
1121 establishing a tariff of rates and charges for sewage disposal services and (ii) under any
1122 Service Agreement that the county has now or may hereafter enter into and to entitle the
1123 county to collect all revenues derived from the operation of the System. The county shall

1124 not release the obligations of any person, corporation or political subdivision under such
1125 tariff of rates and charges or the Service Agreements and shall at all times, to the extent
1126 permitted by law, defend, enforce, preserve and protect the rights and privileges of the
1127 county and of the holders of the Parity Bonds and Parity Lien Obligations under or with
1128 respect thereto.

1129 In accordance with RCW 35.58.200(3), the county shall require any county, city,
1130 special district or other political subdivision to discharge to the System all sewage
1131 collected by such entity from any portion of the Seattle metropolitan area that can drain
1132 by gravity flow into facilities of the System that serve such areas if the county council
1133 declares that the health, safety or welfare of the people within the metropolitan area
1134 require such action.

1135 G. Legal Authority. The county has full legal right, power and
1136 authority to adopt this ordinance, to sell, issue and deliver Bonds as provided herein, and
1137 to carry out and consummate all other transactions contemplated by this ordinance.

1138 H. Due Authorization. By all necessary official action prior to or
1139 concurrently herewith, the county has duly authorized and approved the execution and
1140 delivery of, and the performance by the county of its obligations contained in, the Bonds
1141 and in this ordinance and the consummation by it of all other transactions necessary to
1142 effectuate this ordinance in connection with the issuance of Bonds, and such
1143 authorizations and approvals are in full force and effect and have not been amended,
1144 modified or supplemented in any material respect.

1145 I. Binding Obligation. This ordinance constitutes a legal, valid and
1146 binding obligation of the county.

1147 J. No Conflict. The county's adoption of this ordinance and its
1148 compliance with the provisions contained herein will not conflict with or constitute a
1149 breach of or default under any constitutional provisions, law, administrative regulation,
1150 judgment, decree, loan agreement, indenture, bond, note, resolution, ordinance, motion,
1151 agreement or other instrument to which the county is a party or to which the county or
1152 any of its property or assets are otherwise subject, nor will the county's adoption of or
1153 compliance with this ordinance result in the creation or imposition of any lien, charge or
1154 other security interest or encumbrance of any nature whatsoever upon any of the property
1155 or assets of the county or under the terms of any such law, regulation or instrument,
1156 except as permitted by this ordinance and the ordinances authorizing the issuance of other
1157 Parity Bonds and Parity Lien Obligations.

1158 K. Performance Under Ordinance. None of the proceeds of the Bonds
1159 will be used for any purpose other than as provided in this ordinance, and the county shall
1160 not suffer any amendment or supplement to this ordinance, or any departure from the due
1161 performance of the obligations of the county hereunder, that might materially adversely
1162 affect the rights of the owners from time to time of the Bonds.

1163 L. Sale or Disposition. The county will not sell or voluntarily dispose
1164 of all of the operating properties of the System unless provision is made for payment into
1165 the Parity Bond Fund and the Parity Lien Obligation Bond Fund of a sum sufficient to
1166 pay the principal of and interest on all outstanding Parity Bonds and Parity Lien
1167 Obligations in accordance with the terms thereof, nor will the county sell or voluntarily
1168 dispose of any part of the operating properties of the System unless provision is made (i)
1169 for payment into the Parity Bond Fund of an amount that will bear at least the same

1170 proportion to the amount of the outstanding Parity Bonds that the estimated amount of
1171 any resulting reduction in the Revenue of the System for the twelve months following
1172 such sale or disposition bears to the Revenue of the System that would have been realized
1173 if such sale or disposition had not been made and (ii) for payment into the Parity Lien
1174 Obligation Bond Fund of an amount that will bear at least the same proportion to the
1175 amount of the outstanding Parity Lien Obligations that the estimated amount of any
1176 resulting reduction in the Revenue of the System for the twelve months following such
1177 sale or disposition bears to the Revenue of the System that would have been realized if
1178 such sale or disposition had not been made. Those estimates must be made by a
1179 Professional Utility Consultant. Any money so paid into the Parity Bond Fund and the
1180 Parity Lien Obligation Bond Fund must be used to retire outstanding Parity Bonds and
1181 Parity Lien Obligations as provided herein at the earliest possible date; provided,
1182 however, that the county may sell or otherwise dispose of any of the works, plant,
1183 properties and facilities of the System or any real or personal property comprising a part
1184 of the System with a value of less than 5% of the net utility plant of the System or that
1185 have become unserviceable, inadequate, obsolete or unfit to be used in the operation of
1186 the System, or no longer necessary, material to or useful in such operation, without
1187 making any deposit into the Parity Bond Fund or Parity Lien Obligation Bond Fund.

1188 SECTION 20. Certain Other Covenants of the Parity Lien Obligations. The
1189 county makes the following covenants and warranties to the owner of each of the Bonds
1190 issued as Parity Lien Obligations:

1191 A. The Bonds issued as Parity Lien Obligations, when issued, sold,
1192 authenticated and delivered, will constitute the legal, valid and binding general
1193 obligations of the county.

1194 B. The county finds and covenants that the Bonds issued as Parity
1195 Lien Obligations are issued within all statutory and constitutional debt limitations
1196 applicable to the county.

1197 SECTION 21. Tax Covenants.

1198 A. General. The county may elect to structure any series of Bonds so
1199 that interest on such series of Bonds would be excludable from gross income for federal
1200 income tax purposes pursuant to sections 103 and 141 through 150 of the Code and the
1201 applicable regulations (the "Tax-Exempt Bonds") or to confer other benefits under the
1202 Code to the county or owners of such series of Bonds ("Tax-Benefited Bonds"). The
1203 county covenants not to take any action, or knowingly omit to take any action within its
1204 control, that if taken or omitted would cause the interest on Tax-Exempt Bonds to be
1205 includable in gross income, as defined in section 61 of the Code, for federal income tax
1206 purposes. Additional tax covenants as necessary or desirable for any series of Bonds may
1207 be set forth in the Sale Motion for such series of Bonds.

1208 B. Tax Certificate. Upon the issuance of any series of Tax-Exempt
1209 Bonds or Tax-Benefited Bonds, the Finance Director is authorized to execute a federal
1210 tax certificate (the "Tax Certificate"), which will certify to various facts and
1211 representations concerning such series of Bonds, based on the facts and estimates known
1212 or reasonably expected on the date of their issuance, and make certain covenants with
1213 respect to such series of Bonds as may be necessary or desirable to obtain or maintain the

1214 benefits conferred under the Code relating to such series of Tax-Exempt Bonds or Tax-
1215 Benefited Bonds.

1216 The county covenants that it will comply with the Tax Certificate unless it
1217 receives advice from nationally recognized bond counsel or the Internal Revenue Service
1218 that certain provisions have been amended or no longer apply to the Tax-Exempt Bonds
1219 or Tax-Benefited Bonds, as applicable.

1220 C. Arbitrage Rebate. If the county does not qualify for an exception
1221 to the requirements of Section 148(f) of the Code relating to the payment of arbitrage
1222 rebate to the United States with respect to a series of Bonds, the county will take all
1223 necessary steps to comply with the requirement that certain amounts earned by the county
1224 on the investment of the "gross proceeds" of such series of Bonds (within the meaning of
1225 the Code) be rebated.

1226 SECTION 22. Trustee for Parity Bondowners.

1227 A. Appointment of Trustee. Upon the occurrence of any "event of
1228 default" described in Section 23.A. of this ordinance, the owners of a majority in
1229 principal amount of the outstanding Parity Bonds may appoint a Trustee by an instrument
1230 or concurrent instruments in writing signed and acknowledged by such Parity
1231 Bondowners or by their attorneys-in-fact duly authorized and delivered to such Trustee,
1232 notification thereof being given to the county. Any appointment of a Trustee under the
1233 provisions of this subsection must be a bank or trust company organized under the laws
1234 of the State of Washington or the State of New York or a national banking association.
1235 The fees and expenses of a Trustee must be borne by the Parity Bondowners and not by
1236 the county. The bank or trust company acting as a Trustee may be removed at any time

1237 and a successor Trustee may be appointed by the owners of a majority in principal
1238 amount of the outstanding Parity Bonds, by an instrument or concurrent instruments in
1239 writing signed and acknowledged by such Parity Bondowners or by their attorneys-in-
1240 fact duly authorized.

1241 The Trustee appointed in the manner herein provided, and each successor thereto,
1242 is hereby declared to be a trustee for the owners of all the Parity Bonds and is empowered
1243 to exercise all the rights and powers herein conferred on the Trustee.

1244 B. Certain Rights and Obligations of Trustee. The Trustee will not be
1245 responsible for recitals in any ordinance or in the Parity Bonds, or for the validity of said
1246 bonds, nor will the Trustee be responsible for insuring the System or for collecting any
1247 insurance money or for the title to any of the property of the System.

1248 The Trustee will be protected in acting upon any notice, request, consent,
1249 certificate, order, affidavit, letter, telegram or other paper or document believed by it to
1250 be genuine and correct and to have been signed, sent or delivered by the person or
1251 persons by whom such paper or document is purported to have been signed, sent or
1252 delivered.

1253 The Trustee will not be answerable for any neglect or default of any person, firm
1254 or corporation employed and selected by it with reasonable care.

1255 The Trustee will permit the owner or holder of any Parity Bonds to inspect any
1256 instrument, opinion or certificate filed with the Trustee by the county or by any person,
1257 firm or corporation acting for the county.

1258 The Trustee will not be bound to recognize any person as an owner or holder of
1259 any Parity Bond until his, her or its title thereto, if disputed, has been established to the
1260 Trustee's reasonable satisfaction.

1261 The Trustee may consult with counsel, and the opinion of such counsel will be
1262 full and complete authorization and protection in respect of any action taken or suffered
1263 by it hereunder in good faith and in accordance with the opinion of such counsel.

1264 SECTION 23. Events of Default for Parity Bonds; Powers and Duties of
1265 **Parity Bondowners Trustee.**

1266 A. Events of Default. The occurrence of one or more of the following
1267 is an "event of default" with respect to any Bonds issued as Parity Bonds under this
1268 ordinance:

1269 (i) default in the payment of principal of or interest on any
1270 Parity Bonds when the same becomes due; or

1271 (ii) default in the observance or performance of any of the
1272 other covenants applicable to Parity Bonds herein contained, and such default continues
1273 for a period of six months after written notice to the county from a Parity bondholder
1274 specifying such default and requiring the same to be remedied.

1275 B. Powers of Trustee. The Trustee in its own name and on behalf of
1276 and for the benefit and protection of the holders and owners of all Parity Bonds may
1277 proceed, and upon the written request of the holders and owners of not less than 25% in
1278 principal amount of the Parity Bonds then outstanding must proceed, to protect and
1279 enforce any rights of the Trustee and, to the full extent that owners or holders of Parity
1280 Bonds themselves might do, the rights of such owners and holders of Parity Bonds under

1281 the laws of the State of Washington or under the ordinances providing for the issuance of
1282 such bonds, by such suits, actions or proceedings in equity or at law, either for the
1283 specific performance of any covenant contained herein or in aid or execution of any
1284 power herein granted or for any proper legal or equitable remedy as the Trustee may
1285 deem most effectual to protect and enforce the rights of the Trustee and the holders and
1286 owners of Parity Bonds. In the enforcement of any such rights under this or any other
1287 ordinance of the county, the Trustee is entitled to sue for, to enforce payment of and to
1288 receive any and all amounts due from the county for principal, interest or otherwise under
1289 any of the provisions of such ordinance, with interest on overdue payments at the rate or
1290 rates set forth in such bond or bonds, together with any and all costs and expenses of
1291 collection and of all proceedings taken by the Trustee without prejudice to any other right
1292 or remedy of the Trustee or of the bondholders.

1293 If default is made in the payment of principal of any Parity Bond and such default
1294 continues for a period of 30 days, (i) so long as any of the 2001 Bonds, 2002A Bonds,
1295 2002B Bonds, 2003A Bonds, 2004A Bonds and 2004B Bonds remain outstanding, the
1296 Trustee shall be entitled to declare all outstanding Parity Bonds immediately due and
1297 payable and may proceed to enforce payment thereof as hereinabove provided, and (ii)
1298 after such time as no 2001 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds, 2004A
1299 Bonds and 2004B Bonds remain outstanding, the Trustee may not accelerate payment of
1300 any Parity Bonds but may proceed to enforce payment thereof as hereinabove provided.
1301 If, in the sole judgment of the Trustee, any default is cured and the Trustee furnishes the
1302 county a certificate so stating, such default is conclusively deemed to be cured, and the

1303 county, Trustee and owners and holders of Parity Bonds will be restored to the same
1304 rights and position they would have held if no event of default had occurred.

1305 C. Actions in Name of Trustee. All rights of action under this
1306 ordinance or upon any of the Parity Bonds enforceable by the Trustee may be enforced
1307 by the Trustee without the possession of any of such bonds or the production thereof on
1308 the trial or other proceedings relative thereto, and any such suit, action or proceeding
1309 instituted by the Trustee will be brought in its name for the ratable benefit of the holders
1310 of said bonds, subject to the provisions of this ordinance.

1311 D. Procedure by Bond Owners. No owner of any one or more of the
1312 Parity Bonds has any right to institute any action, suit or proceedings at law or in equity
1313 for the enforcement of the same, unless an event of default occurs and unless no Trustee
1314 is appointed as herein provided, but any remedy herein authorized to be exercised by a
1315 Trustee may be exercised individually by any Parity Bondowner, in his own name and on
1316 his own behalf or for the benefit of all Parity Bondowners, if no Trustee is appointed, or
1317 with the consent of the Trustee if such Trustee has been appointed.

1318 E. Application of Money Collected by Trustee. Any money collected
1319 by the Trustee at any time pursuant to this section will be applied, first, to the payment of
1320 its charges, expenses, advances and compensation and the charges, expenses, counsel
1321 fees, disbursements and compensation of its agents and attorneys, and, second, toward
1322 payment of the amount then due and unpaid upon the Parity Bonds, ratably and without
1323 preference or priority of any kind not expressly provided in this ordinance, according to
1324 the amounts due and payable upon such bonds at the date fixed by the Trustee for the

1325 distribution of such money, upon presentation of the several bonds and upon causing such
1326 payment to be stamped thereon, if partly paid, and upon surrender thereof, if fully paid.

1327 SECTION 24. Future Parity Bonds. The county further covenants and agrees
1328 with the owners and holders of the Parity Bonds for as long as the same are outstanding
1329 that it will not create any special fund for the payment of the principal of and interest on
1330 any revenue bonds that will rank on a parity with or have any priority over the payments
1331 out of the Revenue of the System required to be made into the Parity Bond Fund and the
1332 accounts therein to pay or secure the payment of the outstanding Parity Bonds, except
1333 that it reserves the right for:

1334 (1) the purpose of acquiring, constructing and installing any portion of
1335 the Comprehensive Plan, or

1336 (2) the purpose of acquiring, constructing and installing any necessary
1337 renewals or replacements of the System, or

1338 (3) the purpose of refunding or purchasing and retiring at or prior to
1339 their maturity any outstanding obligations of the county payable from Revenue of the
1340 System, to issue additional or refunding bonds and to make payments into the Parity
1341 Bond Fund out of the Revenue Fund that will be sufficient to pay the principal of and
1342 interest on those additional or refunding bonds and to maintain required reserves, which
1343 such payments out of the Revenue Fund may rank equally with the payments out of the
1344 Revenue Fund required to be made into the Parity Bond Fund and the accounts therein
1345 for the payment of the principal of and interest on outstanding Parity Bonds only upon
1346 compliance with the following conditions:

1347 A. At the time of the issuance of any Future Parity Bonds there is no
1348 deficiency in the Parity Bond Fund or any account therein.

1349 B. Each ordinance providing for the issuance of any Future Parity
1350 Bonds that are refunding bonds must require that all money held in any fund or account
1351 of the county created for the purpose of paying the principal of and interest on the bonds
1352 being refunded either be used to pay the principal of and interest on such bonds or be
1353 transferred or paid into the Parity Bond Fund.

1354 C. Each ordinance providing for the issuance of Future Parity Bonds
1355 must provide for the payment of the principal thereof and interest thereon out of the
1356 Parity Bond Fund. The Future Parity Bonds may bear such date of issue, interest
1357 payment dates, and principal payment dates, and may mature in such year or years as the
1358 county council provides. Each such ordinance will further provide that upon the issuance
1359 of such Future Parity Bonds, the county will pay into the Parity Bond Reserve Account
1360 an amount that will be sufficient to satisfy the Reserve Requirement then applicable or
1361 provide Qualified Insurance or a Qualified Letter of Credit to satisfy such Reserve
1362 Requirement.

1363 D. (1) At the time of the issuance of any Future Parity Bonds, the
1364 county must have on file a certificate from a Professional Utility Consultant (the
1365 certificate may not be dated more than 90 days prior to the date of delivery of such Future
1366 Parity Bonds), showing that in his or her professional opinion the "annual income
1367 available for debt service on Parity Bonds" for each year during the life of such Future
1368 Parity Bonds shall be at least equal to 1.25 times the amount required in each such year to
1369 pay the Annual Parity Debt Service for such year.

1370 (2) Such "annual income available for debt service on Parity
1371 Bonds" will be determined as follows for each year following the proposed date of issue
1372 of such Future Parity Bonds:

1373 (i) The Revenue of the System will be determined for a
1374 period of any 12 consecutive months out of the 18 months immediately preceding the
1375 delivery of the Future Parity Bonds being issued.

1376 (ii) Such revenue may be adjusted to give effect on a
1377 12-month basis to the rates in effect on the date of such certificate.

1378 (iii) If there were any Customers added to the System
1379 during such 12-month period or thereafter and prior to the date of the Professional Utility
1380 Consultant's certificate, such revenue may be further adjusted on the basis that added
1381 Customers were Customers of the System during the entire 12-month period.

1382 (iv) There will be deducted from such revenue the
1383 amount expended for Operating and Maintenance Expenses during such period.

1384 (v) For each year following the proposed date of
1385 issuance of such Future Parity Bonds the Professional Utility Consultant may add to the
1386 annual revenue determined in the preceding four paragraphs an estimate of the income to
1387 be received in each such year from the investment of money in the Parity Bond Fund and
1388 any account therein, and the Construction Account, which will be determined by and in
1389 the sole discretion of a firm of nationally recognized financial consultants selected by the
1390 county.

1391 (vi) Beginning with the second year following the
1392 proposed date of issue of such Future Parity Bonds and for each year thereafter, the

1393 Professional Utility Consultant may add to the annual revenue determined in the
1394 preceding five paragraphs his or her estimate of any additional annual revenue to be
1395 received from anticipated growth in the number of Customers within the area served by
1396 the System on the date of such certificate, after deducting therefrom any increased
1397 Operating and Maintenance Expenses estimated to be incurred as a result of such growth;
1398 provided that the Professional Utility Consultant's estimate of the number of Customers
1399 served may not assume growth of more than 1/4 of 1% over and above the number of
1400 Customers served or estimated to be served during the preceding year.

1401 (vii) If extensions of or additions to the System are in the
1402 process of construction at the time of such certificate, or if the proceeds of the Future
1403 Parity Bonds being issued are to be used to acquire or construct extensions of or additions
1404 to the System, there may be added to the annual net revenue as above determined any
1405 revenue not included in the preceding paragraphs that will be derived from such additions
1406 and extensions after deducting therefrom the estimated additional Operating and
1407 Maintenance Expenses to be incurred as a result of such additions and extensions;
1408 provided that such estimated annual revenue will be based upon 75% of any estimated
1409 Customer growth in the four years following the first full year in which such additional
1410 revenue is to be collected and thereafter the estimated Customer growth may not exceed
1411 1/4 of 1% per year over and above such reduced estimate.

1412 E. Instead of the certificate described in subsection D above, the
1413 county may elect instead to have on file a certificate of the Finance Director
1414 demonstrating that during any 12 consecutive calendar months out of the immediately
1415 preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount

1416 required to pay, in each year that such Future Parity Bonds would be outstanding, the
1417 Annual Parity Debt Service for such year.

1418 F. For the purpose of refunding at or prior to their maturity any
1419 outstanding Parity Bonds or any bonds or other obligations of the county payable from
1420 Revenue of the System, the county may at any time issue Future Parity Bonds without
1421 complying with the provisions of subsection D. or E. of this section; provided, however,
1422 that the county may not issue Future Parity Bonds for such purpose under this subsection
1423 F unless the Finance Director certifies that upon the issuance of such Future Parity Bonds
1424 that (i) total debt service required for all Parity Bonds (including the refunding bonds but
1425 not including the bonds to be refunded thereby) will decrease, and (ii) the Annual Parity
1426 Debt Service for each year that any Parity Bonds (including the refunding bonds
1427 proposed to be issued) are then outstanding will not be increased by more than \$5,000 by
1428 reason of the issuance of such Future Parity Bonds.

1429 The principal amount of Future Parity Bonds issued pursuant to this subsection F
1430 may include amounts necessary to pay the principal of the Parity Bonds or other
1431 obligations to be refunded, interest thereon to the date of payment or redemption thereof,
1432 any premium payable thereon upon such payment or redemption and the costs of issuance
1433 of such Future Parity Bonds, and if a Payment Agreement has been provided with respect
1434 to the obligations to be refunded, may include amounts necessary to make the payment of
1435 all amounts, if any, due and payable by the county under such Payment Agreement. The
1436 proceeds of such Future Parity Bonds will be held and applied in such manner as is
1437 provided for in the ordinance authorizing the issuance of the Parity Bonds or other
1438 obligations to be refunded, so that upon the delivery of such Future Parity Bonds, the

1439 Parity Bonds or other obligations to be refunded thereby will be deemed no longer
1440 outstanding in accordance with the ordinance authorizing their issuance.

1441 G. Nothing contained in this ordinance prevents the county from
1442 issuing revenue bonds that are a charge upon the Revenue of the System and money in
1443 the Revenue Fund junior or inferior to the payments required to be made therefrom into
1444 the Parity Bond Fund and any account therein, nor shall anything herein contained
1445 prevent the county from issuing Future Parity Bonds to refund maturing Parity Bonds for
1446 the payment of which money is not otherwise available.

1447 SECTION 25. Additional Parity Lien Obligations. The county expressly
1448 reserves the right to issue additional Parity Bonds in accordance with the ordinances,
1449 including this ordinance, authorizing the Parity Bonds. Subject to this reservation of
1450 rights with respect to Parity Bonds, the county hereby covenants and agrees with the
1451 owners of any Bonds issued as Parity Lien Obligations, so long as such Bonds are
1452 outstanding, that it will not issue or incur any other additional indebtedness secured in
1453 whole or in part by a lien on Revenue of the System superior to the Lien of such Bonds
1454 issued as Parity Lien Obligations.

1455 A. Parity Lien Obligation Other Than Refunding Bonds. The county
1456 expressly reserves the right to issue or enter into additional Parity Lien Obligations
1457 (including Variable Rate Parity Lien Obligations as defined herein) for any lawful
1458 purpose of the county related to the System if at the time of issuing or entering into such
1459 Parity Lien Obligations:

1460 (i) There is no deficiency in the Parity Bond Fund, the Parity
1461 Lien Obligation Bond Fund or any other bond fund or account securing Parity Lien
1462 Obligations.

1463 (ii) The county must have on file a certificate from a
1464 Professional Utility Consultant (the certificate may not be dated more than 90 days prior
1465 to the date of delivery of such Parity Lien Obligations) showing that in his or her
1466 professional opinion, the "annual income available for debt service on Parity Bonds and
1467 Parity Lien Obligations" for each year during the life of such Parity Lien Obligations is at
1468 least equal to 1.25 times the amount required to pay Annual Debt Service in each such
1469 year.

1470 (iii) Such "annual income available for debt service on Parity
1471 Bonds and Parity Lien Obligations" shall be determined as follows for each year
1472 following the proposed date of issue of such Parity Lien Obligations:

1473 1. The Revenue of the System will be determined for a
1474 period of any 12 consecutive months out of the 18 months immediately preceding the
1475 delivery of the Parity Lien Obligations being issued.

1476 2. Such revenue may be adjusted to give effect on a
1477 12-month basis to the rates in effect on the date of such certificate.

1478 3. If there were any Customers added to the System
1479 during such 12-month period or thereafter and prior to the date of the Professional Utility
1480 Consultant's certificate, such revenue may be further adjusted on the basis that added
1481 Customers were Customers of the System during the entire 12-month period.

1482 4. There will be deducted from such revenue the
1483 amount expended for Operating and Maintenance Expenses during such period.

1484 5. For each year following the proposed date of
1485 issuance of such Parity Lien Obligations the Professional Utility Consultant may add to
1486 the annual revenue determined in the preceding four paragraphs an estimate of the
1487 income to be received in each such year from the investment of money in the Parity Bond
1488 Fund, the Parity Lien Obligation Bond Fund and the Construction Account, which will be
1489 determined by and in the sole discretion of a firm of nationally recognized financial
1490 consultants selected by the county.

1491 6. Beginning with the second year following the
1492 proposed date of issue of such Parity Lien Obligations and for each year thereafter the
1493 Professional Utility Consultant may add to the annual revenue determined in the
1494 preceding five paragraphs his or her estimate of any additional annual revenue to be
1495 received from anticipated growth in the number of Customers within the area served by
1496 the System on the date of such certificate, after deducting therefrom any increased
1497 Operating and Maintenance Expenses estimated to be incurred as a result of such growth;
1498 provided that the Professional Utility Consultant's estimate of the number of customers
1499 served may shall not assume a growth of more than 1/4 of 1% over and above the number
1500 of customers served or estimated to be served during the preceding year.

1501 7. If extensions of or additions to the System are in the
1502 process of construction at the time of such certificate, or if the proceeds of the Parity Lien
1503 Obligations being issued are to be used to acquire or construct extensions of or additions
1504 to the System, there may be added to the annual net revenue as above determined any

1505 revenue not included in the preceding paragraphs which will be derived from such
1506 additions and extensions after deducting therefrom the estimated additional Operating
1507 and Maintenance Expenses to be incurred as a result of such additions and extensions;
1508 provided that such estimated annual revenue must be based upon 75% of any estimated
1509 Customer growth in the four years following the first full year in which such additional
1510 revenue is to be collected and thereafter the estimated Customer growth may not exceed
1511 1/4 of 1% per year over and above such reduced estimate.

1512 (iv) Instead of the certificate described in subsections (ii) and
1513 (iii) above, the county may elect to have on file a certificate of the Finance Director
1514 demonstrating that during any 12 consecutive calendar months out of the immediately
1515 preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount
1516 required to pay, in each year that such Parity Lien Obligations would be outstanding, the
1517 Annual Debt Service for such year.

1518 B. Parity Lien Obligations That Are Refunding Bonds.

1519 (i) The county may at any time for the purpose of refunding at
1520 or prior to their maturity any outstanding Parity Lien Obligations, Parity Bonds, or any
1521 bonds or other obligations of the county payable from Revenue of the System issue
1522 additional Parity Lien Obligations without complying with the provisions of subsections
1523 (ii)-(iv) of Section 25.A. of this ordinance if there is filed with the clerk of the county
1524 council a certificate of the Finance Director stating that upon the issuance of such
1525 additional Parity Lien Obligations (i) total debt service on all Parity Bonds and Parity
1526 Lien Obligations (including the refunding bonds but not including the bonds to be
1527 refunded thereby) will decrease, and (ii) the Annual Debt Service for each year that any

1528 Parity Bonds and any Parity Lien Obligations (including the refunding bonds proposed to
1529 be issued) are then outstanding will not be increased by more than \$5,000 by reason of
1530 the issuance of such additional Parity Lien Obligations.

1531 (ii) The principal amount of such Parity Lien Obligations may
1532 include amounts necessary to pay the principal of the bonds or other obligations to be
1533 refunded, interest thereon to the date of payment or redemption thereof, any premium
1534 payable thereon upon such payment or redemption and the costs of issuance of such
1535 Parity Lien Obligations, and if a Payment Agreement has been provided with respect to
1536 the obligations to be refunded, may include amounts necessary to make the payment of
1537 all amounts, if any, due and payable by the county under such Payment Agreement. The
1538 proceeds of such Parity Lien Obligations will be held and applied as is provided in the
1539 ordinance authorizing the issuance of such Parity Lien Obligations, so that upon the
1540 delivery of such Parity Lien Obligations, the bonds or other obligations to be refunded
1541 thereby will be deemed no longer outstanding in accordance with the ordinance
1542 authorizing their issuance.

1543 (iii) At the election of the county, the provisions of this Section
1544 25.B. need not apply to the refunding at one time of all the Parity Lien Obligations then
1545 outstanding.

1546 (iv) Nothing contained in this ordinance prohibits or prevents,
1547 or will be deemed or construed to prohibit or prevent, the county from issuing Parity Lien
1548 Obligations to refund maturing Parity Lien Obligations of the county for the payment of
1549 which money is not otherwise available.

1550 C. Subordinate Obligations. Nothing in this ordinance prohibits, or
1551 will be deemed or construed to prohibit, the county from authorizing and issuing bonds,
1552 notes or other evidences of indebtedness for any purpose of the county related to the
1553 System payable in whole or in part from Revenue of the System and secured by a lien on
1554 such Revenue that is junior, subordinate and inferior to the lien of any Bonds issued as
1555 Parity Lien Obligations.

1556 SECTION 26. Reimbursement Obligations. If the county elects to secure any
1557 Bonds with a Credit Facility, the county may contract with the entity providing such
1558 Credit Facility that the reimbursement obligation, if any, to such entity will be a Parity
1559 Bond or Parity Lien Obligation, as applicable.

1560 SECTION 27. Payment Agreements.

1561 A. General. To the extent and for the purposes permitted from time to
1562 time by Chapter 39.96 RCW, as it may be amended, and other applicable provisions of
1563 State law, the county may enter into Payment Agreements, subject to the conditions set
1564 forth in this section and in other provisions of this ordinance.

1565 B. Manner and Schedule of Payments. Each Payment Agreement
1566 must set forth the manner in which the Payment Agreement Payments and the Payment
1567 Agreement Receipts will be calculated and a schedule of payment dates.

1568 C. Authorizing Ordinance. Prior to entering into a Payment
1569 Agreement, the county council must pass an ordinance authorizing such agreement and
1570 setting forth such provisions as the county deems necessary or desirable and are not
1571 inconsistent with the provisions of this ordinance.

1572 D. Calculation of Payment Agreement Payments and Debt Service on
1573 Bonds with Respect to which a Payment Agreement is in Force. It is the intent of the
1574 county, for purposes of Section 18, 24 or 25 of this ordinance, that debt service on Parity
1575 Bonds with respect to which a Parity Payment Agreement is in force will be calculated to
1576 reflect the net economic effect on the county intended to be produced by the terms of
1577 such Parity Bonds and Parity Payment Agreement and that debt service on Parity Lien
1578 Obligation Bonds with respect to which a Parity Lien Obligation Payment Agreement is
1579 in force will be calculated to reflect the net economic effect on the county intended to be
1580 produced by the terms of such Parity Lien Obligation Bonds and Parity Lien Obligation
1581 Payment Agreement. In calculating such amounts, the county will be guided by the
1582 following requirements.

1583 (i) The amount of interest deemed to be payable on any Bonds
1584 with respect to which a Payment Agreement is in force will be an amount equal to the
1585 amount of interest that would be payable at the rate or rates stated in those Bonds plus
1586 Payment Agreement Payments minus Payment Agreement Receipts.

1587 (ii) For any period during which Payment Agreement
1588 Payments are not taken into account in calculating interest on any outstanding Bonds
1589 because the Payment Agreement is not then related to any outstanding Bonds, Payment
1590 Agreement Payments on that Parity Payment Agreement will be calculated based upon
1591 the following assumptions:

1592 (a) County Obligated to Make Payments Based on
1593 Fixed Rate. If the county is obligated to make Payment Agreement Payments based on a
1594 fixed rate and the Qualified Counterparty is obligated to make payments based on a

1595 variable rate index, payments by the county will be based on the assumed fixed payor
1596 rate, and payments by the Qualified Counterparty will be based on a rate equal to the
1597 average rate determined by the variable rate index specified by the Payment Agreement
1598 during the fiscal quarter preceding the quarter in which the calculation is made; and

1599 (b) County Obligated to Make Payments Based on
1600 Variable Rate Index. If the county is obligated to make Payment Agreement Payments
1601 based on a variable rate index and the Qualified Counterparty is obligated to make
1602 payments based on a fixed rate, payments by the county will be based on a rate equal to
1603 the average rate determined by the variable rate index specified by the Payment
1604 Agreement during the fiscal quarter preceding the quarter in which the calculation is
1605 made, and the Qualified Counterparty will make payments based on the fixed rate
1606 specified by the Payment Agreement.

1607 E. Prior Notice to Rating Agencies. The county will give notice to
1608 Moody's and S&P 30 days prior to the date it intends to enter into a Parity Payment
1609 Agreement and will give notice to Fitch, Moody's and S&P 30 days prior to the date it
1610 intends to enter into a Parity Lien Obligation Payment Agreement.

1611 **SECTION 28. Sale of Bonds.**

1612 A. Determination by Finance Director. The Finance Director will determine,
1613 in consultation with the county's financial advisors, the principal amount of each series of
1614 the Project Bonds, which of the Refunding Candidates will be refunded, whether Project
1615 Bonds and Refunding Bonds will be sold separately or in one or more combined series,
1616 whether each series of Bonds will be structured as Tax-Exempt Bonds, Tax-Benefited
1617 Bonds or otherwise, and whether each series of Bonds will be sold by negotiated sale or

1618 competitive bid and by current or future delivery. The authority to sell any of the Bonds
1619 authorized hereunder will terminate two years from the effective date of this ordinance.

1620 The authority to issue and sell any additional refunding bonds pursuant to Ordinance
1621 16868, Section 28, of the county will terminate on the effective date of this ordinance.

1622 B. Procedure for Negotiated Sale. If the Finance Director determines that
1623 any series of the Bonds will be sold by negotiated sale, the Finance Director will, in
1624 accordance with applicable county procurement procedures, solicit one or more
1625 underwriting firms with which to negotiate the sale of the Bonds. The purchase contract
1626 for any series of Bonds will establish the date, principal amount, interest rates, maturity
1627 schedule, redemption and bond insurance provisions, and delivery date of the Bonds.
1628 The county council by a Sale Motion will approve the bond purchase contract and ratify
1629 and confirm the terms for the series of Bonds established therein.

1630 C. Procedure for Sale by Competitive Bid. If the Finance Director
1631 determines that any series of the Bonds will be sold by competitive bid, bids for the
1632 purchase of such Bonds will be received at such time or place and by such means as the
1633 Finance Director directs. The Finance Director is authorized to prepare a notice of sale
1634 for such Bonds, establishing in such notice the date, principal amount, interest payment
1635 dates, maturity schedule, and redemption and bond insurance provisions for such Bonds.
1636 The official notice of sale or an abridged form thereof may be published in such
1637 newspapers or financial journals as the county's financial advisors deem desirable or
1638 appropriate.

1639 Upon the date and time established for the receipt of bids for any series of the
1640 Bonds, the Finance Director or his designee will review the bids, cause the bids to be

1641 mathematically verified and report to the county council regarding the bids received.
1642 Such bids will then be considered and acted upon by the county council in an open public
1643 meeting. The county council reserves the right to reject any and all bids for such Bonds.
1644 The county council by a Sale Motion will approve the sale of such Bonds and ratify and
1645 confirm the date, interest rates, maturity schedule, redemption and bond insurance
1646 provisions, plan of refunding (if any), and any other terms of such Bonds.

1647 SECTION 29. Delivery of Bonds. Following the sale of any series of the Bonds,
1648 the county will cause definitive Bonds of such series to be prepared, executed and
1649 delivered, which Bonds will be typewritten, lithographed or printed with engraved or
1650 lithographed borders, or in such other form acceptable to DTC as initial depository for
1651 the Bonds.

1652 If definitive Bonds are not ready for delivery by the date established for a
1653 Closing, then the Finance Director, upon the approval of the purchasers, may cause to be
1654 issued and delivered to the purchasers one or more temporary Bonds with appropriate
1655 omissions, changes and additions. Any temporary Bond or Bonds will be entitled and
1656 subject to the same benefits and provisions of this ordinance with respect to the payment,
1657 security and obligation thereof as definitive Bonds authorized thereby. Such temporary
1658 Bond or Bonds will be exchangeable without cost to the owners thereof for definitive
1659 Bonds when the latter are ready for delivery.

1660 SECTION 30. Preliminary Official Statement; Official Statement. The
1661 county hereby authorizes and directs the Finance Director: (i) to review and approve the
1662 information contained in the preliminary official statement (the "Preliminary Official
1663 Statement") prepared in connection with the sale of any series of the Bonds; and (ii) for

1664 the sole purpose of the Bond purchasers' compliance with Section (b)(1) of the Rule, to
1665 "deem final" that Preliminary Official Statement as of its date, except for the omission of
1666 information on offering prices, interest rates, selling compensation, delivery dates, bond
1667 insurance, any other terms or provisions required by the county to be specified in a
1668 competitive bid or bond purchase contract, ratings, the identity of the Bond purchasers,
1669 and other terms of such series of Bonds dependent on such matters. After a Preliminary
1670 Official Statement has been reviewed and approved in accordance with the provisions of
1671 this section, the county hereby authorizes distribution of the Preliminary Official
1672 Statement to prospective purchasers of such series of Bonds.

1673 Following the sale of any series of the Bonds in accordance with Section 28 of
1674 this ordinance, the Finance Director is hereby authorized to review and approve on behalf
1675 of the county a final official statement with respect to such Bonds. The county agrees to
1676 cooperate with the purchaser of such Bonds to deliver or cause to be delivered, within
1677 seven business days from the date of the Sale Motion and in sufficient time to accompany
1678 any confirmation that requests payment from any customer of the purchaser, copies of the
1679 final official statement in sufficient quantity to comply with paragraph (b)(4) of the Rule
1680 and the rules of the Municipal Securities Rulemaking Board ("MSRB").

1681 SECTION 31. Undertaking to Provide Ongoing Disclosure. In each Sale
1682 Motion, the county council will set forth an undertaking for ongoing disclosure with
1683 respect to each series of the Bonds, as required by Section (b)(5) of the Rule.

1684 SECTION 32. General Authorization. The appropriate county officials, agents
1685 and representatives are hereby authorized and directed to do everything necessary for the

1686 prompt sale, issuance, execution and delivery of the Bonds, and for the proper use and
1687 application of the proceeds of the sale thereof.

1688 SECTION 33. Investment of Funds and Accounts. Money in the Parity Bond
1689 Fund, Parity Bond Reserve Account, Parity Lien Obligation Bond Fund, Revenue Fund
1690 and Construction Account may be invested in any investments permitted for funds of the
1691 county. Obligations purchased as an investment of money in the Revenue Fund, Parity
1692 Bond Fund, Parity Lien Obligation Bond Fund, and Construction Account and accounts
1693 or subaccounts therein will be deemed at all times to be a part of such respective fund,
1694 account or subaccount, and the income or interest earned, profits realized or losses
1695 suffered by a fund, account or subaccount due to the investment thereof will be retained
1696 in, credited or charged, as the case may be, to such fund or account.

1697 In computing the amount in any fund or account under the provisions of this
1698 ordinance, obligations purchased as an investment of money therein will be valued at the
1699 cost or market price thereof, whichever is lower, inclusive of accrued interest.

1700 SECTION 34. Defeasance. If money or noncallable Government Obligations
1701 maturing at such time or times and bearing interest to be earned thereon in amounts
1702 (together with such money, if necessary) sufficient to redeem and retire, refund or
1703 defease part or all of the Bonds in accordance with their terms, are set aside in a special
1704 account of the county to effect such redemption and retirement, and such money and the
1705 principal of and interest on such Government Obligations are irrevocably set aside and
1706 pledged for such purpose, then no further payments need be made into the applicable
1707 bond fund for the payment of the principal of and interest on the Bonds so provided for,
1708 and such Bonds will cease to be entitled to any lien, benefit or security of this ordinance

1709 except the right to receive the money so set aside and pledged, and such Bonds will be
1710 deemed not to be outstanding hereunder.

1711 Upon the defeasance of any of the Bonds, the Bond Registrar will provide notice
1712 of the defeasance to the Registered Owners of the Bonds and to the MSRB in accordance
1713 with the ongoing disclosure provisions to be adopted by the Sale Motion.

1714 SECTION 35. Supplemental Ordinances.

1715 A. Without Bondowner Consent. The county council from time to time and
1716 at any time may adopt an ordinance or ordinances supplemental to this ordinance which
1717 supplemental ordinance or ordinances thereafter will become a part of this ordinance, for
1718 any one or more of the following purposes:

1719 (1) To add to the covenants and agreements of the county in this
1720 ordinance such other covenants and agreements thereafter to be observed that will not
1721 adversely affect the interests of the holders and owners of any Parity Bonds or Parity
1722 Lien Obligations, as applicable, or to surrender any right or power herein reserved to or
1723 conferred upon the county.

1724 (2) To make such provisions for the purpose of curing any ambiguities
1725 or of curing, correcting or supplementing any defective provision contained in this
1726 ordinance or any ordinance authorizing Parity Bonds or Parity Lien Obligations in regard
1727 to matters or questions arising under such ordinances as the county council may deem
1728 necessary or desirable and not inconsistent with such ordinances and that will not
1729 adversely affect the interest of the holders and owners of Parity Bonds or Parity Lien
1730 Obligations, as applicable.

1731 B. With Bondowner Consent.

1732 (1) From and after such time as no 2001 Bonds, 2002A Bonds, 2002B
1733 Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds,
1734 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, with the consent of the
1735 owners of not less than 51% in aggregate principal amount of all Parity Bonds at the time
1736 outstanding, the Council may adopt an ordinance or ordinances supplemental hereto for
1737 the purpose of adding any provisions to or changing in any manner or eliminating any of
1738 the provisions of this ordinance or of any supplemental ordinance applicable to Parity
1739 Bonds, except as described in subsection B.(3) of this section.

1740 (2) From and after such time as no Series 2005 Bonds, Series 2008
1741 Bonds or Series 2009 Bonds, with the consent of the owners of not less than 51% in
1742 aggregate principal amount of all Parity Lien Obligations at the time outstanding, the
1743 Council may adopt an ordinance or ordinances supplemental hereto for the purpose of
1744 adding any provisions to or changing in any manner or eliminating any of the provisions
1745 of this ordinance or of any supplemental ordinance applicable to Parity Lien Obligations,
1746 except as described in subsection B.(3) of this section.

1747 (3) No supplemental ordinance entered into pursuant to this subsection
1748 B may:

1749 (i) Extend the fixed maturity of any Parity Bonds or Parity
1750 Lien Obligations, or reduce the rate of interest thereon, or extend the time of payments of
1751 interest from their due date, or reduce the amount of the principal thereof, or reduce any
1752 premium payable on the redemption thereof, without the consent of the owner of each
1753 bond so affected; or

1754 (ii) Reduce the aforesaid percentage of owners of Parity Bonds
1755 or Parity Lien Obligations required to approve any such supplemental ordinance, without
1756 the consent of the owners of all of such bonds.

1757 (4) It is not necessary for the consent of Bond owners under this
1758 subsection B to approve the particular form of any proposed supplemental ordinance, but
1759 it is sufficient if such consent approves the substance thereof.

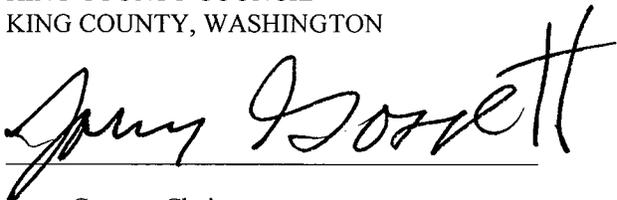
1760 SECTION 36. Ordinance a Contract; Severability. The covenants contained
1761 in this ordinance constitute a contract between the county and (i) the owners of each and
1762 every Bond, (ii) the Qualified Counterparty to any Payment Agreement entered into with
1763 respect to any Bonds, and (iii) the provider of any Credit Facility, Qualified Insurance or
1764 Qualified Letter of Credit with respect to any Bonds. If any court of competent
1765 jurisdiction determines that any covenant or agreement provided in this ordinance to be
1766 performed on the part of the county is contrary to law, then such covenant or agreement
1767 shall be null and void and shall be deemed separable from the remaining covenants and
1768 agreements of this ordinance and shall in no way affect the validity of the other
1769 provisions of this ordinance or of the Bonds.

1770 SECTION 37. Effective Date. This ordinance shall be effective 10 days after its
1771 enactment, in accordance with Article II of the county charter.
1772

Ordinance 17111 was introduced on 5/16/2011 and passed by the Metropolitan King
County Council on 6/20/2011, by the following vote:

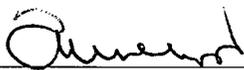
Yes: 8 - Mr. Phillips, Mr. von Reichbauer, Mr. Gossett, Ms. Patterson,
Ms. Lambert, Mr. Ferguson, Mr. Dunn and Mr. McDermott
No: 0
Excused: 1 - Ms. Hague

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Larry Gossett, Chair

ATTEST:



Anne Noris, Clerk of the Council

APPROVED this 29 day of JUNE, 2011.



Dow Constantine, County Executive

RECEIVED
2011 JUN 30 PM 4:24
KING COUNTY COUNCIL CLERK

Attachments: A. Exhibit A - Form of Parity Bond, B. Exhibit B - Form of Parity Lien Obligation

EXHIBIT A

FORM OF PARITY BOND

NO. _____

\$ _____

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

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

INTEREST RATE:

MATURITY DATE:

CUSIP NO.:

Registered Owner:

Principal Amount:

KING COUNTY, WASHINGTON (the "County"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, the Principal Amount specified above and to pay interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from _____, 20____, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on _____ 1, _____, and semiannually thereafter on the first days of each succeeding _____ and _____.

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

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of

\$_____ (the "Bonds"), and is issued to [refund certain obligations of] [provide funds for capital improvements to] the County's sewer system (the "System").

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

The Bonds are subject to redemption as provided in the Bond Legislation.

This Bonds are special limited obligations of the County, all payable solely from the special fund of the County known as the Water Quality Revenue Bond Account (the "Parity Bond Fund"), and are not obligations of the State of Washington or any political subdivision thereof other than the County, and neither the full faith and credit nor the taxing power of the County or the State of Washington or any political subdivision thereof is pledged to the payment of this bond or the Bonds.

The County hereby covenants and agrees with the holder of this bond that it will keep and perform all the covenants of this bond and of the Bond Legislation to be by it kept and performed. The County has obligated and bound itself to set aside and pay into the Parity Bond Fund out of Revenue of the System the various amounts required by the Bond Legislation to be paid into and maintained in the Parity Bond Fund, all within the times provided by the Bond Legislation.

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

The County has pledged that it will cause the System to be maintained in good condition and repair and to be operated in an efficient manner and at a reasonable cost. The County has further pledged that it will at all times establish, maintain and collect adequate rates and charges for sewage disposal service as provided in the Bond Legislation. Reference to the Bond Legislation 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 Legislation may be discharged prior to maturity of the Bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Legislation.

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

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington and the Charter and ordinances of the County to exist, to have happened, been done and performed precedent to and in the issuance of this bond have

happened, been done and performed and that the issuance of this bond and the Bonds does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the County may incur.

IN WITNESS WHEREOF, the County has caused this bond to be executed by the manual or facsimile signature of the County Executive, to be attested by the manual or facsimile signature of the Clerk of the County Council, and has caused the seal of the County to be impressed or imprinted hereon, as of this ____ day of _____, 20__.

KING COUNTY, WASHINGTON

By _____ /s/ _____
King County Executive

ATTEST:

_____/s/_____
Clerk of the County Council

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

CERTIFICATE OF AUTHENTICATION

This is one of the Sewer Revenue [and Refunding] Bonds, _____, of King County, Washington, dated _____, 20__, described in the within mentioned Bond Legislation.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____
Authorized Signatory

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

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

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

under Uniform Gifts (Transfers) to Minors Act

(State)

Additional abbreviations may also be used though not listed above.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____
PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

[Empty rectangular box for Social Security or Taxpayer Identification Number]

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

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

DATED: _____, 20__.

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

SIGNATURE GUARANTEED:

NOTICE: Signatures must be guaranteed pursuant to law.

EXHIBIT B

FORM OF PARITY LIEN OBLIGATION

NO. _____

\$ _____

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

LIMITED TAX GENERAL OBLIGATION [AND] [REFUNDING] BOND

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

INTEREST RATE:

MATURITY DATE:

CUSIP NO.:

Registered Owner:

Principal Amount:

KING COUNTY, WASHINGTON (the "County"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, the Principal Amount specified above and to pay interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from _____ 1, 20__, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on _____ 1, ____, and semiannually thereafter on the first days of each succeeding _____ and _____.

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

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of

\$ _____ (the "Bonds"), and is issued [to refund certain obligations of] [provide funds for capital improvements to] the County's sewer system (the "System").

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

The Bonds are subject to redemption as provided in the Bond Legislation.

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

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

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

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

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

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

IN WITNESS WHEREOF, the County has caused this bond to be executed by the manual or facsimile signature of the County Executive, to be attested by the manual or facsimile signature of the Clerk of the County Council, and has caused the seal of the County to be impressed or imprinted hereon, as of this ____ day of _____, 20__.

KING COUNTY, WASHINGTON

By _____ /s/ _____
King County Executive

ATTEST:

_____/s/_____
Clerk of the County Council

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

CERTIFICATE OF AUTHENTICATION

This is one of the Limited Tax General Obligation [and Refunding] Bonds (Payable from Sewer Revenues), [applicable year] Series ____, of King County, Washington, dated _____, 20__.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____
Authorized Signatory

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

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

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

under Uniform Gifts (Transfers) to Minors Act

(State)

Additional abbreviations may also be used though not listed above.

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

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

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

DATED: _____, 20__.

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

SIGNATURE GUARANTEED:

NOTICE: Signatures must be guaranteed pursuant to law.