



King County
Metropolitan King County Council
Budget & Fiscal Management Committee

Agenda Item No.: 4,5,6,7

Date: June 15, 2010

Proposed No.: 2010-0227, 2010-0228
2010-0229, 2010-0230

Prepared By: Patrick Hamacher

STAFF REPORT

SUBJECT:

Proposed Ordinance 2008-0227 would authorize the Executive to issue up to \$475 million in new Sewer Revenue or double-barreled bonds to fund construction of the wastewater utility's capital improvement plan. The proposed ordinance would also authorize refunding bonds of up to \$1 billion, should the right conditions materialize. Proposed Motions 2010-0228, 2010-0229 and 2010-0230 are placeholder bond sale motions.

BACKGROUND:

Revenue Bonds

As the name would imply, these bonds pledge future revenues, in this case, future sewer revenues towards the repayment of the obligation. Some prior issuances of bonds to support the Capital Improvement Program have been sold as Limited Tax General Obligation bonds. When selling LTGO bonds (see Table 1 for examples) on behalf of the enterprise fund, the County pledges not just revenues from future enterprise operations, but also pledges the limited "full faith and credit" of the County towards repayment of the bonds. This allows the enterprise fund to take advantage of the County's LTGO credit rating. These are known as "double-barrel" bonds.

In these cases, the enterprise fund is also required to provide compensation for use of the higher credit rating to the County's general fund. This compensation is referred to as a "credit enhancement payment." The County's LTGO debt is rated AAA and Aaa by Standard and Poor's and Moody's, respectively. While still highly rated, the lower ratings of sewer revenue bonds normally leads to slightly higher rates of interest than do AAA rated bonds. This is summarized in Table 1. This lower rating for revenue bonds creates a "credit-spread" that may make it financially advantageous to issue double-barrel bonds.

Table 1: County Bond Ratings

County Bond Ratings		
	Moody's	Standard & Poors
LTGO Bond	Aa1	AAA
Sewer Bonds	Aa2	AA+
Highest Possible Rating	Aaa	AAA
# of levels different between Sewer and LTGO	1	1

Limited Tax General Obligation Bonds:

LTGO bonds (also known as council manic bonds) are the other type of bonds commonly issued by the County. These bonds include a promise of the full faith and credit of the issuing agency. This means that the promise extends only to the taxing authority of the County without a vote of the people. Bonds issued with voter approval are referred to as unlimited tax general obligation bonds or simply general obligation bonds. As noted earlier, bonds issued on behalf of the sewer utility that promise first the revenues of the wastewater utility then the full faith and credit of King County are known as double-barrel bonds.

Increased Borrowing Requirements:

With the adoption of the Regional Wastewater Services Plan (RWSP) in 1999, the County embarked on the largest capital improvement program in the history of the Wastewater Utility. The major element of the RWSP was the construction of a third wastewater treatment plant, along with an outfall and the related conveyance system. In December of 2001, the project was expected to cost about \$1.4 billion. Since that time, however, the estimate has increased to more than \$1.8 billion. This very significant capital program requires a very large amount of debt to finance.

SUMMARY:

Proposed Ordinance **2010-0227** would authorize the issuance and competitive or negotiated sale of sewer revenue bonds or double-barreled LTGO bonds in an aggregate amount not to exceed \$475,000,000 to provide funds for constructing improvements to the sewer system as outlined by the Capital Improvement Plan for the department. The ordinance also sets the terms, definitions, and conditions necessary for the issuance and sale of the revenue bonds at a term of up to 40 years. Additionally, the proposed ordinance would grant authority to refund up to \$1,000,000,000 of existing debt should the right economic conditions materialize. This action would only be taken should the County be able to save a Net Present Value of 5% of the outstanding principal, consistent with County policy. Table 2 shows the existing WTD debt.

Table 2: Outstanding Sewer Fund Debt¹

Sewer Revenue Bonds	Original Principal	Outstanding Principal
2001 Bonds	\$270,060,000	\$219,845,000
2002A Bonds	\$100,000,000	\$94,960,000
2002B Bonds	\$346,130,000	\$226,670,000
2003A Bonds	\$96,470,000	\$90,905,000
2004A Bonds	\$185,000,000	\$185,000,000
2004B Bonds	\$61,760,000	\$57,015,000
2006 Bonds	\$124,070,000	\$124,070,000
2006 (2nd) Bonds	\$193,435,000	\$190,085,000
2007 Bonds	\$250,000,000	\$250,000,000
2008 Bonds	\$350,000,000	\$350,000,000
2009 Bonds	\$250,000,000	\$250,000,000
total	\$2,226,925,000	\$2,038,550,000
Double-Barreled Bonds		
Series 2005	\$200,000,000	\$200,000,000
Series 2008	\$236,950,000	\$230,515,000
Series 2009	\$300,000,000	\$300,000,000
total	\$736,950,000	\$730,515,000
Variable Rate Debt		
2001A	\$50,000,000	\$50,000,000
2001B	\$50,000,000	\$50,000,000
2010A	\$50,000,000	\$50,000,000
2010'B	\$50,000,000	\$50,000,000
Commercial Paper, Series A	\$100,000,000	\$100,000,000
total	\$300,000,000	\$300,000,000
TOTAL	\$3,263,875,000	\$3,069,065,000

* Denotes LTGO bonds sold on behalf of Sewer Fund with full faith and credit of the County to enhance the interest rate.

Proposed Motions **2010-0228**, **2010-0229** and **2010-0230**, which accompanied the proposed ordinance, are drafts of motions that will be used to accept the winning bid or approve a purchase contract for the sale of the bonds. In the case of an actual sale or sales, a revised motion would be prepared for each sale and presented at full Council on the day of the sale. **These types of motions are typically passed without recommendation as the actual terms of the sale are not yet known.**

ANALYSIS:

The proposed ordinance would provide the authority (for two years from the effective date of the ordinance) for the Finance Manager, in consultation with the County's financial advisors, to determine the timing and packaging of the sewer revenue bonds to a limit of \$475,000,000. The proposed issuance of new debt is consistent with the rate and capacity charge adopted for 2010 and proposed for 2011.

¹ This only includes the WTD's outstanding sewer revenue bonds and double-barrel bonds. In addition, there is \$300 million outstanding in variable rate debt instruments and some small State revolving fund (SRF) loans and public works trust fund loans.

It should be noted that with adoption of Ordinance 15757, May 2007, the County has returned to the issuance of 40 year bonds for Wastewater facilities. This is consistent with the policy that capital improvement projects financed with debt are financed over the expected life of the asset. While the Brightwater plant (the primary driver of the Wastewater CIP program) will likely be in service in excess of 40 years, the County's financial advisor informed the Operating Budget Committee (which is considering the 2009 wastewater rate and capacity charge) that extending a bond sale beyond the 40 year timeframe would not be financially advisable for the County.

Proposed Ordinance 2010-0227 sets all the terms, definitions, and conditions necessary for the issuance and sale of bonds. The County's bond counsel prepared the ordinance and motions. The proposed ordinance delegates authority to the Finance Manager to take the necessary steps for the public or negotiated sale of bonds.

Timing:

Currently the Executive is planning two bond sales and at least one refunding sale under the timeframe covered by this ordinance. There will be an initial sale in July 2010. In January 2012, approximately \$485 million of outstanding debt will be eligible for refunding. Based on today's market conditions these bonds would meet the thresholds necessary for refunding under the County's policies. The ordinance requests further authority should conditions continue to be favorable and additional debt becomes eligible for refunding at lower rates.

Legal Debt Limit

There is no legal limit on the amount of revenue bonds that can be issued; rather, the limits are of a practical nature. Typically, debt coverage ratios are required before investors will buy these bonds. This effectively limits how much of these types of bonds can be sold.

With limited tax general obligation bonds, there are limits other than the practical that the issuing agency must have the financial capability to repay the bonds. Under Washington State law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2½ percent of the assessed value of all taxable property within the county. This type of debt requires voter approval. State law requires all property to be assessed at 100 percent of its true and fair value. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to 1½ percent of assessed value of property within the County for general county purposes and ¾ percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1½ percent of assessed value.

The County currently has (as of December 31, 2009) over \$1.5 billion of capacity for limited tax general obligation debt for metropolitan functions. For general county purposes, over \$7.2 billion of capacity remains. When it comes to the capacity available as a combination of limited tax debt for general county purposes plus metropolitan functions, over \$3.0 billion remains. So, the issuance of double-barreled bonds should not restrict other debt plans.

Structure of the Bond Sale

The ordinance seeks approval to issue either sewer revenue bonds or double-barreled bonds backed first with sewer revenues then with the full faith and credit of King County. The Executive will work with the County's financial advisor to package the bonds in the most favorable terms at the time of each sale.

While double-barreled bonds typically lead to higher ratings and therefore lower interest costs, there are additional tests applied to these sales by the financial markets. It appears that the first issue of bonds under this ordinance will be sewer revenue bonds. An additional sale in 2011 may be double-barreled depending on market conditions at the time. Structuring the ordinance in this way, with flexibility for either type of sale, allows the County to pursue the lowest interest costs at the time of the sale.

REASONABLENESS:

The adoption of the ordinance with the recommended changes would constitute a reasonable business decision that would allow for sufficient funding of the Wastewater utility capital program for 2010 and 2011.

Motions 2010-0228, 2010-0229 and 2010-0230 are placeholder motions and should be passed without recommendation. They will be held at the Council until such a time as a bond sale or sales occur. At that time they will be amended to reflect the actual terms of the sales.

INVITED:

Ken Guy, Director, Finance & Business Operations Division
Nigel Lewis, Senior Debt Analyst, Finance Division
Bob Cowan, Director, Office of Management and Budget
David Thompson, Bond Counsel, Preston Gates & Ellis
Rob Shelley, Financial Advisor, Seattle Northwest

ATTACHMENTS:

1. Proposed Ordinance 2010-0227
2. Transmittal Letter
3. Proposed Motion 2010-0228
4. Proposed Motion 2010-0229
5. Proposed Motion 2010-0230



Signature Report

April 29, 2010

Ordinance

Proposed No. 2010-0227.1

Sponsors Patterson

1 AN ORDINANCE providing long-term financing for capital
2 needs of the county's sewer system by authorizing the issuance
3 of sewer revenue bonds and limited tax general obligation
4 bonds (payable from sewer revenues) of the county in the
5 aggregate principal amount of not to exceed \$475,000,000 to
6 provide funds for acquiring and constructing improvements to
7 the sewer system and not to exceed \$1,000,000,000 of such
8 bonds for refunding certain outstanding bonds of the county
9 payable from sewer revenues; providing for the form, terms
10 and covenants of such bonds; providing for the sale of the
11 bonds in one or more series and for a plan of refunding;
12 establishing funds for the receipt and expenditure of bond
13 proceeds and for the payment of the bonds; pledging sewer
14 revenues to pay the principal of and interest on any sewer
15 revenue bonds issued hereunder; and pledging the annual levy
16 of taxes and an additional pledge of sewer revenues to pay the
17 principal of and interest on any limited tax general obligation
18 bonds (payable from sewer revenues) issued hereunder.

19 PREAMBLE:

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

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

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

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

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (2/1/2010)
2001 Bonds	14225	11/28/2001	\$270,060,000	\$219,845,000
2002A Bonds	14406	8/14/2002	100,000,000	94,960,000
2002B Bonds	14406	10/03/2002	346,130,000	226,670,000
2003A Bonds	14406	4/24/2003	96,470,000	90,905,000
2004A Bonds	14753	3/18/2004	185,000,000	185,000,000
2004B Bonds	14753	3/18/2004	61,760,000	57,015,000
2006 Bonds	15385	5/16/2006	124,070,000	124,070,000
2006 (2nd) Bonds	15385	11/30/2006	193,435,000	186,810,000
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

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

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (2/1/2010)
Series 2005	15033	4/21/2005	\$ 200,000,000	\$ 200,000,000

Series 2008	15779	2/12/2008	236,950,000	230,515,000
Series 2009	16133	4/8/2009	300,000,000	300,000,000

47 The county may have opportunities to refund all or portions of the
48 currently outstanding Parity Bonds and Parity Lien Obligations (the
49 "Refunding Candidates") and thereby realize savings to the county and
50 ratepayers of the Sewer System. It is deemed necessary and advisable that
51 the county authorize the issuance and sale of not to exceed \$1,000,000,000
52 principal amount of its bonds payable from sewer revenues (the
53 "Refunding Bonds") for such refunding opportunities, as provided herein.
54 It is deemed necessary and desirable that the county also authorize the
55 issuance and sale of its bonds payable from sewer revenues in the
56 aggregate principal amount of \$475,000,000 (the "Project Bonds") to pay
57 costs of certain capital improvements to the System, in accordance with
58 the comprehensive plan.
59 Since market conditions can change quickly, it is in the best interest of the
60 county to delegate to the county's Finance Director authority to sell the
61 Refunding Bonds and the Project Bonds in one or more series, as either
62 Parity Bonds or Parity Lien Obligations, or a combination thereof, by
63 competitive bid or negotiated sale, as provided in this ordinance; provided
64 that the aggregate principal amount of Project Bonds may not exceed
65 \$475,000,000 and the aggregate principal amount of Refunding Bonds
66 may not exceed \$1,000,000,000, and provided further that the sale of any

67 Series of the Bonds will be ratified and confirmed by motion of the
68 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
106 Parity Bonds or Parity Lien Obligations, capitalized interest and accrued interest paid to
107 the county upon the issuance of Parity Bonds or Parity Lien Obligations shall be
108 excluded.

109 (ii) The amount of interest deemed to be payable on any issue of
110 Variable Rate Parity Bonds or Variable Rate Parity Lien Obligations shall be calculated
111 on the assumption that the interest rate on those bonds would be equal to the rate (the
112 "assumed RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or

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

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

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

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

134 From and after the date when no Series 2005 Bonds, Series 2008 Bonds or Series
135 2009 Bonds remain outstanding, for purposes of satisfying the rate covenant in Section

136 18.B and the tests for the issuance of additional Parity Lien Obligations in Section 25,
-137 Annual Debt Service for any Fiscal Year or calendar year shall exclude any Debt Service
138 Offsets.

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

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

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

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

157 (2) The principal due (at maturity or upon the mandatory redemption of Term
158 Bonds prior to their maturity) for all outstanding Parity Bonds (i) on all principal

159 payment dates (other than January 1) of such calendar year and (ii) on January 1 of the
160 next succeeding year.

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

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

170 From and after the date when no 2001 Bonds, 2002A Bonds, 2002B Bonds,
171 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds, 2007
172 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, for purposes of calculating the
173 Reserve Requirement and satisfying the rate covenant in Section 18.A and the tests for
174 the issuance of Future Parity Bonds in Section 24, Annual Parity Debt Service for any
175 Fiscal Year or calendar year shall exclude any Debt 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 12057 of the county, as amended.

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

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

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

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

226 substitute therefor in accordance with the provisions of the ordinance providing for the
227 issuance of Parity Lien Obligations supported by a Credit Facility.

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

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

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

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

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

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

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

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

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

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

259 "MSRB" means the Municipal Securities Rulemaking Board or any successor to
260 its functions.

261 "Multi-Modal LTGO/Sewer Revenue Bonds" means the county's Multi-Modal
262 Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2009A
263 and Series 2009B Bonds, and any additional limited tax general obligation bonds of the
264 county payable from Revenue of the System and having the same lien on such revenue as
265 such bonds.

266 "Net Revenue" means Revenue of the System less Operating and Maintenance
267 Expenses.

268 "Operating and Maintenance Expenses" means all normal expenses incurred by
269 the county in causing the System to be maintained in good repair, working order and
270 condition and shall include payments to any private or governmental agency for the

271 operation or maintenance of facilities or for the disposal of sewage but shall exclude any
272 allowance for depreciation.

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

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

278 "Parity Bonds" means the bonds identified as such in the Preamble to this
279 ordinance, together with the Bonds and any Future Parity Bonds. "Parity Bonds" include
280 any Parity Payment Agreements and parity reimbursement agreements entered into with
281 the provider of a Credit Facility securing any Parity Bonds.

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

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

290 "Parity Lien Obligation Term Bonds" means Parity Lien Obligations that are
291 Term Bonds.

292 "Parity Lien Obligations" means bonds identified as such in the Preamble to this
293 ordinance and any future Parity Lien Obligations. "Parity Lien Obligations" include any

294 Parity Lien Obligation Payment Agreements and parity reimbursement agreements
295 entered into with the provider of a Credit Facility securing any Parity Lien Obligations.

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

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

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

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

315 "Payment Agreement Payments" means the amounts periodically required to be
316 paid by the county to the Qualified Counterparty pursuant to a Payment Agreement. The

317 term "Payment Agreement Payments" does not include any termination payment required
318 to be paid with respect to a Payment Agreement.

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

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

326 "Project Bonds" means the \$475,000,000 aggregate principal amount of bonds of
327 the county authorized to be issued hereunder to pay costs of acquiring and constructing
328 improvements to the System. The Project Bonds may be issued in one or more series of
329 Parity Bonds or Parity Lien Obligations, as provided herein.

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

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

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

345 "Qualified Insurance" means (i) so long as any 2001 Bonds, 2002A Bonds, 2002B
346 Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds,
347 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, any unconditional
348 municipal bond insurance policy or surety bond issued by any insurance company
349 licensed to conduct an insurance business in any state of the United States or by a service
350 corporation acting on behalf of one or more such insurance companies, which insurance
351 company or service corporation is rated in one of the two highest rating categories by
352 Moody's, S&P, and any other rating agency then maintaining a rating on the Parity
353 Bonds, provided, that, as of the time of issuance of such policy or surety bond, such
354 insurance company or companies maintain a policy owner's surplus in excess of
355 \$500,000,000; and (ii) from and after such time as no 2001 Bonds, 2002A Bonds, 2002B
356 Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds,
357 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, any unconditional
358 municipal bond insurance policy or surety bond issued by any insurance company
359 licensed to conduct an insurance business in any state of the United States or by a service
360 corporation acting on behalf of one or more such insurance companies, which insurance
361 company or service corporation, as of the time of issuance of such policy or surety bond,
362 is then rated in one of the two highest rating categories by Moody's, S&P, and any other

363 rating agency then maintaining a rating on the Parity Bonds and maintains a policy
364 owner's surplus in excess of \$500,000,000.

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

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

373 "RCW" means the Revised Code of Washington.

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

377 "Refunded Bonds" means with respect to each series of Refunding Bonds, those
378 Refunding Candidates that will be refunded from proceeds of such series of Refunding
379 Bonds, as determined by the Finance Manager pursuant to Sections 16 and 28 hereof and
380 set forth in a Sale Motion in accordance with Sections 16 and 28 hereof.

381 "Refunding Candidates" means any of the currently outstanding Parity Bonds and
382 Parity Lien Obligations.

383 "Refunding Account" means any account authorized to be created pursuant to
384 Section 16 hereof to provide for the refunding of any Refunded Bonds.

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

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

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

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

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

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

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

406 "Sale Motion" means a motion of the county council approving each sale of a
407 series of the Bonds and ratifying and confirming each plan of refunding any Refunded
408 Bonds, in accordance with Sections 16 and 28 hereof.

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

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

419 "State" means the State of Washington.

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

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

425 "Tax Certificate" means the Federal Tax Certificate with respect to certain federal
426 tax matters executed on behalf of the County upon the issuance of each series of the
427 Bonds.

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

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

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

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

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

449 "Variable Rate Parity Lien Obligations" means Parity Lien Obligations bearing
450 interest at a variable rate of interest, provided that at least one of the following conditions

451 is met: (i) at the time of issuance the county has entered into a Payment Agreement with
452 respect to such Parity Lien Obligations, which Agreement converts the effective interest
453 rate to the county on the Variable Rate Parity Lien Obligations from a variable interest
454 rate to a fixed interest rate or (ii) the Parity Lien Obligations bear interest at a variable
455 rate but are issued concurrently in equal par amounts with other Parity Lien Obligations
456 bearing interest at a variable rate and which are required to remain outstanding in equal
457 amounts at all times, if the net effect of such equal par amounts and variable rates at all
458 times is a fixed rate of interest to the county.

459 SECTION 2. Findings. Because conditions in the capital markets are volatile,
460 the council finds that it is in the best interests of the county and ratepayers of the System
461 that the county retain the flexibility to issue the Bonds in one or more series, as Parity
462 Bonds or Parity Lien Obligations, to maximize interest rate savings and, where possible,
463 to achieve further savings by refunding all or some of the Refunding Candidates. To
464 achieve this flexibility, the council further finds that it is in the best interests of the
465 county and ratepayers of the System that a plan of refunding and the sale of the Bonds in
466 one or more series, as Parity Bonds or Parity Lien Obligations, as Tax-Exempt Bonds,
467 Tax Benefited Bonds or otherwise, by competitive bid or negotiated sale, for current or
468 future delivery, be determined by the Finance Director, in consultation with the county's
469 financial advisors. Each sale of a series of Bonds and plan of refunding, will be ratified
470 and confirmed by the council in a Sale Motion.

471 SECTION 3. Authorization of Bonds. To provide funds necessary to pay costs
472 of acquiring, constructing and equipping improvements, additions or betterments to the

473 System set forth in the Comprehensive Plan, the county will issue the Project Bonds in
474 the aggregate principal amount of \$475,000,000.

475 To provide funds to refund the Refunded Bonds, the county will issue one or
476 more series of Refunding Bonds in principal amounts to be established as provided in
477 Sections 16 and 28 hereof and in any event not to exceed an aggregate principal amount
478 of \$1,000,000,000.

479 The Refunding Bonds and Project Bonds may be issued and sold in one or more
480 series of Parity Bonds or Parity Lien Obligations, as provided in Section 28, each such
481 series of Parity Bonds to be designated as "King County, Washington, Sewer Revenue
482 [and Refunding] Bonds" with an applicable year and series designation, and each such
483 series of Parity Lien Obligations to be designated as "King County Limited Tax General
484 Obligations [and Refunding] Bonds (Payable from Sewer Revenue)" with an applicable
485 year and series description. The Bonds will be fully registered as to both principal and
486 interest, will be in the denomination of \$5,000 each or any integral multiple thereof (but
487 no Bond shall represent more than one maturity), will be numbered separately in such
488 manner and with any additional designation as the Bond Registrar deems necessary for
489 purposes of identification, and will be dated as of such date and mature on the dates, in
490 the years and the amounts established as provided in Section 28 hereof.

491 Each series of the Bonds will bear interest (computed on the basis of a 360-day
492 year of twelve 30-day months) from their date or from the most recent interest payment
493 date for which interest has been paid or duly provided for, whichever is later, payable on
494 interest payment dates and at the rate or rates established as provided in Section 28 hereof

495 and ratified and confirmed by a Sale Motion. The Accreted Values of any Bonds that are
496 Capital Appreciation Bonds will be set forth in a Sale Motion.

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

498 A. Bond Registrar/Bond Register. In accordance with K.C.C. 4.84, the
499 county hereby adopts for the Bonds the system of registration specified and approved by
500 the Washington State Finance Committee, which utilizes the fiscal agencies of the State
501 of Washington in Seattle, Washington, and New York, New York, as registrar,
502 authenticating agent, paying agent and transfer agent (collectively, the "Bond Registrar").
503 The Bond Registrar will keep, or cause to be kept, at its principal corporate trust office,
504 sufficient books for the registration and transfer of the Bonds, which will at all times be
505 open to inspection by the county. The Bond Registrar is authorized, on behalf of the
506 county, to authenticate and deliver the Bonds transferred or exchanged in accordance
507 with the provisions of such Bonds and this ordinance and to carry out all of the Bond
508 Registrar's powers and duties under this ordinance.

509 The Bond Registrar will be responsible for its representations contained in the
510 Certificate of Authentication on the Bonds. The Bond Registrar may become the
511 Registered Owner of Bonds with the same rights it would have if it were not the Bond
512 Registrar, and to the extent permitted by law may act as depositary for and permit any of
513 its officers or directors to act as a member of, or in any other capacity with respect to, any
514 committee formed to protect the rights of Registered Owners.

515 B. Registered Ownership. The county and the Bond Registrar, each in its
516 discretion, may deem and treat the Registered Owner of each Bond as the absolute owner
517 thereof for all purposes, and neither the county nor the Bond Registrar will be affected by

518 any notice to the contrary. Payment of any such Bond will be made only as described in
519 Section 4.G hereof, but such registration may be transferred as herein provided. All such
520 payments made as described in Section 4.G will be valid and will satisfy and discharge
521 the liability of the county upon such Bond to the extent of the amount or amounts so paid.
522 The county and the Bond Registrar are entitled to treat the person in whose name any
523 Bond is registered as the absolute owner thereof for all purposes of this ordinance and
524 any applicable laws, notwithstanding any notice to the contrary received by the Bond
525 Registrar or the county.

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

530 Neither the county nor the Bond Registrar will have any responsibility or
531 obligation to DTC participants or the persons for whom they act as nominees with respect
532 to the Bonds in respect of the accuracy of any records maintained by DTC or any DTC
533 participant, the payment by DTC or any DTC participant of any amount in respect of the
534 principal of or interest on the Bonds, any notice which is permitted or required to be
535 given to Registered Owners under this ordinance (except such notices as are required to
536 be given by the county to the Bond Registrar or to DTC), or any consent given or other
537 action taken by DTC as the Registered Owner. For so long as any Bonds are held in fully
538 immobilized form hereunder, DTC or its successor depository will be deemed to be the
539 Registered Owner for all purposes hereunder, and all references herein to the Registered

540 Owners will mean DTC or its nominee and will not mean the owners of any beneficial
541 interest in the Bonds.

542 D. Use of Depository.

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

552 (2) Upon the resignation of DTC or its successor (or any substitute
553 depository or its successor) from its functions as depository or a determination by the
554 county to discontinue the system of book entry transfers through DTC or its successor (or
555 any substitute depository or its successor), the county may hereafter appoint a substitute
556 depository. Any such substitute depository must be qualified under any applicable laws
557 to provide the services proposed to be provided by it.

558 (3) In the case of any transfer pursuant to clause (i) or (ii) of
559 subsection (1) above, the Bond Registrar will, upon receipt of all outstanding Bonds,
560 together with a written request on behalf of the county, issue a single new Bond for each
561 maturity of such Bonds then outstanding, registered in the name of such successor or

562 such substitute depository, or their nominees, as the case may be, all as specified in such
563 written request of the county.

564 (4) In the event that (i) DTC or its successor (or substitute depository
565 or its successor) resigns from its functions as depository, and no substitute depository can
566 be obtained, or (ii) the county determines that it is in the best interest of the beneficial
567 owners of any of the Bonds that they be able to obtain such Bonds in the form of bond
568 certificates, the ownership of Bonds may then be transferred to any person or entity as
569 herein provided, and the Bonds will no longer be held in fully immobilized form. The
570 county will deliver a written request to the Bond Registrar, together with a supply of
571 definitive Bonds, to issue Bonds as herein provided in any authorized denomination.
572 Upon receipt of all then outstanding Bonds by the Bond Registrar together with a written
573 request on behalf of the county to the Bond Registrar, new Bonds will be issued in such
574 denominations and registered in the names of such persons as are requested in such
575 written request.

576 E. Transfer or Exchange of Registered Ownership; Change in
577 Denominations. The registered ownership of any Bond may be transferred or exchanged,
578 but no transfer of any Bond will be valid unless it is surrendered to the Bond Registrar
579 with the assignment form appearing on such Bond duly executed by the Registered
580 Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the
581 Bond Registrar. Upon such surrender, the Bond Registrar will cancel the surrendered
582 Bond and will authenticate and deliver, without charge to the Registered Owner or
583 transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of
584 the same series, date, maturity and interest rate and for the same aggregate principal

585 amount in any authorized denomination, naming as Registered Owner the person or
586 persons listed as the assignee on the assignment form appearing on the surrendered Bond,
587 in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to
588 the Bond Registrar and exchanged, without charge, for an equal aggregate principal
589 amount of Bonds of the same date, maturity and interest rate, in any authorized
590 denomination. The Bond Registrar is not obligated to transfer or exchange any Bond
591 during a period beginning at the opening of business on the 15th day of the month next
592 preceding any interest payment date and ending at the close of business on such interest
593 payment date, or, in the case of any proposed redemption of the Bonds, after the mailing
594 of notice of the call of such Bonds for redemption.

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

598 G. Place and Medium of Payment. Both principal of and interest on the
599 Bonds are payable in lawful money of the United States of America. For so long as all
600 Bonds are in fully immobilized form, payments of principal and interest thereon will be
601 made as provided in accordance with the operational arrangements of DTC referred to in
602 the Letter of Representations. If the Bonds are no longer held in fully immobilized form,
603 interest on the Bonds will be paid by check or draft mailed to the Registered Owners at
604 the addresses for such Registered Owners appearing on the Bond Register on the 15th
605 day of the month preceding the interest payment date; provided, however, that if so
606 requested in writing by the Registered Owner of at least \$1,000,000 principal amount of a
607 series of Bonds, interest will be paid by wire transfer on the interest payment date to an

608 account with a bank located within the United States. Principal of the Bonds is payable
609 upon presentation and surrender of such Bonds by the Registered Owners at the principal
610 office of the Bond Registrar.

611 **SECTION 5. Redemption of Bonds; Open Market Purchases.** The county
612 may reserve the right to redeem outstanding Bonds prior to their maturity on the dates
613 and at the prices established as provided in Section 28 hereof and ratified and confirmed
614 by a Sale Motion. Portions of the principal amount of any Bond, in increments of \$5,000
615 or any integral multiple of \$5,000, may be redeemed.

616 If less than all of the Bonds subject to optional redemption are called for
617 redemption, the county may choose the maturities to be redeemed. If less than a whole of
618 a maturity is called for redemption, the Bonds to be redeemed will be chosen by a method
619 to be established in connection with the sale of each series of the Bonds in accordance
620 with Section 28 of this ordinance.

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

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

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

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

632 A. Notice of Redemption. Written notice of any redemption of Bonds will be
633 given by the Bond Registrar on behalf of the county by first class mail, postage prepaid,
634 not less than 30 days nor more than 60 days before the redemption date to the Registered
635 Owners of Bonds that are to be redeemed at their last addresses shown on the Bond
636 Register. So long as the Bonds are in book-entry form, notice of redemption will be
637 given as provided in the Letter of Representations. The Bond Registrar will provide
638 additional notice of redemption (at least 30 days) to the MSRB in accordance with the
639 ongoing disclosure provisions to be adopted by the Sale Motion.

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

642 Each notice of redemption will contain the following information: (1) the
643 redemption date, (2) the redemption price, (3) any condition to the redemption (including,
644 but not limited, to the receipt of proceeds of refunding bonds), (4) if less than all
645 outstanding Bonds are to be redeemed, the identification (and, in the case of partial
646 redemption, the principal amounts) of the Bonds to be redeemed, (5) that on the
647 redemption date, upon the satisfaction of any conditions, the redemption price will
648 become due and payable upon each Bond or portion called for redemption, and that
649 interest will cease to accrue from the redemption date, (6) that the Bonds are to be
650 surrendered for payment at the principal office of the Bond Registrar, (7) the CUSIP
651 numbers of all Bonds being redeemed, (8) the dated date of the Bonds, (9) the rate of
652 interest for each Bond being redeemed, (10) the date of the notice, (11) information
653 regarding the county's right to cancel an optional redemption prior to the designated

654 redemption date by giving notice of such cancellation, and (12) any other information
655 relating to the redemption or to the Bonds being redeemed.

656 Upon the payment of the redemption price of Bonds being redeemed, each check
657 or other transfer of funds issued for such purpose will bear the CUSIP number
658 identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such
659 check or other transfer.

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

664 C. Effect of Redemption. Unless the county has cancelled a notice of
665 redemption or a condition to the redemption has not been satisfied, the county will
666 transfer to the Bond Registrar amounts that, in addition to other money, if any, held by
667 the Bond Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to
668 be redeemed. From the redemption date interest on each Bond to be redeemed will cease
669 to accrue.

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

675 SECTION 7. Form of Bonds; Execution of Bonds. The Bonds will be in
676 substantially the forms set forth in Exhibits A and B of this ordinance, as applicable. The

677 Bonds will be executed on behalf of the county with the manual or facsimile signatures of
678 the county executive and the clerk of the county council, and will have the seal of the
679 county impressed or imprinted thereon.

680 In case either or both of the officers who have executed the Bonds cease to be an
681 officer or officers of the county before the Bonds so signed are authenticated or delivered
682 by the Bond Registrar, or issued by the county, such Bonds may nevertheless be
683 authenticated, delivered and issued and upon such authentication, delivery and issuance
684 will be as binding upon the county as though those who signed the same had continued to
685 be such officers of the county. Any Bond also may be signed and attested on behalf of
686 the county by such persons as at the actual date of execution of such Bond are the proper
687 officers of the county although at the original date of such Bond any such person was not
688 such officer of the county.

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

695 **SECTION 8. Mutilated, Lost, or Destroyed Bonds.** If any Bond becomes
696 mutilated, the Bond Registrar will authenticate and deliver a new Bond of like series,
697 amount, date, interest rate and tenor in exchange and substitution for the Bond so
698 mutilated, upon the owner's paying the expenses and charges of the county and the Bond
699 Registrar in connection therewith and upon surrender to the Bond Registrar of the Bond

700 so mutilated. Every mutilated Bond so surrendered will be canceled and destroyed by the
701 Bond Registrar.

702 In case the Bonds or any of them are lost, stolen or destroyed, the Bond Registrar
703 may authenticate and deliver a new Bond or Bonds of like series, amount, date, and tenor
704 to the Registered Owner thereof upon the owner's paying the expenses and charges of the
705 county and the Bond Registrar in connection therewith and upon his or her filing with the
706 Bond Registrar evidence satisfactory to the Bond Registrar that such Bond or Bonds were
707 actually lost, stolen or destroyed and of his or her ownership thereof, and upon furnishing
708 the county and Bond Registrar with indemnity satisfactory to the Finance Director and
709 the Bond Registrar.

710 SECTION 9. Parity Bond Fund. There has heretofore been created a special
711 fund of the county known as the "Water Quality Revenue Bond Account" (the "Parity
712 Bond Fund"). The Parity Bond Fund is at all times completely segregated and set apart
713 from all other funds and accounts of the county and is a trust fund for the security and
714 payment of the principal of and interest and any redemption premium on any Parity
715 Bonds. All money credited to the Parity Bond Fund is pledged and ordered to be used for
716 the sole purpose of paying the principal of and interest and any redemption premium on
717 the Parity Bonds.

718 A. Debt Service Account. A "Debt Service Account" has heretofore been
719 established in the Parity Bond Fund. The county hereby obligates and binds itself to set
720 aside and pay into said account out of the Revenue of the System amounts sufficient,
721 together with accrued interest, if any, received at the time of delivery of any series of
722 Bonds that are Parity Bonds and deposited therein, income from the investment of money

723 in the Debt Service Account and Parity Bond Reserve Account, and any other money on
724 deposit in the Debt Service Account and legally available, to pay the principal of and
725 interest on outstanding Parity Bonds as the same become due and payable.

726 For each series of the Bonds that are Parity Bonds there is hereby authorized to be
727 created a special subaccount in the Debt Service Account. All money required by this
728 Section 9.A to be deposited into the Debt Service Account for the payment of principal of
729 and interest on such series of the Bonds will be deposited into the subaccount created for
730 such series. Money in such subaccount will be treated in all respects as all other money
731 in the Debt Service Account, but will be accounted for separately for the purpose of
732 calculating any Rebate Amount payable with respect to such series of the Bonds.

733 Payments on account of each series of the Bonds that are Parity Bonds will be
734 made out of the Revenue of the System into the applicable debt service subaccount in the
735 Parity Bond Fund on or before the day each payment of interest on or principal of such
736 Bonds is due.

737 B. Term Bond Provisions. If any Bonds issued as Parity Bonds are
738 designated as Term Bonds pursuant to Section 28 hereof, the Sale Motion for such series
739 of Bonds will set forth a mandatory redemption schedule to amortize the principal of such
740 Parity Term Bonds. Payments of principal of Parity Term Bonds under any such
741 mandatory redemption schedule will be made from the Debt Service Account, as
742 provided in Section 9.A above; provided, however, that if more than the required
743 principal amount of such Parity Term Bonds is retired by purchase or optional
744 redemption in any given year, the mandatory redemption amount in the next succeeding
745 year or years may be reduced accordingly.

746 The county covenants that in the event it issues any Future Parity Bonds as Term
747 Bonds, it will identify such Future Parity Bonds as Parity Term Bonds in the proceedings
748 authorizing their issuance and establish a schedule of mandatory redemptions, payable
749 from the Debt Service Account, to amortize the principal of such Parity Term Bonds
750 prior to their maturity.

751 C. Parity Bond Reserve Account. A Parity Bond Reserve Account has
752 heretofore been established in the Parity Bond Fund. The county hereby pledges that it
753 will pay into and maintain in the Parity Bond Reserve Account an amount that together
754 with other funds in the Parity Bond Reserve Account will be at least equal to the Reserve
755 Requirement. The county may substitute Qualified Insurance or a Qualified Letter of
756 Credit for amounts required to be paid into or maintained in the Parity Bond Reserve
757 Account. Such Qualified Letter of Credit or Qualified Insurance must not be cancelable
758 on less than five years' notice. In the event of any cancellation, the Parity Bond Reserve
759 Account will be funded in accordance with the provisions of this section providing for
760 payment in the event of a deficiency therein, as if the Parity Bonds that remain
761 outstanding had been issued on the date of such notice of cancellation.

762 On the date of Closing of a series of Bonds that are Parity Bonds, an amount
763 sufficient to establish the Reserve Requirement in the Parity Bond Reserve Account
764 required by the issuance of each series of Bonds must be deposited therein from the
765 proceeds of Parity Bonds or other funds available therefor or provided for by Qualified
766 Insurance or a Qualified Letter of Credit, as herein permitted.

767 If there is a deficiency in the Debt Service Account to make any payment when
768 due of either principal of or interest on any Parity Bonds, such deficiency will be made

769 up from the Parity Bond Reserve Account by the withdrawal of money therefrom and by
770 the sale or redemption of obligations held in the Parity Bond Reserve Account, if
771 necessary, in such amounts as will provide cash in the Parity Bond Reserve Account
772 sufficient to make up any such deficiency. If a deficiency still exists immediately prior to
773 an interest payment date and after the withdrawal of cash, the county will then draw from
774 any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in
775 sufficient amount to make up the deficiency. Such draw will be made at such times and
776 under such conditions as the agreement for such Qualified Letter of Credit or such
777 Qualified Insurance provides. If more than one Qualified Letter of Credit or Qualified
778 Insurance is available, draws will be made ratably thereon to make up the deficiency.
779 Any deficiency created in the Parity Bond Reserve Account by reason of any such
780 withdrawal must then be made up from Revenue of the System that is available after first
781 making the payments required to be made under paragraph "FIRST" through "THIRD" of
782 Section 14 hereof.

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

785 SECTION 10. Parity Lien Obligation Bond Fund. There has heretofore been
786 created a special fund of the county known as the "Water Quality Limited Tax General
787 Obligation Bond Redemption Fund" (the "Parity Lien Obligation Bond Fund"). The
788 Parity Lien Obligation Bond Fund is at all times completely segregated and set apart from
789 all other funds and accounts of the county and is a trust fund for the security and payment
790 of the principal of and interest and any redemption premium on the Parity Lien
791 Obligations. All money credited to the Parity Lien Obligation Bond Fund is pledged and

792 ordered to be used for the sole purpose of paying the principal of and interest and any
793 redemption premium on the Parity Lien Obligations.

794 A. Debt Service Account. A "Debt Service Account" has heretofore been
795 established in the Parity Lien Obligation Bond Fund. The county hereby obligates and
796 binds itself to set aside and pay into said Account out of the Revenue of the System
797 amounts sufficient, together with accrued interest, if any, received at the time of delivery
798 of any series of Bonds issued as Parity Lien Obligations and deposited therein, income
799 from the investment of money in the Debt Service Account and any other money on
800 deposit in the Debt Service Account and legally available, to pay the principal of and
801 interest on outstanding Parity Lien Obligations as the same become due and payable.

802 For each series of the Bonds issued as Parity Lien Obligations, there is hereby
803 authorized to be created a special subaccount in the Debt Service Account. All money
804 required by this Section 10.A to be deposited into the Debt Service Account for the
805 payment of principal of and interest on such series of the Bonds will be deposited into the
806 subaccount created for such series. Money in such subaccount will be treated in all
807 respects as all other money in the Debt Service Account, but will be accounted for
808 separately for the purpose of calculating any Rebate Amount payable with respect to such
809 series of the Bonds.

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

814 B. Term Bond Provisions. If any Bonds issued as Parity Lien Obligations are
815 designated as Term Bonds pursuant to Section 28 hereof, the Sale Motion for such series
816 of Bonds will set forth a mandatory redemption schedule to amortize the principal of such
817 Parity Lien Obligation Term Bonds. Payments of principal of Parity Lien Obligation
818 Term Bonds under any such mandatory redemption schedule will be made from the Debt
819 Service Account, as provided in Section 10.A above; provided, however, that if more
820 than the required principal amount of such Parity Lien Obligation Term Bonds is retired
821 by purchase or optional redemption in any given year, the mandatory redemption amount
822 in the next succeeding year or years may be reduced accordingly.

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

828 SECTION 11. Pledge of Taxation and Credit. The county hereby irrevocably
829 covenants and agrees for as long as any Bonds issued as Parity Lien Obligations are
830 outstanding and unpaid, that each year it will include in its budget and levy an *ad*
831 *valorem* tax upon all the property within the county subject to taxation in an amount that
832 will be sufficient, together with all other revenues and money of the county legally
833 available for such purposes, to pay the principal of and interest on such Bonds issued as
834 Parity Lien Obligations as the same become due. All of such taxes so collected will be
835 paid into the Parity Lien Obligation Bond Fund no later than the date such funds are

836 required for the payment of principal and interest on such Bonds issued as Parity Lien
837 Obligations.

838 The county hereby irrevocably pledges that the annual tax herein authorized to be
839 levied for the payment of such principal and interest shall be within and a part of the tax
840 levy permitted to counties without a vote of the people, and that a sufficient portion of the
841 taxes to be levied and collected annually by the county prior to the full payment of the
842 principal of and interest on the Bonds-issued as Parity Lien Obligations will be and is
843 hereby irrevocably set aside, pledged and appropriated for the payment of the principal of
844 and interest on such Bonds issued as Parity Lien Obligations.

845 The full faith, credit and resources of the county are hereby irrevocably pledged
846 for the annual levy and collection of said taxes and for the prompt payment of the
847 principal of and interest on such Bonds issued as Parity Lien Obligations as the same
848 become due.

849 Any Bonds issued hereunder as Parity Bonds are not general obligations of the
850 county, and no pledge of taxes secures the payment of any such Bonds issued as Parity
851 Bonds hereunder.

852 SECTION 12. Pledge of Sewer Revenues.

853 A. Parity Bonds. The amounts covenanted to be paid out of the Revenue of
854 the System into the Parity Bond Fund and the accounts therein shall constitute a lien and
855 charge on such revenue superior to all other charges of any kind or nature except
856 Operating and Maintenance Expenses, and of equal lien to any charges heretofore or
857 hereafter made upon the Revenue of the System for the payment of the principal of and
858 interest on any Parity Bonds.

859 In the event that money and investments in the Debt Service Account of the Parity
860 Bond Fund and the Parity Bond Reserve Account are reduced below the amounts
861 required to pay the principal and/or interest then due and payable on any Parity Bonds,
862 funds on deposit in any reserve created in the Revenue Fund not then required for the
863 payment of necessary Operating and Maintenance Expenses will be transferred to the
864 Debt Service Account of the Parity Bond Fund to the extent required to pay such
865 -principal and interest.

866 B. Parity Lien Obligations. The amounts covenanted to be paid out of the
867 Revenue of the System into the Parity Lien Obligation Bond Fund and the accounts
868 therein shall constitute a lien and charge on such Revenue subject to Operating and
869 Maintenance Expenses, and junior, subordinate and inferior to the lien and charge on
870 such Revenue for the payments required by the ordinances authorizing the Parity Bonds
871 to be made into the Parity Bond Fund and the accounts therein, and equal to the lien and
872 charge on such Revenue of the payments required to be made by the ordinances
873 authorizing the issuance of the outstanding Parity Lien Obligations and any additional
874 Parity Lien Obligations, and superior to all other liens and charges on such Revenue
875 whatsoever.

876 SECTION 13. Revenue Fund. There has heretofore been created a special fund
877 of the county known as the "Water Quality Operating Account" (the "Revenue Fund").
878 All of the Revenue of the System will be deposited in the Revenue Fund. All Operating
879 and Maintenance Expenses will be paid out of the Revenue Fund or appropriate reserves
880 therein.

881 A special fund of the county designated as the "Sewer Rate Stabilization Fund"
882 (the "Rate Stabilization Fund") has been established in anticipation of increases in
883 revenue requirements of the System. In accordance with the provisions of Section 14 of
884 this ordinance, the county may from time to time appropriate or budget amounts in the
885 Revenue Fund for deposit in the Rate Stabilization Fund and may from time to time
886 withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate
887 sewer rate increases or for other lawful purposes of the county related to the System.

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

891 First, to pay all Operating and Maintenance Expenses;

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

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

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

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

907 Sixth, to make all required payments of principal of and interest on the Junior
908 Lien Obligations as the same become due and payable, to make all Payment Agreement
909 Payments with respect to any Payment Agreements entered into with respect to Junior
910 Lien Obligations, and to make any payments required to be made to providers of any
911 credit enhancement or liquidity facilities for Junior Lien Obligations;

912 Seventh, to make all required payments of principal of and interest on the Multi-
913 Modal LTGO/Sewer Revenue Lien Obligations as the same become due and payable, to
914 make all Payment Agreement Payments for any Payment Agreements entered into with
915 respect to Multi-Modal LTGO/Sewer Revenue Bonds, and to make any payments
916 required to be made to providers of credit enhancements or liquidity facilities for any
917 Multi-Modal LTGO/Sewer Revenue Bonds;

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

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

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

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

932 **SECTION 15. Construction Account; Disposition of Bond Proceeds.**

933 A. Construction Account. There has heretofore been created a special fund of
934 the county known as the "Second Water Quality Construction Account" (the
935 "Construction Account"). For purposes of separately accounting for investment earnings
936 on the proceeds of the Bonds to facilitate compliance with the requirements of Section 21
937 of this ordinance, there is hereby established for each series of Bonds issued hereunder a
938 special subaccount within the Construction Account to be designated as the "Series
939 [applicable year designation] Construction Subaccount" (each a "Construction
940 Subaccount").

941 Money in each Construction Subaccount will be held and applied to pay costs of
942 acquiring, constructing and equipping improvements, additions or betterments to the
943 System set forth in the Comprehensive Plan and all costs incidental thereto, including but
944 not limited to engineering, architectural, planning, financial, legal, urban design or any
945 other incidental costs, and to repay any advances heretofore or hereafter made on account
946 of such costs, provided that if deficiencies exist in the Parity Bond Fund or Parity Lien
947 Obligation Bond Fund, money in any Construction Subaccount may be transferred to
948 such Fund in such amounts as will be necessary to pay principal of and interest on the

949 Bonds. Pursuant to a Sale Motion, proceeds of a series of Bonds may be designated to
950 pay capitalized interest on such Bonds and may be held in the applicable Construction
951 Subaccount or in a trust account to be established with an escrow agent appointed by the
952 Finance Director, as provided in such Sale Motion.

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

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

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

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

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

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

970 A. Refunding Account; Guidelines for Refunding. There is hereby
971 authorized to be established one or more special accounts of the county to be maintained

972 with the Escrow Agent (as hereinafter defined) each to be known as a "King County
973 [appropriate year and series designation] Sewer Revenue Bonds Refunding Account"
974 (each a "Refunding Account"). Each Refunding Account will be drawn upon for the sole
975 purpose of paying the principal of and interest and redemption premium, if any, on the
976 applicable Refunded Bonds and of paying costs related to issuance of such series of
977 Refunding Bonds and to refunding the applicable Refunded Bonds. Proceeds of the sale
978 of any Refunding Bonds, together-with other county funds that may be designated for
979 such purpose, will be deposited into each Refunding Account to provide for refunding the
980 applicable Refunded Bonds, as authorized by the ordinances authorizing the Refunded
981 Bonds, and to pay the costs of issuance of such Refunding Bonds.

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

992 B. Plan of Refunding. Each plan of refunding and call for redemption of
993 Refunded Bonds will be set forth in and ratified and confirmed by a Sale Motion. Money
994 in each Refunding Account will be used immediately upon receipt thereof to defease the

995 applicable Refunded Bonds and discharge the other obligations of the county relating
996 thereto under the ordinances that authorized such Refunded Bonds, by providing for the
997 payment of the principal of and interest and redemption premium, if any, on such
998 Refunded Bonds as set forth in a Sale Motion. The county will defease such bonds and
999 discharge such obligations by the use of the money in each Refunding Account to
1000 purchase Government Obligations (which obligations so purchased, are herein called
1001 "Escrow Securities") bearing such interest and maturing as to principal and interest in
1002 such amounts and at such times that, together with any necessary beginning cash balance,
1003 will provide for the payment of such Refunded Bonds, as set forth in the Sale Motion.
1004 Such Escrow Securities will be purchased at a yield not greater than the yield permitted
1005 by the Code and regulations relating to obligations acquired in connection with refunding
1006 bond issues.

1007 In connection with the issuance of each series of the Refunding Bonds, to carry
1008 out the refunding and defeasance of Refunded Bonds, the Finance Director is hereby
1009 authorized to appoint as escrow agent a bank or trust company qualified by law to
1010 perform the duties described herein (each, an "Escrow Agent"). Any beginning cash
1011 balance and the Escrow Securities will be irrevocably deposited with the Escrow Agent
1012 in an amount sufficient to defease the Refunded Bonds in accordance with this Section 16
1013 and a Sale Motion.

1014 The county will take such actions as are found necessary to see that all necessary
1015 and proper fees, compensation and expenses of the Escrow Agent are paid when due.

1016 The proper officers and agents of the county are directed to obtain from each Escrow
1017 Agent an agreement setting forth the duties, obligations and responsibilities of such

1018 Escrow Agent in connection with the redemption and retirement of the Refunded Bonds
1019 as provided herein and setting forth provisions for the payment of the fees, compensation
1020 and expenses of such Escrow Agent as are satisfactory to it. To carry out the purposes of
1021 this section of this ordinance, the Finance Director is authorized and directed to execute
1022 and deliver to each Escrow Agent an escrow agreement in form approved by the county's
1023 bond counsel.

1024 C. Findings of Savings and Defeasance. By a Sale Motion, the council will
1025 set forth its findings of savings and defeasance with respect to those Refunded Bonds
1026 authorized to be refunded from the proceeds of each series of Refunding Bonds.

1027 SECTION 17. Due Regard for Expenses. The county council hereby declares
1028 that, in fixing the amounts to be paid into the Parity Bond Fund and Parity Lien
1029 Obligation Bond Fund, as applicable, and the accounts therein, out of the Revenue of the
1030 System, it has exercised due regard for the necessary Operating and Maintenance
1031 Expenses and has not obligated the county to set aside, pay into and maintain in said fund
1032 and accounts a greater amount of the Revenue of the System than in its judgment will be
1033 available over and above such necessary Operating and Maintenance Expenses.

1034 SECTION 18. Rate Covenants.

1035 A. Parity Bonds. The county hereby covenants with the owner of each of the Bonds
1036 issued as Parity Bonds for so long as any of the same are outstanding that the county will
1037 at all times establish, maintain and collect rates and charges for sewage disposal service
1038 that, together with the interest to be earned on investments of money in the Revenue
1039 Fund, Parity Bond Fund, Parity Bond Reserve Account and Construction Account, will

1040 provide in each calendar year Net Revenue in an amount equal to at least 1.15 times the
1041 amount required to pay the Annual Parity Debt Service for such calendar year.

1042 At all times and in any event, rates and charges for sewage disposal service will
1043 be sufficient to provide funds adequate to operate and maintain the System, to make all
1044 payments and to establish and maintain all reserves required by this or any other
1045 ordinance authorizing obligations of the county payable from Revenue of the System, to
1046 make up any deficit in such payments remaining from prior years and to pay all costs
1047 incurred in the construction or acquisition of any portion of the Comprehensive Plan that
1048 may be ordered by the county and for the payment of which sewer revenue bonds (or
1049 other obligations payable from Revenue of the System) are not issued.

1050 B. Parity Lien Obligations. The county hereby covenants with the owner of
1051 each of the Bonds issued as Parity Lien Obligations for so long as any of the same are
1052 outstanding that the county will at all times establish, maintain and collect rates and
1053 charges for sewage disposal service that will be fair and nondiscriminatory and adequate
1054 to provide Revenue of the System sufficient for the proper operation and maintenance of
1055 the System; for the punctual payment of the principal of and interest on all outstanding
1056 Parity Bonds for which payment has not otherwise been provided and all amounts that the
1057 county is obligated to set aside in the Parity Bond Fund securing the Parity Bonds; for the
1058 punctual payment of the principal of and interest on all outstanding Parity Lien
1059 Obligations and for all amounts that the county is obligated to set aside in the Parity Lien
1060 Obligation Bond Fund; and for the payment of any and all other amounts that the county
1061 is now or may hereafter become obligated to pay from Revenue of the System.

1062 The county hereby further covenants with the owner of each of the Bonds issued
1063 as Parity Lien Obligations for so long as any of the same are outstanding that the county
1064 will at all times establish, maintain and collect rates and charges for sewage disposal
1065 service that, together with the interest to be earned on investments made of money in the
1066 Revenue Fund, Construction Account, Parity Bond Fund and the Parity Lien Obligation
1067 Bond Fund, will provide in each calendar year Net Revenue in an amount equal to at least
1068 1.15 times the amounts required to pay the Annual Debt Service for such calendar year.

1069 C. Rate Stabilization Account. For the purpose of meeting the requirements
1070 of this Section 18, there may be added to Revenue of the System for any fiscal year any
1071 amount withdrawn from the Rate Stabilization Fund and deposited in the Revenue Fund.
1072 For any fiscal year, amounts withdrawn from the Revenue Fund and deposited into the
1073 Rate Stabilization Fund for such fiscal year must be subtracted from Net Revenue.

1074 SECTION 19. Certain Other Covenants of the Bonds. The county hereby
1075 covenants with the owner and holder of each of the Bonds for as long as any of such
1076 Bonds are outstanding, as follows:

1077 A. Maintain in Good Order. The county will cause the System and the
1078 business in connection therewith to be operated in a safe, sound, efficient, and economic
1079 manner in compliance with all health, safety, and environmental laws, regulatory body
1080 rules, regulatory body orders and court orders applicable to the county's operation of the
1081 System, and will cause to be maintained, preserved, reconstructed, expanded and kept,
1082 with all appurtenances and every part and parcel thereof, in good repair, working order
1083 and condition, and will from time to time cause to be made, without undue deferral, all

1084 necessary or proper repairs, replacements and renewals, so that all times the operation of
1085 the System will be properly and advantageously conducted.

1086 B. Books and Records. The county will cause proper books of record and
1087 accounts of operation of the System to be kept, including an annual financial report.

1088 C. Annual Audit. The county will cause its books of accounts, including its
1089 annual financial report, to be audited annually by the State auditor's office or other State
1090 department or agency as may be authorized and directed by law to make such audits, or if
1091 such an audit is not made for twelve months after the close of any fiscal year of the
1092 county, by a Certified Public Accountant. The county will furnish such audit to the
1093 owner or holder of any Parity Bond or Parity Lien Obligation upon written request
1094 therefor.

1095 D. Insurance. The county will at all times carry fire and extended coverage
1096 and such other forms of insurance on such of the buildings, equipment, facilities and
1097 properties of the Sewer System as under good practice are ordinarily carried on such
1098 buildings, equipment, facilities and properties by municipal or privately owned utilities
1099 engaged in the operation of sewer systems and will also carry adequate public liability
1100 insurance at all times, provided that the county may, if deemed advisable by the county
1101 council, institute or continue a self insurance program with respect to any or all of the
1102 aforementioned risks.

1103 E. Construction. The county will cause the construction of any duly
1104 authorized and ordered portions of the Comprehensive Plan to be performed and
1105 completed within a reasonable time and at the lowest reasonable cost.

1106 F. Collection of Revenue. The county will so operate and maintain the
1107 System and conduct its affairs as to entitle it at all times to receive and enforce payment
1108 to it of sewage disposal charges payable (i) pursuant to the ordinance or ordinances
1109 establishing a tariff of rates and charges for sewage disposal services and (ii) under any
1110 Service Agreement that the county has now or may hereafter enter into and to entitle the
1111 county to collect all revenues derived from the operation of the System. The county shall
1112 not release the obligations of any person, corporation or political subdivision under such
1113 tariff of rates and charges or the Service Agreements and shall at all times, to the extent
1114 permitted by law, defend, enforce, preserve and protect the rights and privileges of the
1115 county and of the holders of the Parity Bonds and Parity Lien Obligations under or with
1116 respect thereto.

1117 In accordance with RCW 35.58.200(3), the county shall require any county, city,
1118 special district or other political subdivision to discharge to the System all sewage
1119 collected by such entity from any portion of the Seattle metropolitan area that can drain
1120 by gravity flow into facilities of the System that serve such areas if the county council
1121 declares that the health, safety or welfare of the people within the metropolitan area
1122 require such action.

1123 G. Legal Authority. The county has full legal right, power and authority to
1124 adopt this ordinance, to sell, issue and deliver Bonds as provided herein, and to carry out
1125 and consummate all other transactions contemplated by this ordinance.

1126 H. Due Authorization. By all necessary official action prior to or
1127 concurrently herewith, the county has duly authorized and approved the execution and
1128 delivery of, and the performance by the county of its obligations contained in, the Bonds

1129 and in this ordinance and the consummation by it of all other transactions necessary to
1130 effectuate this ordinance in connection with the issuance of Bonds, and such
1131 authorizations and approvals are in full force and effect and have not been amended,
1132 modified or supplemented in any material respect.

1133 I. Binding Obligation. This ordinance constitutes a legal, valid and binding
1134 obligation of the county.

1135 J. No Conflict. The adoption of this ordinance, and compliance on the
1136 county's part with the provisions contained herein, will not conflict with or constitute a
1137 breach of or default under any constitutional provisions, law, administrative regulation,
1138 judgment, decree, loan agreement, indenture, bond, note, resolution, ordinance, motion,
1139 agreement or other instrument to which the county is a party or to which the county or
1140 any of its property or assets are otherwise subject, nor will any such adoption, execution,
1141 delivery, sale, issuance or compliance result in the creation or imposition of any lien,
1142 charge or other security interest or encumbrance of any nature whatsoever upon any of
1143 the property or assets of the county or under the terms of any such law, regulation or
1144 instrument, except as may be provided by the Bonds issued as Parity Lien Obligations
1145 and this ordinance.

1146 K. Performance Under Ordinance. None of the proceeds of the Bonds will be
1147 used for any purpose other than as provided in this ordinance, and the county shall not
1148 suffer any amendment or supplement to this ordinance, or any departure from the due
1149 performance of the obligations of the county hereunder, that might materially adversely
1150 affect the rights of the owners from time to time of the Bonds.

1151 L. Sale or Disposition. The county will not sell or voluntarily dispose of all
1152 of the operating properties of the System unless provision is made for payment into the
1153 Parity Bond Fund and the Parity Lien Obligation Bonds Fund of a sum sufficient to pay
1154 the principal of and interest on all outstanding Parity Bonds and Parity Lien Obligations
1155 in accordance with the terms thereof, nor will the county sell or voluntarily dispose of
1156 any part of the operating properties of the System unless provision is made (i) for
1157 payment into the Parity Bond Fund of an amount that will bear at least the same
1158 proportion to the amount of the outstanding Parity Bonds that the estimated amount of
1159 any resulting reduction in the Revenue of the System for the twelve months following
1160 such sale or disposition bears to the Revenue of the System that would have been realized
1161 if such sale or disposition had not been made and (ii) for payment into the Parity Lien
1162 Obligation Bond Fund of an amount that will bear at least the same proportion to the
1163 amount of the outstanding Parity Lien Obligations that the estimated amount of any
1164 resulting reduction in the Revenue of the System for the twelve months following such
1165 sale or disposition bears to the Revenue of the System that would have been realized if
1166 such sale or disposition had not been made. Such estimate shall be made by a
1167 Professional Utility Consultant. Any money so paid into the Parity Bond Fund and the
1168 Parity Lien Obligation Bond Fund shall be used to retire outstanding Parity Bonds and
1169 Parity Lien Obligations as provided herein at the earliest possible date; provided,
1170 however, that the county may sell or otherwise dispose of any of the works, plant,
1171 properties and facilities of the System or any real or personal property comprising a part
1172 of the System with a value of less than 5% of the net utility plant of the System or which
1173 shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation

1174 of the System, or no longer necessary, material to or useful in such operation, without
1175 making any deposit into the Parity Bond Fund or Parity Lien Obligation Bond Fund.

1176 **SECTION 20. Certain Other Covenants of the Parity Lien Obligations.** The
1177 county makes the following covenants and warranties to the owner of each of the Bonds
1178 issued as Parity Lien Obligations:

1179 A. The Bonds issued as Parity Lien Obligations, when issued, sold,
1180 authenticated and delivered, will constitute the legal, valid and binding general
1181 obligations of the county.

1182 B. The county finds and covenants that the Bonds issued as Parity Lien
1183 Obligations are issued within all statutory and constitutional debt limitations applicable to
1184 the county.

1185 **SECTION 21. Tax Covenants.**

1186 A. General. The county may elect to structure any series of Bonds so that
1187 interest on such series of Bonds would be excludable from gross income for federal
1188 income tax purposes pursuant to sections 103 and 141 through 150 of the Code and the
1189 applicable regulations (the "Tax-Exempt Bonds") or to confer other benefits under the
1190 Code to the county or owners of such series of Bonds ("Tax-Benefited Bonds"). The
1191 county covenants not to take any action, or knowingly omit to take any action within its
1192 control, that if taken or omitted would cause the interest on Tax-Exempt Bonds to be
1193 includable in gross income, as defined in section 61 of the Code, for federal income tax
1194 purposes. Additional tax covenants as necessary or desirable for any series of Bonds may
1195 be set forth in the Sale Motion for such series of Bonds.

1196 B. Tax Certificate. Upon the issuance of any series of Tax-Exempt Bonds or
1197 Tax-Benefited Bonds, the Finance Director is authorized to execute a federal tax
1198 certificate (the "Tax Certificate"), which will certify to various facts and representations
1199 concerning such series of Bonds, based on the facts and estimates known or reasonably
1200 expected on the date of their issuance, and make certain covenants with respect to such
1201 series of Bonds as may be necessary or desirable to obtain or maintain the benefits
1202 conferred under the Code relating to such series of Tax-Exempt Bonds or Tax-Benefited
1203 Bonds.

1204 The county covenants that it will comply with the Tax Certificate unless it
1205 receives advice from nationally recognized bond counsel or the Internal Revenue Service
1206 that certain provisions have been amended or no longer apply to the Tax-Exempt Bonds
1207 or Tax-Benefited Bonds, as applicable.

1208 C. Arbitrage Rebate. If the county does not qualify for an exception to the
1209 requirements of Section 148(f) of the Code relating to the payment of arbitrage rebate to
1210 the United States with respect to a series of Bonds, the county will take all necessary
1211 steps to comply with the requirement that certain amounts earned by the county on the
1212 investment of the "gross proceeds" of such series of Bonds (within the meaning of the
1213 Code) be rebated.

1214 **SECTION 22. Trustee for Parity Bondowners.**

1215 A. Appointment of Trustee. Upon the occurrence of any "event of default"
1216 described in Section 23.A of this ordinance, the owners of a majority in principal amount
1217 of the outstanding Parity Bonds may appoint a Trustee by an instrument or concurrent
1218 instruments in writing signed and acknowledged by such Parity Bondowners or by their

1219 attorneys-in-fact duly authorized and delivered to such Trustee, notification thereof being
1220 given to the county. Any appointment of a Trustee under the provisions of this
1221 subsection must be a bank or trust company organized under the laws of the State of
1222 Washington or the State of New York or a national banking association. The fees and
1223 expenses of a Trustee must be borne by the Parity Bondowners and not by the county.
1224 The bank or trust company acting as a Trustee may be removed at any time and a
1225 successor Trustee may be appointed by the owners of a majority in principal amount of
1226 the outstanding Parity Bonds, by an instrument or concurrent instruments in writing
1227 signed and acknowledged by such Parity Bondowners or by their attorneys-in-fact duly
1228 authorized.

1229 The Trustee appointed in the manner herein provided, and each successor thereto,
1230 is hereby declared to be a trustee for the owners of all the Parity Bonds and is empowered
1231 to exercise all the rights and powers herein conferred on the Trustee.

1232 B. Certain Rights and Obligations of Trustee. The Trustee will not be
1233 responsible for recitals in any ordinance or in the Parity Bonds, or for the validity of said
1234 bonds, nor will the Trustee be responsible for insuring the System or for collecting any
1235 insurance money or for the title to any of the property of the System.

1236 The Trustee will be protected in acting upon any notice, request, consent,
1237 certificate, order, affidavit, letter, telegram or other paper or document believed by it to
1238 be genuine and correct and to have been signed, sent or delivered by the person or
1239 persons by whom such paper or document is purported to have been signed, sent or
1240 delivered.

1241 The Trustee will not be answerable for any neglect or default of any person, firm
1242 or corporation employed and selected by it with reasonable care.

1243 The Trustee will permit the owner or holder of any Parity Bonds to inspect any
1244 instrument, opinion or certificate filed with the Trustee by the county or by any person,
1245 firm or corporation acting for the county.

1246 The Trustee will not be bound to recognize any person as an owner or holder of
1247 any Parity Bond until his, her or its title thereto, if disputed, has been established to the
1248 Trustee's reasonable satisfaction.

1249 The Trustee may consult with counsel, and the opinion of such counsel will be
1250 full and complete authorization and protection in respect of any action taken or suffered
1251 by it hereunder in good faith and in accordance with the opinion of such counsel.

1252 **SECTION 23. Events of Default for Parity Bonds; Powers and Duties of**
1253 **Parity Bondowners Trustee.**

1254 A. Events of Default. The occurrence of one or more of the following is an
1255 "event of default" with respect to any Bonds issued as Parity Bonds under this ordinance:

1256 (i) default in the payment of principal of or interest on any Parity
1257 Bonds when the same becomes due; or

1258 (ii) default in the observance or performance of any of the other
1259 covenants applicable to Parity Bonds herein contained, and such default continues for a
1260 period of six months after written notice to the county from a Parity bondholder
1261 specifying such default and requiring the same to be remedied.

1262 B. Powers of Trustee. The Trustee in its own name and on behalf of and for
1263 the benefit and protection of the holders and owners of all Parity Bonds may proceed, and

1264 upon the written request of the holders and owners of not less than 25% in principal
1265 amount of the Parity Bonds then outstanding must proceed, to protect and enforce any
1266 rights of the Trustee and, to the full extent that owners or holders of Parity Bonds
1267 themselves might do, the rights of such owners and holders of Parity Bonds under the
1268 laws of the State of Washington or under the ordinances providing for the issuance of
1269 such bonds, by such suits, actions or proceedings in equity or at law, either for the
1270 specific performance of any covenant contained herein or in aid or execution of any
1271 power herein granted or for any proper legal or equitable remedy as the Trustee may
1272 deem most effectual to protect and enforce the rights of the Trustee and the holders and
1273 owners of Parity Bonds. In the enforcement of any such rights under this or any other
1274 ordinance of the county, the Trustee is entitled to sue for, to enforce payment of and to
1275 receive any and all amounts due from the county for principal, interest or otherwise under
1276 any of the provisions of such ordinance, with interest on overdue payments at the rate or
1277 rates set forth in such bond or bonds, together with any and all costs and expenses of
1278 collection and of all proceedings taken by the Trustee without prejudice to any other right
1279 or remedy of the Trustee or of the bondholders.

1280 If default is made in the payment of principal of any Parity Bond and such default
1281 continues for a period of 30 days, (i) so long as any of the 2001 Bonds, 2002A Bonds,
1282 2002B Bonds, 2003A Bonds, 2004A Bonds and 2004B Bonds remain outstanding, the
1283 Trustee shall be entitled to declare all outstanding Parity Bonds immediately due and
1284 payable and may proceed to enforce payment thereof as hereinabove provided, and (ii)
1285 after such time as no 2001 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds, 2004A
1286 Bonds and 2004B Bonds remain outstanding, the Trustee may not accelerate payment of

1287 any Parity Bonds but may proceed to enforce payment thereof as hereinabove provided.

1288 If, in the sole judgment of the Trustee, any default is cured and the Trustee furnishes the

1289 county a certificate so stating, such default is conclusively deemed to be cured, and the

1290 county, Trustee and owners and holders of Parity Bonds will be restored to the same

1291 rights and position they would have held if no event of default had occurred.

1292 C. Actions in Name of Trustee. All rights of action under this ordinance or

1293 upon any of the Parity Bonds enforceable by the Trustee may be enforced by the Trustee

1294 without the possession of any of such bonds or the production thereof on the trial or other

1295 proceedings relative thereto, and any such suit, action or proceeding instituted by the

1296 Trustee will be brought in its name for the ratable benefit of the holders of said bonds,

1297 subject to the provisions of this ordinance.

1298 D. Procedure by Bond Owners. No owner of any one or more of the Parity

1299 Bonds has any right to institute any action, suit or proceedings at law or in equity for the

1300 enforcement of the same, unless an event of default occurs and unless no Trustee is

1301 appointed as herein provided, but any remedy herein authorized to be exercised by a

1302 Trustee may be exercised individually by any Parity Bondowner, in his own name and on

1303 his own behalf or for the benefit of all Parity Bondowners, if no Trustee is appointed, or

1304 with the consent of the Trustee if such Trustee has been appointed.

1305 E. Application of Money Collected by Trustee. Any money collected by the

1306 Trustee at any time pursuant to this section will be applied, first, to the payment of its

1307 charges, expenses, advances and compensation and the charges, expenses, counsel fees,

1308 disbursements and compensation of its agents and attorneys, and, second, toward

1309 payment of the amount then due and unpaid upon the Parity Bonds, ratably and without

1310 preference or priority of any kind not expressly provided in this ordinance, according to
1311 the amounts due and payable upon such bonds at the date fixed by the Trustee for the
1312 distribution of such money, upon presentation of the several bonds and upon causing such
1313 payment to be stamped thereon, if partly paid, and upon surrender thereof, if fully paid.

1314 SECTION 24. Future Parity Bonds. The county further covenants and agrees
1315 with the owners and holders of the Parity Bonds for as long as the same are outstanding
1316 that it will not create any special fund for the payment of the principal of and interest on
1317 any revenue bonds that will rank on a parity with or have any priority over the payments
1318 out of the Revenue of the System required to be made into the Parity Bond Fund and the
1319 accounts therein to pay or secure the payment of the outstanding Parity Bonds, except
1320 that it reserves the right for:

1321 (1) the purpose of acquiring, constructing and installing any portion of
1322 the Comprehensive Plan, or

1323 (2) the purpose of acquiring, constructing and installing any necessary
1324 renewals or replacements of the System, or

1325 (3) the purpose of refunding or purchasing and retiring at or prior to
1326 their maturity any outstanding obligations of the county payable from Revenue of the
1327 System,
1328 to issue additional or refunding bonds and to make payments into the Parity Bond Fund
1329 out of the Revenue Fund that will be sufficient to pay the principal of and interest on said
1330 additional or refunding bonds and to maintain required reserves, which such payments
1331 out of the Revenue Fund may rank equally with the payments out of the Revenue Fund
1332 required to be made into the Parity Bond Fund and the accounts therein for the payment

1333 of the principal of and interest on outstanding Parity Bonds only upon compliance with
1334 the following conditions:

1335 A. At the time of the issuance of any Future Parity Bonds there is no
1336 deficiency in the Parity Bond Fund or any account therein.

1337 B. Each ordinance providing for the issuance of any Future Parity Bonds that
1338 are refunding bonds must require that all money held in any fund or account of the county
1339 created for the purpose of paying the principal of and interest on the bonds being
1340 refunded either be used to pay the principal of and interest on such bonds or be
1341 transferred or paid into the Parity Bond Fund.

1342 C. Each ordinance providing for the issuance of Future Parity Bonds must
1343 provide for the payment of the principal thereof and interest thereon out of the Parity
1344 Bond Fund. The Future Parity Bonds may bear such date of issue, interest payment
1345 dates, and principal payment dates, and may mature in such year or years as the county
1346 council provides. Each such ordinance will further provide that upon the issuance of
1347 such Future Parity Bonds, the county will pay into the Parity Bond Reserve Account an
1348 amount that will be sufficient to satisfy the Reserve Requirement then applicable or
1349 provide Qualified Insurance or a Qualified Letter of Credit to satisfy such Reserve
1350 Requirement.

1351 D. (1) At the time of the issuance of any Future Parity Bonds, the county
1352 must have on file a certificate from a Professional Utility Consultant (the certificate may
1353 not be dated more than 90 days prior to the date of delivery of such Future Parity Bonds),
1354 showing that in his or her professional opinion the "annual income available for debt
1355 service on Parity Bonds" for each year during the life of such Future Parity Bonds shall

1356 be at least equal to 1.25 times the amount required in each such year to pay the Annual
1357 Parity Debt Service for such year.

1358 (2) Such "annual income available for debt service on Parity Bonds"
1359 will be determined as follows for each year following the proposed date of issue of such
1360 Future Parity Bonds:

1361 (i) The Revenue of the System will be determined for a period
1362 of any 12 consecutive months out of the 18 months immediately preceding the delivery of
1363 the Future Parity Bonds being issued.

1364 (ii) Such revenue may be adjusted to give effect on a 12-month
1365 basis to the rates in effect on the date of such certificate.

1366 (iii) If there were any Customers added to the System during
1367 such 12-month period or thereafter and prior to the date of the Professional Utility
1368 Consultant's certificate, such revenue may be further adjusted on the basis that added
1369 Customers were Customers of the System during the entire 12-month period.

1370 (iv) There will be deducted from such revenue the amount
1371 expended for Operating and Maintenance Expenses during such period.

1372 (v) For each year following the proposed date of issuance of
1373 such Future Parity Bonds the Professional Utility Consultant may add to the annual
1374 revenue determined in the preceding four paragraphs an estimate of the income to be
1375 received in each such year from the investment of money in the Parity Bond Fund and
1376 any account therein, and the Construction Account, which will be determined by and in
1377 the sole discretion of a firm of nationally recognized financial consultants selected by the
1378 county.

1379 (vi) Beginning with the second year following the proposed
1380 date of issue of such Future Parity Bonds and for each year thereafter, the Professional
1381 Utility Consultant may add to the annual revenue determined in the preceding five
1382 paragraphs his or her estimate of any additional annual revenue to be received from
1383 anticipated growth in the number of Customers within the area served by the System on
1384 the date of such certificate, after deducting therefrom any increased Operating and
1385 Maintenance Expenses estimated to be incurred as a result of such growth; provided that
1386 the Professional Utility Consultant's estimate of the number of Customers served may not
1387 assume growth of more than 1/4 of 1% over and above the number of Customers served
1388 or estimated to be served during the preceding year.

1389 (vii) If extensions of or additions to the System are in the
1390 process of construction at the time of such certificate, or if the proceeds of the Future
1391 Parity Bonds being issued are to be used to acquire or construct extensions of or additions
1392 to the System, there may be added to the annual net revenue as above determined any
1393 revenue not included in the preceding paragraphs that will be derived from such additions
1394 and extensions after deducting therefrom the estimated additional Operating and
1395 Maintenance Expenses to be incurred as a result of such additions and extensions;
1396 provided that such estimated annual revenue will be based upon 75% of any estimated
1397 Customer growth in the four years following the first full year in which such additional
1398 revenue is to be collected and thereafter the estimated Customer growth may not exceed
1399 1/4 of 1% per year over and above such reduced estimate.

1400 E. Instead of the certificate described in subsection D above, the county may
1401 elect instead to have on file a certificate of the Finance Director demonstrating that

1402 during any 12 consecutive calendar months out of the immediately preceding 18 calendar
1403 months Net Revenue was at least-equal to 1.25 times the amount required to pay, in each
1404 year that such Future Parity Bonds would be outstanding, the Annual Parity Debt Service
1405 for such year.

1406 F. For the purpose of refunding at or prior to their maturity any outstanding
1407 Parity Bonds or any bonds or other obligations of the county payable from Revenue of
1408 the System, the county may at any time issue Future Parity Bonds without complying
1409 with the provisions of subsection D or E hereof; provided, however, that the county may
1410 not issue Future Parity Bonds for such purpose under this subsection F unless the Finance
1411 Director certifies that upon the issuance of such Future Parity Bonds that (i) total debt
1412 service required for all Parity Bonds (including the refunding bonds but not including the
1413 bonds to be refunded thereby) will decrease, and (ii) the Annual Parity Debt Service for
1414 each year that any Parity Bonds (including the refunding bonds proposed to be issued) are
1415 then outstanding will not be increased by more than \$5,000 by reason of the issuance of
1416 such Future Parity Bonds.

1417 The principal amount of Future Parity Bonds issued pursuant to this subsection F
1418 may include amounts necessary to pay the principal of the Parity Bonds or other
1419 obligations to be refunded, interest thereon to the date of payment or redemption thereof,
1420 any premium payable thereon upon such payment or redemption and the costs of issuance
1421 of such Future Parity Bonds, and if a Payment Agreement has been provided with respect
1422 to the obligations to be refunded, may include amounts necessary to make the payment of
1423 all amounts, if any, due and payable by the county under such Payment Agreement. The
1424 proceeds of such Future Parity Bonds will be held and applied in such manner as is

1425 provided for in the ordinance authorizing the issuance of the Parity Bonds or other
1426 obligations to be refunded, so that upon the delivery of such Future Parity Bonds, the
1427 Parity Bonds or other obligations to be refunded thereby will be deemed no longer
1428 outstanding in accordance with the ordinance authorizing their issuance.

1429 G. Nothing contained in this ordinance prevents the county from issuing
1430 revenue bonds that are a charge upon the Revenue of the System and money in the
1431 Revenue Fund junior or inferior to the payments required to be made therefrom into the
1432 Bond Fund and any account therein, nor shall anything herein contained prevent the
1433 county from issuing Future Parity Bonds to refund maturing Parity Bonds for the
1434 payment of which money is not otherwise available.

1435 SECTION 25. Additional Parity Lien Obligations. The county expressly
1436 reserves the right to issue additional Parity Bonds in accordance with the ordinances,
1437 including this ordinance, authorizing the Parity Bonds. Subject to this reservation of
1438 rights with respect to Parity Bonds, the county hereby covenants and agrees with the
1439 owners of any Bonds issued as Parity Lien Obligations, so long as such Bonds are
1440 outstanding, that it will not issue or incur any other additional indebtedness secured in
1441 whole or in part by a lien on Revenue of the System superior to the Lien of such Bonds
1442 issued as Parity Lien Obligations.

1443 A. Parity Lien Obligation Other Than Refunding Bonds. The county
1444 expressly reserves the right to issue or enter into additional Parity Lien Obligations
1445 (including Variable Rate Parity Lien Obligations as defined herein) for any lawful
1446 purpose of the county related to the System if at the time of issuing or entering into such
1447 Parity Lien Obligations:

1448 (i) There is no deficiency in the Parity Bond Fund, the Parity Lien
1449 Obligation Bond Fund or any other bond fund or account securing Parity Lien
1450 Obligations.

1451 (ii) The county must have on file a certificate from a Professional
1452 Utility Consultant (the certificate may not be dated more than 90 days prior to the date of
1453 delivery of such Parity Lien Obligations) showing that in his or her professional opinion,
1454 the "annual income available for debt service on Parity Bonds and Parity Lien
1455 Obligations" for each year during the life of such Parity Lien Obligations is at least equal
1456 to 1.25 times the amount required to pay Annual Debt Service in each such year.

1457 (iii) Such "annual income available for debt service on Parity Bonds
1458 and Parity Lien Obligations" shall be determined as follows for each year following the
1459 proposed date of issue of such Parity Lien Obligations:

1460 1. The Revenue of the System will be determined for a period
1461 of any 12 consecutive months out of the 18 months immediately preceding the delivery of
1462 the Parity Lien Obligations being issued.

1463 2. Such revenue may be adjusted to give effect on a 12-month
1464 basis to the rates in effect on the date of such certificate.

1465 3. If there were any Customers added to the System during
1466 such 12-month period or thereafter and prior to the date of the Professional Utility
1467 Consultant's certificate, such revenue may be further adjusted on the basis that added
1468 Customers were Customers of the System during the entire 12-month period.

1469 4. There will be deducted from such revenue the amount
1470 expended for Operating and Maintenance Expenses during such period.

1471 5. For each year following the proposed date of issuance of
1472 such Parity Lien Obligations the Professional Utility Consultant may add to the annual
1473 revenue determined in the preceding four paragraphs an estimate of the income to be
1474 received in each such year from the investment of money in the Parity Bond Fund, the
1475 Parity Lien Obligation Bond Fund and the Construction Account, which will be
1476 determined by and in the sole discretion of a firm of nationally recognized financial
1477 consultants selected by the county.

1478 6. Beginning with the second year following the proposed
1479 date of issue of such Parity Lien Obligations and for each year thereafter the Professional
1480 Utility Consultant may add to the annual revenue determined in the preceding five
1481 paragraphs his or her estimate of any additional annual revenue to be received from
1482 anticipated growth in the number of Customers within the area served by the System on
1483 the date of such certificate, after deducting therefrom any increased Operating and
1484 Maintenance Expenses estimated to be incurred as a result of such growth; provided that
1485 the Professional Utility Consultant's estimate of the number of customers served may
1486 shall not assume a growth of more than 1/4 of 1% over and above the number of
1487 customers served or estimated to be served during the preceding year.

1488 7. If extensions of or additions to the System are in the
1489 process of construction at the time of such certificate, or if the proceeds of the Parity Lien
1490 Obligations being issued are to be used to acquire or construct extensions of or additions
1491 to the System, there may be added to the annual net revenue as above determined any
1492 revenue not included in the preceding paragraphs which will be derived from such
1493 additions and extensions after deducting therefrom the estimated additional Operating

1494 and Maintenance Expenses to be incurred as a result of such additions and extensions;
1495 provided that such estimated annual revenue must be based upon 75% of any estimated
1496 Customer growth in the four years following the first full year in which such additional
1497 revenue is to be collected and thereafter the estimated Customer growth may not exceed
1498 1/4 of 1% per year over and above such reduced estimate.

1499 (iv) Instead of the certificate described in subsections (ii) and (iii)
1500 above, the county may elect to have on file a certificate of the Finance Director
1501 demonstrating that during any 12 consecutive calendar months out of the immediately
1502 preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount
1503 required to pay, in each year that such Parity Lien Obligations would be outstanding, the
1504 Annual Debt Service for such year.

1505 B. Parity Lien Obligations That Are Refunding Bonds.

1506 (i) The county may at any time for the purpose of refunding at or prior
1507 to their maturity any outstanding Parity Lien Obligations, Parity Bonds, or any bonds or
1508 other obligations of the county payable from Revenue of the System issue additional
1509 Parity Lien Obligations without complying with the provisions of subsections (ii)-(iv) of
1510 Section 25.A hereof if there is filed with the clerk of the county council a certificate of
1511 the Finance Director stating that upon the issuance of such additional Parity Lien
1512 Obligations (i) total debt service on all Parity Bonds and Parity Lien Obligations
1513 (including the refunding bonds but not including the bonds to be refunded thereby) will
1514 decrease, and (ii) the Annual Debt Service for each year that any Parity Bonds and any
1515 Parity Lien Obligations (including the refunding bonds proposed to be issued) are then

1516 outstanding will not be increased by more than \$5,000 by reason of the issuance of such
1517 additional Parity Lien Obligations.

1518 (ii) The principal amount of such Parity Lien Obligations may include
1519 amounts necessary to pay the principal of the bonds or other obligations to be refunded,
1520 interest thereon to the date of payment or redemption thereof, any premium payable
1521 thereon upon such payment or redemption and the costs of issuance of such Parity Lien
1522 Obligations, and if a Payment Agreement has been provided with respect to the
1523 obligations to be refunded, may include amounts necessary to make the payment of all
1524 amounts, if any, due and payable by the county under such Payment Agreement. The
1525 proceeds of such Parity Lien Obligations will be held and applied as is provided in the
1526 ordinance authorizing the issuance of such Parity Lien Obligations, so that upon the
1527 delivery of such Parity Lien Obligations, the bonds or other obligations to be refunded
1528 thereby will be deemed no longer outstanding in accordance with the ordinance
1529 authorizing their issuance.

1530 (iii) At the election of the county, the provisions of this Section 25.B
1531 need not apply to the refunding at one time of all the Parity Lien Obligations then
1532 outstanding.

1533 (iv) Nothing contained in this ordinance prohibits or prevents, or will
1534 be deemed or construed to prohibit or prevent, the county from issuing Parity Lien
1535 Obligations to refund maturing Parity Lien Obligations of the county for the payment of
1536 which money is not otherwise available.

1537 C. Subordinate Obligations. Nothing in this ordinance prohibits, or will be
1538 deemed or construed to prohibit, the county from authorizing and issuing bonds, notes or

1539 other evidences of indebtedness for any purpose of the county related to the System
1540 payable in whole or in part from Revenue of the System and secured by a lien on such
1541 Revenue that is junior, subordinate and inferior to the lien of any Bonds issued as Parity
1542 Lien Obligations.

1543 SECTION 26. Reimbursement Obligations. If the county elects to secure any
1544 Bonds with a Credit Facility, the county may contract with the entity providing such
1545 Credit Facility that the reimbursement obligation, if any, to such entity will be a Parity
1546 Bond or Parity Lien Obligation, as applicable.

1547 SECTION 27. Payment Agreements.

1548 A. General. To the extent and for the purposes permitted from time to time
1549 by Chapter 39.96 RCW, as it may be amended, and other applicable provisions of State
1550 law, the county may enter into Payment Agreements, subject to the conditions set forth in
1551 this section and in other provisions of this ordinance.

1552 B. Manner and Schedule of Payments. Each Payment Agreement must set
1553 forth the manner in which the Payment Agreement Payments and the Payment
1554 Agreement Receipts will be calculated and a schedule of payment dates.

1555 C. Authorizing Ordinance. Prior to entering into a Payment Agreement, the
1556 county council must pass an ordinance authorizing such agreement and setting forth such
1557 provisions as the county deems necessary or desirable and are not inconsistent with the
1558 provisions of this ordinance.

1559 D. Calculation of Payment Agreement Payments and Debt Service on Bonds
1560 with Respect to which a Payment Agreement is in Force. It is the intent of the county, for
1561 purposes of Sections 18, 24 or 25 of this ordinance, that debt service on Parity Bonds

1562 with respect to which a Parity Payment Agreement is in force will be calculated to reflect
1563 the net economic effect on the county intended to be produced by the terms of such Parity
1564 Bonds and Parity Payment Agreement and that debt service on Parity Lien Obligation
1565 Bonds with respect to which a Parity Lien Obligation Payment Agreement is in force will
1566 be calculated to reflect the net economic effect on the county intended to be produced by
1567 the terms of such Parity Lien Obligation Bonds and Parity Lien Obligation Payment
1568 Agreement. In calculating such amounts, the county will be guided by the following
1569 requirements.

1570 (i) The amount of interest deemed to be payable on any Bonds with
1571 respect to which a Payment Agreement is in force will be an amount equal to the amount
1572 of interest that would be payable at the rate or rates stated in those Bonds plus Payment
1573 Agreement Payments minus Payment Agreement Receipts.

1574 (ii) For any period during which Payment Agreement Payments are
1575 not taken into account in calculating interest on any outstanding Bonds because the
1576 Payment Agreement is not then related to any outstanding Bonds, Payment Agreement
1577 Payments on that Parity Payment Agreement will be calculated based upon the following
1578 assumptions:

1579 (a) County Obligated to Make Payments Based on Fixed Rate.
1580 If the county is obligated to make Payment Agreement Payments based on a fixed rate
1581 and the Qualified Counterparty is obligated to make payments based on a variable rate
1582 index, payments by the county will be based on the assumed fixed payor rate, and
1583 payments by the Qualified Counterparty will be based on a rate equal to the average rate

1584 determined by the variable rate index specified by the Payment Agreement during the
1585 fiscal quarter preceding the quarter in which the calculation is made; and

1586 (b) County Obligated to Make Payments Based on Variable
1587 Rate Index. If the county is obligated to make Payment Agreement Payments based on a
1588 variable rate index and the Qualified Counterparty is obligated to make payments based
1589 on a fixed rate, payments by the county will be based on a rate equal to the average rate
1590 determined by the variable rate index specified by the Payment Agreement during the
1591 fiscal quarter preceding the quarter in which the calculation is made, and the Qualified
1592 Counterparty will make payments based on the fixed rate specified by the Payment
1593 Agreement.

1594 E. Prior Notice to Rating Agencies. The county will give notice to Moody's
1595 and S&P 30 days prior to the date it intends to enter into a Parity Payment Agreement
1596 and will give notice to Fitch, Moody's and S&P 30 days prior to the date it intends to
1597 enter into a Parity Lien Obligation Payment Agreement.

1598 **SECTION 28. Sale of Bonds.**

1599 A. Determination by Finance Director. The Finance Director will determine,
1600 in consultation with the county's financial advisors, the principal amount of each series of
1601 the Project Bonds, which of the Refunding Candidates will be refunded, whether Project
1602 Bonds and Refunding Bonds will be sold separately or in one or more combined series,
1603 whether each series of Bonds will be structured as Tax-Exempt Bonds, Tax-Benefited
1604 Bonds or otherwise, and whether each series of Bonds will be sold by negotiated sale or
1605 competitive bid and by current or future delivery. The authority to sell any of the Bonds
1606 authorized hereunder will terminate two years from the effective date of this ordinance.

1607 B. Procedure for Negotiated Sale. If the Finance Director determines that
1608 - any series of the Bonds will be sold by negotiated sale, the Finance Director will, in
1609 accordance with applicable county procurement procedures, solicit one or more
1610 underwriting firms with which to negotiate the sale of the Bonds. The purchase contract
1611 for any series of Bonds will establish the date, principal amount, interest rates, maturity
1612 schedule, redemption and bond insurance provisions, and delivery date of the Bonds.
1613 The county council by a Sale Motion will approve the bond purchase contract and ratify
1614 and confirm the terms for the series of Bonds established therein.

1615 C. Procedure for Sale by Competitive Bid. If the Finance Director
1616 determines that any series of the Bonds will be sold by competitive bid, bids for the
1617 purchase of such Bonds will be received at such time or place and by such means as the
1618 Finance Director directs. The Finance Director is authorized to prepare a notice of sale
1619 for such Bonds, establishing in such notice the date, principal amount, interest payment
1620 dates, maturity schedule, and redemption and bond insurance provisions for such Bonds.
1621 The official notice of sale or an abridged form thereof may be published in such
1622 newspapers or financial journals as the county's financial advisors deem desirable or
1623 appropriate.

1624 Upon the date and time established for the receipt of bids for any series of the
1625 Bonds, the Finance Director or his designee will review the bids, cause the bids to be
1626 mathematically verified and report to the county council regarding the bids received.
1627 Such bids will then be considered and acted upon by the county council in an open public
1628 meeting. The county council reserves the right to reject any and all bids for such Bonds.
1629 The county council by a Sale Motion will approve the sale of such Bonds and ratify and

1630 confirm the date, interest rates, maturity schedule, redemption and bond insurance
1631 provisions, and any other terms of such Bonds.

1632 **SECTION 29. Delivery of Bonds.** Following the sale of any series of the Bonds,
1633 the county will cause definitive Bonds of such series to be prepared, executed and
1634 delivered, which Bonds will be typewritten, lithographed or printed with engraved or
1635 lithographed borders, or in such other form acceptable to DTC as initial depository for
1636 the Bonds.

1637 If definitive Bonds are not ready for delivery by the date established for a
1638 Closing, then the Finance Director, upon the approval of the purchasers, may cause to be
1639 issued and delivered to the purchasers one or more temporary Bonds with appropriate
1640 omissions, changes and additions. Any temporary Bond or Bonds will be entitled and
1641 subject to the same benefits and provisions of this ordinance with respect to the payment,
1642 security and obligation thereof as definitive Bonds authorized thereby. Such temporary
1643 Bond or Bonds will be exchangeable without cost to the owners thereof for definitive
1644 Bonds when the latter are ready for delivery.

1645 **SECTION 30. Preliminary Official Statement; Official Statement.** The county
1646 hereby authorizes and directs the Finance Director: (i) to review and approve the
1647 information contained in the preliminary official statement (the "Preliminary Official
1648 Statement") prepared in connection with the sale of any series of the Bonds; and (ii) for
1649 the sole purpose of the Bond purchasers' compliance with Section (b)(1) of the Rule, to
1650 "deem final" that Preliminary Official Statement as of its date, except for the omission of
1651 information on offering prices, interest rates, selling compensation, delivery dates, bond
1652 insurance, any other terms or provisions required by the county to be specified in a

1653 competitive bid or bond purchase contract, ratings, the identity of the Bond purchasers,
1654 and other terms of such series of Bonds dependent on such matters. After a Preliminary
1655 Official Statement has been reviewed and approved in accordance with the provisions of
1656 this section, the county hereby authorizes distribution of the Preliminary Official
1657 Statement to prospective purchasers of such series of Bonds.

1658 Following the sale of any series of the Bonds in accordance with Section 28 of
1659 this ordinance, the Finance Director is hereby authorized to review and approve on behalf
1660 of the county a final official statement with respect to such Bonds. The county agrees to
1661 cooperate with the purchaser of such Bonds to deliver or cause to be delivered, within
1662 seven business days from the date of the Sale Motion and in sufficient time to accompany
1663 any confirmation that requests payment from any customer of the purchaser, copies of the
1664 final official statement in sufficient quantity to comply with paragraph (b)(4) of the Rule
1665 and the rules of the Municipal Securities Rulemaking Board ("MSRB").

1666 SECTION 31. Undertaking to Provide Ongoing Disclosure. In each Sale
1667 Motion, the county council will set forth an undertaking for ongoing disclosure with
1668 respect to each series of the Bonds, as required by Section (b)(5) of the Rule.

1669 SECTION 32. General Authorization. The appropriate county officials, agents
1670 and representatives are hereby authorized and directed to do everything necessary for the
1671 prompt sale, issuance, execution and delivery of the Bonds, and for the proper use and
1672 application of the proceeds of the sale thereof.

1673 SECTION 33. Investment of Funds and Accounts. Money in the Parity Bond
1674 Fund, Parity Bond Reserve Account, Parity Lien Obligation Bond Fund, Revenue Fund
1675 and Construction Account may be invested in any investments permitted for funds of the

1676 county. Obligations purchased as an investment of money in the Revenue Fund, Parity
1677 Bond Fund, Parity Lien Obligation Bond Fund, and Construction Account and accounts
1678 or subaccounts therein will be deemed at all times to be a part of such respective fund,
1679 account or subaccount, and the income or interest earned, profits realized or losses
1680 suffered by a fund, account or subaccount due to the investment thereof will be retained
1681 in, credited or charged, as the case may be, to such fund or account.

1682 In computing the amount in any fund or account under the provisions of this
1683 ordinance, obligations purchased as an investment of money therein will be valued at the
1684 cost or market price thereof, whichever is lower, inclusive of accrued interest.

1685 SECTION 34. Defeasance. In the event that money or noncallable Government
1686 Obligations maturing at such time or times and bearing interest to be earned thereon in
1687 amounts (together with such money, if necessary) sufficient to redeem and retire, refund
1688 or defease part or all of the Bonds in accordance with their terms, are set aside in a
1689 special account of the county to effect such redemption and retirement, and such money
1690 and the principal of and interest on such Government Obligations are irrevocably set
1691 aside and pledged for such purpose, then no further payments need be made into the
1692 applicable bond fund for the payment of the principal of and interest on the Bonds so
1693 provided for, and such Bonds will cease to be entitled to any lien, benefit or security of
1694 this ordinance except the right to receive the money so set aside and pledged, and such
1695 Bonds will be deemed not to be outstanding hereunder.

1696 Within 30 days of the defeasance of any of the Bonds, the Bond Registrar will
1697 provide notice of defeasance of such Bonds to the Registered Owners of the Bonds and to

1698 the MSRB in accordance with the ongoing disclosure provisions to be adopted by the
1699 Sale Motion.

1700 SECTION 35. Supplemental Ordinances.

1701 A. Without Bondowner Consent. The county council from time to time and
1702 at any time may adopt an ordinance or ordinances supplemental to this ordinance which
1703 supplemental ordinance or ordinances thereafter will become a part of this ordinance, for
1704 any one or more of the following purposes:

1705 (1) To add to the covenants and agreements of the county in this
1706 ordinance such other covenants and agreements thereafter to be observed that will not
1707 adversely affect the interests of the holders and owners of any Parity Bonds or Parity
1708 Lien Obligations, as applicable, or to surrender any right or power herein reserved to or
1709 conferred upon the county.

1710 (2) To make such provisions for the purpose of curing any ambiguities
1711 or of curing, correcting or supplementing any defective provision contained in this
1712 ordinance or any ordinance authorizing Parity Bonds or Parity Lien Obligations in regard
1713 to matters or questions arising under such ordinances as the county council may deem
1714 necessary or desirable and not inconsistent with such ordinances and that will not
1715 adversely affect the interest of the holders and owners of Parity Bonds or Parity Lien
1716 Obligations, as applicable.

1717 B. With Bondowner Consent.

1718 (1) From and after such time as no 2001 Bonds, 2002A Bonds, 2002B
1719 Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds,
1720 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, with the consent of the

1721 owners of not less than 51% in aggregate principal amount of all Parity Bonds at the time
1722 outstanding, the Council may adopt an ordinance or ordinances supplemental hereto for
1723 the purpose of adding any provisions to or changing in any manner or eliminating any of
1724 the provisions of this ordinance or of any supplemental ordinance applicable to Parity
1725 Bonds, except as described in subsection (3) below.

1726 (2) From and after such time as no Series 2005 Bonds, Series 2008
1727 Bonds or Series 2009 Bonds, with the consent of the owners of not less than 51% in
1728 aggregate principal amount of all Parity Lien Obligations at the time outstanding, the
1729 Council may adopt an ordinance or ordinances supplemental hereto for the purpose of
1730 adding any provisions to or changing in any manner or eliminating any of the provisions
1731 of this ordinance or of any supplemental ordinance applicable to Parity Lien Obligations,
1732 except as described in subsection (3) below.

1733 (3) No supplemental ordinance entered into pursuant to this subsection
1734 B may:

1735 (i) Extend the fixed maturity of any Parity Bonds or Parity
1736 Lien Obligations, or reduce the rate of interest thereon, or extend the time of payments of
1737 interest from their due date, or reduce the amount of the principal thereof, or reduce any
1738 premium payable on the redemption thereof, without the consent of the owner of each
1739 bond so affected; or

1740 (ii) Reduce the aforesaid percentage of owners of Parity Bonds
1741 or Parity Lien Obligations required to approve any such supplemental ordinance, without
1742 the consent of the owners of all of such bonds.

1743 (4) It is not necessary for the consent of Bond owners under this
1744- subsection B to approve the particular form of any proposed supplemental ordinance, but
1745 it is sufficient if such consent approves the substance thereof.

1746 SECTION 36. Ordinance a Contract; Severability. The covenants contained in
1747 this ordinance constitute a contract between the county and (i) the owners of each and
1748 every Bond, (ii) the Qualified Counterparty to any Payment Agreement entered into with
1749 respect to any Bonds, and (iii) the provider of any Credit Facility, Qualified Insurance or
1750 Qualified Letter of Credit with respect to any Bonds. If any court of competent
1751 jurisdiction determines that any covenant or agreement provided in this ordinance to be
1752 performed on the part of the county is contrary to law, then such covenant or agreement
1753 shall be null and void and shall be deemed separable from the remaining covenants and
1754 agreements of this ordinance and shall in no way affect the validity of the other
1755 provisions of this ordinance or of the Bonds.

1756 SECTION 37. Effective Date. This ordinance shall be effective 10 days after its
1757 enactment, in accordance with Article II of the county charter.
1758

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Robert W. Ferguson, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, _____.

Dow Constantine, County Executive

Attachments: A. Exhibit A Form of Parity Bond

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 the interest payment date; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 par value of the Bonds, interest will be paid by wire transfer on the interest payment date to an account with a bank located in the United States.

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of \$ _____ (the "Bonds"), and is issued to [refund certain obligations of] [provide funds for capital improvements to] the sewer system of the County (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 Ordinance"). Capitalized terms used in this bond and not defined herein have the meanings given such terms in the Bond Ordinance.

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

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 Ordinance 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 Ordinance to be paid into and maintained in the Parity Bond Fund, all within the times provided by the Bond Ordinance.

Said 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. Said 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 Ordinance. Reference to the Bond Ordinance is made for a description of the nature and extent of the security for the Bonds, the funds or revenues pledged, and the terms and conditions upon which the Bonds are issued.

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

This bond will not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon 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, Series _____, of King County, Washington, dated _____, 20__, described in the within mentioned Bond Ordinance.

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.

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 the interest payment date; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 par value of the Bonds, interest will be paid by wire transfer on the interest payment date to an account with a bank located in the United States.

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of \$ _____ (the "Bonds"), and is issued [to refund certain obligations of] [provide funds for capital improvements to] the sewer system of the County (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 Ordinance"). Capitalized terms not otherwise defined herein have the meanings given such terms in the Bond Ordinance.

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

The Bonds are general obligations of the County. The County has irrevocably covenanted and agreed for as long as any of the Bonds are outstanding and unpaid, that each year it will include in its budget and levy an *ad valorem* tax upon all property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the Bonds as the same 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 Bond Fund out of Revenue of the System amounts sufficient to pay when due the principal of and interest on the Bonds. The pledge of Revenue of the System constitutes a lien and charge on such revenue subject to Operating and Maintenance Expenses and junior, subordinate and inferior to the lien and charge on such revenue securing the Parity Bonds, equal to the lien and charge securing the outstanding Parity Lien Obligations and any additional Parity Lien Obligations hereafter issued, and superior to any other charges whatsoever. The County has reserved the right to issue additional Parity Lien Obligations on the terms and conditions set forth in the Bond Ordinance.

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

The pledge of tax levies and revenues and other obligations of the County under the Bond Ordinance may be discharged prior to maturity of the Bonds by making

provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

This bond will not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon 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.

March 31, 2010

The Honorable Bob Ferguson
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Ferguson:

Enclosed is a proposed Bond Ordinance that would authorize the issuance of up to \$1.475 billion of new bonds (the "Bonds") over the next two years on behalf of the Wastewater Treatment Division (WTD). Of this total amount, up to \$475 million would be new borrowing to provide continued funding for WTD's capital improvement program through 2011 and the remaining \$1 billion would be utilized to refund certain outstanding wastewater bonds.

In 2008, WTD and the County initiated a 5-year financing plan in anticipation of exceptional levels of capital spending for construction of the Brightwater Treatment System and other major projects contained in the Regional Wastewater Services Plan (RWSP). The twin goals of the plan were fully funding the Brightwater project and smoothing sharp variations in projected monthly sewer rate increases. It was anticipated that approximately \$1.4 billion in bonds would be issued in support of the WTD capital program during 2008 through 2011. The first stage of the plan was the authorization of \$900 million in new bonds to support capital activity in 2008 and 2009. The bonds issued under this authorization were structured to maintain a stable sewer rate of \$31.60 for 2009 and 2010.

Continuing to the next stage, this ordinance seeks authorization for an additional \$475 million of new borrowing for 2010 and 2011. Though this level of borrowing is significantly below previous levels, WTD will be incurring substantial expenditures for the construction of the Brightwater treatment plant and conveyance systems during this period. This borrowing level is consistent with WTD's current financial plan and rate projections. Additionally, it provides the flexibility to use a portion of the proceeds of the Bonds to potentially replace surety policies that comprise a portion of the existing debt service reserve if so needed.

It is anticipated that the Bonds to generate funds for the capital improvement program will be issued in multiple series on either a competitive or negotiated basis within two years of the

effective date of the ordinance. The first sale under this authorization, in the amount of approximately \$250 million, is expected to take place during the second quarter of 2010.

The ordinance would also authorize up to \$1 billion for refunding certain outstanding wastewater bonds. On January 1, 2012 approximately \$485 million of outstanding wastewater bonds will reach their first call date and thus become eligible to be refunded on a current basis during the last quarter of 2011, which is within the timeframe of this requested authorization. Based on today's bond market conditions, the current refunding of all of these bonds would comfortably achieve the present value debt service savings targets for such transactions identified in the county's debt management policy adopted by Motion 12660.

The inclusion of the remainder of the requested refunding authorization, however, is driven by the desire to be in a position to take advantage of future financial market developments. If either long-term interest rates were to fall significantly or short-term interest rates were to rise dramatically during the next two years, it may be possible that the advance refunding of certain other wastewater bonds would achieve the county's 5% present value debt service savings target for such transactions. If such favorable conditions do not materialize within the term of the authorization, the authority would simply expire unused.

The proposed authorization would allow the Bonds to be sold as either sewer revenue bonds or so-called double-barreled limited tax general obligation (LTGO) bonds. In general, the use of double-barreled LTGO bonds is advantageous since, given their higher credit rating, they produce lower borrowing costs than do sewer revenue bonds and also would avoid the need for borrowing additional funds to establish a debt service reserve. However, having acknowledged this fact, it is not always either possible or prudent to issue every installment of wastewater debt in the form of double-barreled LTGO bonds.

Specifically, because of the more stringent additional bonds test that must be satisfied for double-barreled LTGO bonds, it will not be possible to issue such bonds of any meaningful size to generate new money for WTD again until 2011 when a new higher monthly sewer rate is expected to be in effect. Furthermore, if the differential between the rates on double-barreled LTGO bonds and sewer revenue bonds is not sufficiently wide, it may be prudent to issue new debt in the form of sewer revenue bonds in order to preserve the county's debt capacity. Prior to any new money issues in 2011 or any refunding issues, the county's financial advisor, Seattle Northwest Securities, will therefore conduct an analysis of the then-prevailing savings to determine whether the use of double-barreled LTGO bonds is warranted.

The exact terms of the Bonds will be established by the finance director in consultation with the county's financial advisor and confirmed by the council in separate Sale Motions to be adopted on the days of the sales. Three drafts of Sale Motions are also included in this legislative package for prior committee consideration.

The Honorable Bob Ferguson

March 31, 2010

Page 3

Thank you for your consideration of this request. If you have any questions regarding these proposed bonds, please contact Ken Guy, Director, Finance and Business Operations Division, at 206-263-9254, or Nigel Lewis, Senior Debt Analyst in the Treasury Operations Section, at 206-296-1168.

Sincerely,

Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers
 ATTN: Tom Bristow, Chief of Staff
 Anne Noris, Clerk of the Council
Dwight Dively, Director, Office of Management and Budget
Bob Burns, Interim Director, Department of Natural Resources and Parks, (DNRP)
Christie True, Director, Wastewater Treatment Division, DNRP
Caroline Whalen, Acting County Administrative Officer, Department of
 Executive Services (DES)
Ken Guy, Director, Finance and Business Operations Division, (FBOD), DES
Nigel Lewis, Senior Debt Analyst, Treasury Operations, FBOD, DES



KING COUNTY
Signature Report

Attachment 3
11200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

June 14, 2010

Motion

Proposed No. 2010-0228.1

Sponsors Patterson

1 A MOTION of the county council approving a [bid/bond
2 purchase agreement] for the county's [Sewer Revenue [and
3 Refunding] Bonds, Series 20__/_/Limited Tax General
4 Obligation [and Refunding] Bonds (Payable from Sewer
5 Revenue), 20__], in the aggregate principal amount of
6 \$_____ and establishing certain terms of such bonds
7 [and a plan of refunding], all in accordance with Ordinance
8 _____.

9 WHEREAS, the county council by Ordinance _____ passed on _____,
10 2010 (the "Bond Ordinance"), authorized the issuance and sale of bonds of the county
11 payable from sewer revenues, as follows: (i) not to exceed \$475,000,000 principal
12 amount of bonds to pay costs of certain capital improvements to the county's sewer
13 system (the "System") in accordance with the county's comprehensive water pollution
14 abatement plan (the "Project Bonds") and (ii) not to exceed \$1,000,000,000 principal
15 amount of bonds to refund certain outstanding bonds payable from sewer revenues (the
16 "Refunding Bonds"), and

17 WHEREAS, the Bond Ordinance authorizes such bonds to be sold in one or more
18 series, as Parity Bonds or Parity Lien Obligations (as such terms are defined in the Bond
19 Ordinance), as Tax-Exempt Bonds, Tax-Benefited Bonds or otherwise, and by negotiated

Motion

20 sale or competitive bid, as determined by the county's director of finance and business
21 operations division (the "Finance Director") in consultation with the county's financial
22 advisors, and

23 WHEREAS, the Finance Director has determined that \$ _____ principal
24 amount of Project Bonds (the "Project Portion") [and \$ _____ principal amount of
25 Refunding Bonds (the "Refunding Portion")] be sold in a series of [Parity Bonds/Parity
26 Lien Obligations] in the aggregate principal amount of \$ _____ to be designated as
27 the county's [Sewer Revenue [and Refunding] Bonds, Series 20__ /Limited Tax General
28 Obligation [and Refunding] Bonds (Payable from Sewer Revenue), 20__] (the "Bonds"),
29 structured as [Tax-Exempt Bonds/Taxable Build America Bonds-Direct
30 Payment/ _____], and sold by [competitive bid/negotiated sale], and

31 WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement
32 dated _____, 20__, has been prepared for the sale of the Bonds, [the Official
33 Notice of Bond Sale (the "Notice") has been distributed, and bids have been received in
34 accordance with the Notice] [and the Finance Director has negotiated the sale of the
35 Bonds to _____ (the "Underwriter")], and

36 WHEREAS, [the attached bid of _____ (the "Purchaser") to
37 purchase the Bonds is the best bid received for the Bonds, and] it is in the best interest of
38 the county that the Bonds be sold to the [Purchaser/Underwriter] on the terms set forth in
39 [the Notice, the attached bid/the attached bond purchase contract], the Bond Ordinance,
40 and this motion, and

41 WHEREAS, in accordance with the Bond Ordinance, the council wishes to ratify
42 and confirm certain terms of the Bonds [and approve a plan of refunding certain

43 outstanding sewer revenue bonds of the county from proceeds of the Refunding Portion],
44 as set forth herein;

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

46 A. Definitions. Except as expressly authorized herein, capitalized terms used
47 in this motion have the meanings set forth in the Bond Ordinance.

48 B. [Ratification of Notice of Sale, Acceptance of Bid./Approval of Bond
49 Purchase Contract] and Authorization of Bonds. The issuance of the Bonds, designated
50 as set forth in the recitals of this motion, and the terms and conditions thereof as set forth
51 in the [Official Notice of Bond Sale, attached hereto as Attachment A (the
52 "Notice"),/Bond Purchase Contract attached hereto as Attachment A (the "Purchase
53 Contract")] are hereby ratified and confirmed, and [Purchaser's bid to purchase the
54 Bonds, as set forth on Attachment B (the "Bid"), is hereby accepted/the Purchase
55 Contract is hereby approved]. The Bonds shall bear interest at the rates set forth in [the
56 Bid/the Purchase Contract] and shall conform in all other respects to the terms and
57 conditions specified in the [Notice, Bid/Purchase Contract] and Bond Ordinance. The
58 Bonds shall be subject to redemption as set forth in the [Notice and Bid/Purchase
59 Contract].

60 [In accordance with the Purchase Contract, the council hereby accepts the
61 commitment from _____ (the "Insurer") to provide
62 a municipal bond insurance policy guaranteeing the scheduled payment of principal of
63 and interest on the Bonds (the "Bond Insurance Policy"). The council further authorizes
64 and directs all proper officers, agents, attorneys and employees of the county to cooperate
65 with the Insurer in preparing such additional agreements, certificates, and other

66_ documentation on behalf of the county as shall be necessary or advisable in providing for
67 the Bond Insurance Policy.]

68 C. Satisfaction of Parity Conditions. In accordance with the provisions of the
69 ordinances authorizing the issuance of the currently outstanding [Parity Bonds/Parity
70 Lien Obligations], which permit the issuance of additional [Parity Bonds/Parity Lien
71 Obligations] upon compliance with the conditions set forth therein (the "Parity
72 Conditions"), the county council hereby finds and determines, as follows:

73 **[For Parity Bonds:**

74 (i) The Project Portion of the Bonds is to be issued for the purpose of
75 acquiring, constructing and installing portions of the Comprehensive Plan and for
76 acquiring, constructing and installing necessary renewals or replacements of the System.

77 (ii) The Refunding Portion of the Bonds is to be issued for the purpose
78 of refunding and retiring prior to their maturity certain outstanding obligations of the
79 county payable from Revenue of the System.

80 (iii) There is not now, and when the Bonds are issued there will not
81 then be, any deficiency in the Parity Bond Fund or any account therein.

82 (iv) The Bond Ordinance provides for payment out of the Parity Bond
83 Fund of the principal of and interest on the Bonds and this motion provides for
84 satisfaction of the Reserve Requirement, as required by the Parity Conditions.

85 (v) The county will have on file at the Closing of the Bonds a
86 certificate of the Finance Director or of a Professional Utility Consultant to satisfy the
87 revenue test for issuance of Future Parity Bonds required by the Parity Conditions.]

88 **[For Parity Lien Obligations:**

89 (i) The Project Portion of the Bonds is to be issued for lawful
90 purposes of the County relating to the Sewer System;

91 (ii) The Refunding Portion of the Bonds is to be issued for the purpose
92 of refunding and retiring prior to their maturity certain outstanding obligations of the
93 county payable from Revenue of the System.

94 (iii) There is not now, and when the Bonds are issued there will not
95 then be, any deficiency in the Parity Bond Fund, the Parity Lien Obligation Bond Fund or
96 any other bond fund or account securing Parity Lien Obligations.

97 (iv) The county shall have on file at the Closing of the Bonds a
98 certificate of a licensed professional engineer experienced in the design, construction and
99 operation of municipal utilities of scope similar to the System to satisfy the revenue test
100 for issuance of additional Parity Lien Obligations required by the Parity Conditions.]

101 The applicable Parity Conditions having been complied with in connection with
102 the issuance of the Bonds, the pledge contained in the Bond Ordinance of Revenue of the
103 System to pay and secure the payment of the Bonds shall constitute a lien and charge
104 upon such revenue equal in rank with the lien and charge upon the Revenue of the
105 System to pay and secure the payment of the outstanding [Parity Bonds/Parity Lien
106 Obligations].

107 D. Application of Project Bond Proceeds; Satisfaction of Reserve
108 Requirement. In accordance with Section 15.A of the Bond Ordinance, there is hereby
109 established a special subaccount within the Construction Account to be designated as the
110 Series 20__ Construction Subaccount (the "Construction Subaccount"). Proceeds of the
111 Project Portion (exclusive of accrued interest, if any, which shall be deposited into the

112 Debt Service Account in the [Parity Bond Fund/Parity Lien Obligation Bond Fund]) shall
113 be deposited in the Construction Subaccount and applied to pay costs of improvements to
114 the System and costs of issuance of the Project Portion, in accordance with Section 15.A
115 of the Bond Ordinance.

116 [In accordance with Section 9.C of the Bond Ordinance, proceeds of the Project
117 Portion shall be [deposited into the Bond Reserve Account/used to purchase Qualified
118 Insurance in the form of a surety bond (the "Surety Bond") from the Insurer] in an
119 amount sufficient to satisfy the Reserve Requirement with respect to the Bonds. [The
120 County agrees to the conditions for obtaining the Surety Bond, including the payment of
121 the premium therefor and the other requirements to be set forth in an agreement to be
122 approved and executed by the Finance Director on behalf of the county. The council
123 further authorizes and directs all proper officers, agents, attorneys and employees of the
124 county to cooperate with the Insurer in preparing such additional agreements, certificates,
125 and other documentation on behalf of the county as shall be necessary or advisable in
126 providing for the Surety Bond.]

127 [E. Refunding and Redemption of Refunded Bonds.

128 1. Plan of Refunding. In accordance with Sections 16 and 28 of the
129 Bond Ordinance, the Finance Director has determined, in consultation with the county's
130 financial advisors, that proceeds of the Refunding Portion shall be used to refund the
131 following obligations of the county payable from sewer revenues pursuant to the plan of
132 refunding set forth below and ratified and confirmed hereby:

146 (a) the interest on the Refunded Bonds due and payable on and prior to
147 January 1, 20___; and

148 (b) the redemption price (___% of the principal amount) payable on
149 January 1, 20___, of the Refunded Bonds.

150 Any beginning cash balance and the Escrow Securities shall be irrevocably
151 deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds
152 in accordance with the ordinance(s) authorizing the Refunded Bonds. Any amounts
153 described above that are not provided for in full by such beginning cash balance and the
154 purchase and deposit with the Escrow Agent of the Escrow Securities shall be provided
155 for by the irrevocable deposit of the necessary amount out of the proceeds of sale of the
156 Refunding Portion or any other money of the county legally available therefor. The
157 proceeds of the Refunding Portion remaining in the Refunding Account after acquisition
158 of the Escrow Securities and provision for the necessary beginning cash balance shall be
159 utilized to pay expenses of the acquisition and safekeeping of the Escrow Securities and
160 the costs of issuing the Refunding Portion. The county may, from time to time, transfer,
161 or cause to be transferred, from the Refunding Account any money not thereafter required
162 for the purposes set forth in subparagraphs (a) and (b) above, subject to verification in
163 writing by an independent certified public accountant that such transfer will not result in
164 inadequate funds being available to make the required payments therefrom. The county
165 reserves the right to substitute other securities for the Escrow Securities in the event it
166 may do so pursuant to Section 148 of the Code and applicable regulations thereunder,
167 upon compliance with the conditions set forth in the Escrow Agreement.

168 The selection of _____ as Escrow Agent is
169 hereby ratified and confirmed.

170 2. Redemption of Refunded Bonds. The county hereby irrevocably sets
171 aside sufficient funds through the purchase of the Escrow Securities and an initial cash
172 deposit to make the payments, as specified in subparagraphs (a) and (b) above.

173 The county hereby irrevocably defeases and calls for redemption on January 1,
174 20__, the Refunded Bonds in accordance with the provisions of the ordinance(s)
175 authorizing the redemption and retirement of the Refunded Bonds prior to their fixed
176 maturities.

177 Said defeasance and call for redemption of the Refunded Bonds shall be
178 irrevocable after the final establishment of the Refunding Account and delivery of the
179 Escrow Securities and the requisite cash deposit, if any, to the Escrow Agent, except as
180 provided herein relating to the substitution of securities. The Finance Director is
181 authorized and requested to provide whatever assistance is necessary to accomplish such
182 defeasance and redemption.

183 The Escrow Agent is hereby authorized and directed to notify the fiscal agency of
184 the State of Washington to give notice of the redemption of the Refunded Bonds in
185 accordance with the applicable provisions of the ordinance(s) authorizing their issuance.
186 The Finance Director is authorized and requested to provide whatever assistance is
187 necessary to accomplish such redemption and the giving of notice therefor. The costs of
188 publication of such notice shall be an expense of the county.

189 The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or
190 agencies of the State of Washington sums sufficient to make, when due, the payments

191 specified in subparagraphs (a) and (b) above. All such sums shall be paid from the
192 money and the Escrow Securities deposited with the Escrow Agent pursuant to this
193 section, and the income therefrom and proceeds thereof. All such sums so paid shall be
194 credited to the Refunding Account. All money and Escrow Securities deposited with the
195 Escrow Agent and any income therefrom shall be held, invested and applied in
196 accordance with the provisions of the Bond Ordinance and with the laws of the State of
197 Washington for the benefit of the county and the owners of the Refunded Bonds.

198 3. Findings of Saving and Defeasance. This council hereby finds and
199 determines that the issuance and sale of the Refunding Portion at this time will effect a
200 savings to the county and ratepayers of the System. In making such finding and
201 determination, the council has given consideration to the interest on and the fixed
202 maturities of the Refunding Portion and the Refunded Bonds, the costs of issuance of the
203 Refunding Portion and the known earned income from the investment of the proceeds of
204 sale of the Refunding Portion pending redemption and payment of the Refunded Bonds.

205 This council hereby further finds and determines that the Escrow Securities to be
206 deposited with the Escrow Agent and the income therefrom, together with any necessary
207 beginning cash balance, are sufficient to defease and redeem the above-referenced
208 Refunded Bonds and will discharge and satisfy the obligations of the county with respect
209 to the Refunded Bonds under the ordinance(s) authorizing their issuance and the pledges
210 of the county therein. Immediately upon the delivery of such Escrow Securities to the
211 Escrow Agent and the deposit of any necessary beginning cash balance, the Refunded
212 Bonds shall be deemed not to be outstanding under their respective authorizing
213 ordinance(s) and shall cease to be entitled to any lien, benefit or security under such

214 ordinance(s) except the right to receive payment from the Escrow Securities and
215 beginning cash balance so set aside and pledged.]

216 F. Undertaking to Provide Ongoing Disclosure.

217 1. Contract/Undertaking. In accordance with Section 31 of the Bond
218 Ordinance, this Section F constitutes the county's written undertaking for the benefit of
219 the owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

220 2. Financial Statements/Operating Data. The county agrees to
221 provide or cause to be provided to the MSRB the following annual financial information
222 and operating data for the prior fiscal year (commencing in 20__ for the fiscal year
223 ended December 31, 20__):

224 **[For Parity Bonds:**

225 (a) Annual financial statements showing year-end fund balance
226 for the County's Water Quality Enterprise fund prepared in accordance with the Budget
227 Accounting and Reporting System prescribed by the Washington State Auditor pursuant
228 to RCW 43.09.200 (or any successor statute) and generally of the type included in the
229 official statement for the Bonds under the heading "Appendix __: Excerpts from the
230 County's 20__ Comprehensive Annual Financial Report";

231 (b) Amount of outstanding Parity Bonds; and

232 (c) Information regarding customers, revenues and expenses of
233 the System generally in the form set forth in the Official Statement for the Bonds in the
234 table labeled "Summary of Historical Sewer System Customers, Revenues and
235 Expenses."

236 Items (b) and (c) shall be required only to the extent that such information is not
237 included in the annual financial statements.]

238 **[For Parity Lien Obligations:**

239 (a) Annual financial statements prepared in accordance with
240 the Budget Accounting and Reporting System prescribed by the Washington State
241 Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type
242 included in the official statement for the Bonds under the heading "Appendix ____,
243 Audited 20__ Financial Statements";

244 (b) A summary of budgeted general fund revenues and
245 appropriations;

246 (c) A summary of the assessed valuation of taxable property in
247 the county;

248 (d) A summary of the ad valorem property tax levy and
249 delinquency rate;

250 (e) A schedule of the aggregate annual debt service on tax-
251 supported indebtedness of the county;

252 (f) A summary of outstanding tax-supported indebtedness of
253 the county; and

254 (g) Information regarding customers, revenues and expenses of
255 the System generally in the form set forth in the Official Statement for the Bonds in the
256 table labeled "Summary of Historical Sewer System Customers, Revenues and
257 Expenses."

258 Items (b) through (g) shall be required only to the extent that such information is
259 not included in the annual financial statements.]

260 Such annual information and operating data described above shall be provided on
261 or before seven months after the end of the county's fiscal year. The county's fiscal year
262 currently ends on December 31. The county may adjust such fiscal year by providing
263 written notice of the change of fiscal year to the MSRB. In lieu of providing such annual
264 financial information and operating data, the county may cross-refer to other documents
265 available to the public on the MSRB's internet website or filed with the Commission.
266 If not provided as part of the annual financial information discussed above, the county
267 shall provide to the MSRB the county's audited annual financial statement prepared in
268 accordance with the Budget Accounting and Reporting System prescribed by the
269 Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when
270 and if available.

271 3. Material Events. The county agrees to provide or cause to be
272 provided, in a timely manner, to the MSRB notice of the occurrence of any of the
273 following events with respect to the Bonds, if material:

- 274 (a) Principal and interest payment delinquencies;
- 275 (b) Non-payment related defaults;
- 276 (c) Unscheduled draws on debt service reserves reflecting
277 financial difficulties;
- 278 (d) Unscheduled draws on credit enhancements reflecting
279 financial difficulties;

280 (e) Substitution of credit or liquidity providers, or their failure
281 to perform;

282 (f) Adverse tax opinions or events affecting the tax-exempt
283 status of the Bonds;

284 (g) Modifications to rights of Bond holders;

285 (h) Optional, contingent or unscheduled calls of any Bonds
286 other than scheduled sinking fund redemptions for which notice is given pursuant to
287 Exchange Act Release 34-23856;

288 (i) Defeasances;

289 (j) Release, substitution or sale of property securing repayment
290 of the Bonds; and

291 (k) Rating changes.

292 **[For Parity Bonds:** Solely for purposes of disclosure, and not intending to
293 modify this undertaking, the county advises with reference to item (j) above that no
294 property secures payment of the Bonds.]

295 **[For Parity Lien Obligations:** Solely for purposes of disclosure, and not
296 intending to modify this undertaking, the county advises with reference to items (c) and
297 (j) above that no debt service reserves or property secure payment of the Bonds.]

298 4. Notification Upon Failure to Provide Financial Data. The county
299 agrees to provide or cause to be provided to the MSRB, in a timely manner, notice of its
300 failure to provide the annual financial information described in subsection 2 above on or
301 prior to the date set forth in subsection 2 above.

302 5. EMMA; Format for Filings with the MSRB. Until otherwise
303 designated by the MSRB or the Commission, any information or notices submitted to the
304 MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic
305 Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org.
306 All notices, financial information and operating data required by this undertaking to be
307 provided to the MSRB must be in an electronic format as prescribed by the MSRB. All
308 documents provided to the MSRB pursuant to this undertaking must be accompanied by
309 identifying information as prescribed by the MSRB.

310 6. Termination/Modification. The county's obligations to provide
311 annual financial information and notices of material events shall terminate upon the legal
312 defeasance, prior redemption or payment in full of all of the Bonds. This section, or any
313 provision hereof, shall be null and void if the county (i) obtains an opinion of nationally
314 recognized bond counsel to the effect that those portions of the Rule that require this
315 section, or any such provision, are invalid, have been repealed retroactively or otherwise
316 do not apply to the Bonds; and (ii) notifies the MSRB of such opinion and the
317 cancellation of this section.

318 Notwithstanding any other provision of this motion, the county may amend this
319 Section F, and any provision of this Section F may be waived, with an approving opinion
320 of nationally recognized bond counsel and in accordance with the Rule.

321 In the event of any amendment or waiver of a provision of this Section F, the
322 county shall describe such amendment in the next annual report, and shall include, as
323 applicable, a narrative explanation of the reason for the amendment or waiver and its
324 impact on the type (or in the case of a change of accounting principles, on the

325 presentation) of financial information or operating data being presented by the county. In
326 addition, if an amendment relates to the accounting principles to be followed in preparing
327 financial statements, (i) notice of such change shall be given in the same manner as for a
328 material event under subsection 3, and (ii) the annual report for the year in which the
329 change is made should present a comparison (in narrative form and also, if feasible, in
330 quantitative form) between the financial statements as prepared on the basis of the new
331 accounting principles and those prepared on the basis of the former accounting principles.

332 7. Bond Owner's Remedies Under This Section. The right of any
333 Bond owner or Beneficial Owner of Bonds to enforce the provisions of this section shall
334 be limited to a right to obtain specific enforcement of the county's obligations hereunder,
335 and any failure by the county to comply with the provisions of this undertaking shall not
336 be an event of default with respect to the Bonds hereunder. For purposes of this section,
337 "Beneficial Owner" means any person who has the power, directly or indirectly, to vote
338 or consent with respect to, or to dispose of ownership of, any Bonds, including persons
339 holding Bonds through nominees or depositories.

340 G. Further Authority. The county officials, their agents, attorneys and
341 representatives are hereby authorized and directed to do everything necessary for the
342 prompt issuance and delivery of the Bonds and for the proper use and application of the
343 proceeds of such sale.

344 H. Severability. If any provision in this motion is declared by any court of
345 competent jurisdiction to be contrary to law, then such provision shall be null and void

346 and shall be deemed separable from the remaining provisions of this motion and shall in
347 no way affect the validity of the other provisions of this motion or of the Bonds.
348

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Robert W. Ferguson, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, _____.

Dow Constantine, County Executive

Attachments: A. Bond Purchase Agreement-Notice of Bond Sale, B. Winning Bid for the Bonds



KING COUNTY
Signature Report

June 14, 2010

Motion

Proposed No. 2010-0229.1

Sponsors Patterson

1 A MOTION of the county council approving a [bid/bond
2 purchase agreement] for the county's [Sewer Revenue [and
3 Refunding] Bonds, Series 20__ /Limited Tax General
4 Obligation [and Refunding] Bonds (Payable from Sewer
5 Revenue), 20__], in the aggregate principal amount of
6 \$ _____ and establishing certain terms of such bonds
7 [and a plan of refunding], all in accordance with Ordinance
8 _____.

9 WHEREAS, the county council by Ordinance _____ passed on _____,
10 2010 (the "Bond Ordinance"), authorized the issuance and sale of bonds of the county
11 payable from sewer revenues, as follows: (i) not to exceed \$475,000,000 principal
12 amount of bonds to pay costs of certain capital improvements to the county's sewer
13 system (the "System") in accordance with the county's comprehensive water pollution
14 abatement plan (the "Project Bonds") and (ii) not to exceed \$1,000,000,000 principal
15 amount of bonds to refund certain outstanding bonds payable from sewer revenues (the
16 "Refunding Bonds"), and

17 WHEREAS, the Bond Ordinance authorizes such bonds to be sold in one or more
18 series, as Parity Bonds or Parity Lien Obligations (as such terms are defined in the Bond
19 Ordinance), as Tax-Exempt Bonds, Tax-Benefited Bonds or otherwise, and by negotiated

20 sale or competitive bid, as determined by the county's director of finance and business
21 operations division (the "Finance Director") in consultation with the county's financial
22 advisors, and

23 WHEREAS, the Finance Director has determined that \$_____ principal
24 amount of Project Bonds (the "Project Portion") [and \$_____ principal amount of
25 Refunding Bonds (the "Refunding Portion")] be sold in a series of [Parity Bonds/Parity
26 Lien Obligations] in the aggregate principal amount of \$_____ to be designated as
27 the county's [Sewer Revenue [and Refunding] Bonds, Series 20__ /Limited Tax General
28 Obligation [and Refunding] Bonds (Payable from Sewer Revenue), 20__] (the "Bonds"),
29 structured as [Tax-Exempt Bonds/Taxable Build America Bonds-Direct
30 Payment/_____], and sold by [competitive bid/negotiated sale], and

31 WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement
32 dated _____, 20__, has been prepared for the sale of the Bonds, [the Official
33 Notice of Bond Sale (the "Notice") has been distributed, and bids have been received in
34 accordance with the Notice] [and the Finance Director has negotiated the sale of the
35 Bonds to _____ (the "Underwriter")], and

36 WHEREAS, [the attached bid of _____ (the "Purchaser") to
37 purchase the Bonds is the best bid received for the Bonds, and] it is in the best interest of
38 the county that the Bonds be sold to the [Purchaser/Underwriter] on the terms set forth in
39 [the Notice, the attached bid/the attached bond purchase contract], the Bond Ordinance,
40 and this motion, and

41 WHEREAS, in accordance with the Bond Ordinance, the council wishes to ratify
42 and confirm certain terms of the Bonds [and approve a plan of refunding certain

43 outstanding sewer revenue bonds of the county from proceeds of the Refunding Portion],
44 as set forth herein;

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

46 A. Definitions. Except as expressly authorized herein, capitalized terms used
47 in this motion have the meanings set forth in the Bond Ordinance.

48 B. [Ratification of Notice of Sale, Acceptance of Bid./Approval of Bond
49 Purchase Contract] and Authorization of Bonds. The issuance of the Bonds, designated
50 as set forth in the recitals of this motion, and the terms and conditions thereof as set forth
51 in the [Official Notice of Bond Sale, attached hereto as Attachment A (the
52 "Notice"),/Bond Purchase Contract attached hereto as Attachment A (the "Purchase
53 Contract")] are hereby ratified and confirmed, and [Purchaser's bid to purchase the
54 Bonds, as set forth on Attachment B (the "Bid"), is hereby accepted/the Purchase
55 Contract is hereby approved]. The Bonds shall bear interest at the rates set forth in [the
56 Bid/the Purchase Contract] and shall conform in all other respects to the terms and
57 conditions specified in the [Notice, Bid/Purchase Contract] and Bond Ordinance. The
58 Bonds shall be subject to redemption as set forth in the [Notice and Bid/Purchase
59 Contract].

60 [In accordance with the Purchase Contract, the council hereby accepts the
61 commitment from _____ (the "Insurer") to provide
62 a municipal bond insurance policy guaranteeing the scheduled payment of principal of
63 and interest on the Bonds (the "Bond Insurance Policy"). The council further authorizes
64 and directs all proper officers, agents, attorneys and employees of the county to cooperate
65 with the Insurer in preparing such additional agreements, certificates, and other

66 documentation on behalf of the county as shall be necessary or advisable in providing for
67 the Bond Insurance Policy.]

68 C. Satisfaction of Parity Conditions. In accordance with the provisions of the
69 ordinances authorizing the issuance of the currently outstanding [Parity Bonds/Parity
70 Lien Obligations], which permit the issuance of additional [Parity Bonds/Parity Lien
71 Obligations] upon compliance with the conditions set forth therein (the "Parity
72 Conditions"), the county council hereby finds and determines, as follows:

73 **[For Parity Bonds:**

74 (i) The Project Portion of the Bonds is to be issued for the purpose of
75 acquiring, constructing and installing portions of the Comprehensive Plan and for
76 acquiring, constructing and installing necessary renewals or replacements of the System.

77 (ii) The Refunding Portion of the Bonds is to be issued for the purpose
78 of refunding and retiring prior to their maturity certain outstanding obligations of the
79 county payable from Revenue of the System.

80 (iii) There is not now, and when the Bonds are issued there will not
81 then be, any deficiency in the Parity Bond Fund or any account therein.

82 (iv) The Bond Ordinance provides for payment out of the Parity Bond
83 Fund of the principal of and interest on the Bonds and this motion provides for
84 satisfaction of the Reserve Requirement, as required by the Parity Conditions.

85 (v) The county will have on file at the Closing of the Bonds a
86 certificate of the Finance Director or of a Professional Utility Consultant to satisfy the
87 revenue test for issuance of Future Parity Bonds required by the Parity Conditions.]

88 **[For Parity Lien Obligations:**

89 (i) The Project Portion of the Bonds is to be issued for lawful
90 purposes of the County relating to the Sewer System;

91 (ii) The Refunding Portion of the Bonds is to be issued for the purpose
92 of refunding and retiring prior to their maturity certain outstanding obligations of the
93 county payable from Revenue of the System.

94 (iii) There is not now, and when the Bonds are issued there will not
95 then be, any deficiency in the Parity Bond Fund, the Parity Lien Obligation Bond Fund or
96 any other bond fund or account securing Parity Lien Obligations.

97 (iv) The county shall have on file at the Closing of the Bonds a
98 certificate of a licensed professional engineer experienced in the design, construction and
99 operation of municipal utilities of scope similar to the System to satisfy the revenue test
100 for issuance of additional Parity Lien Obligations required by the Parity Conditions.]

101 The applicable Parity Conditions having been complied with in connection with
102 the issuance of the Bonds, the pledge contained in the Bond Ordinance of Revenue of the
103 System to pay and secure the payment of the Bonds shall constitute a lien and charge
104 upon such revenue equal in rank with the lien and charge upon the Revenue of the
105 System to pay and secure the payment of the outstanding [Parity Bonds/Parity Lien
106 Obligations].

107 D. Application of Project Bond Proceeds; Satisfaction of Reserve
108 Requirement. In accordance with Section 15.A of the Bond Ordinance, there is hereby
109 established a special subaccount within the Construction Account to be designated as the
110 Series 20__ Construction Subaccount (the "Construction Subaccount"). Proceeds of the
111 Project Portion (exclusive of accrued interest, if any, which shall be deposited into the

112 Debt Service Account in the [Parity Bond Fund/Parity Lien Obligation Bond Fund]) shall
113 be deposited in the Construction Subaccount and applied to pay costs of improvements to
114 the System and costs of issuance of the Project Portion, in accordance with Section 15.A
115 of the Bond Ordinance.

116 [In accordance with Section 9.C of the Bond Ordinance, proceeds of the Project
117 Portion shall be [deposited into the Bond Reserve Account/used to purchase Qualified
118 Insurance in the form of a surety bond (the "Surety Bond") from the Insurer] in an
119 amount sufficient to satisfy the Reserve Requirement with respect to the Bonds. [The
120 County agrees to the conditions for obtaining the Surety Bond, including the payment of
121 the premium therefor and the other requirements to be set forth in an agreement to be
122 approved and executed by the Finance Director on behalf of the county. The council
123 further authorizes and directs all proper officers, agents, attorneys and employees of the
124 county to cooperate with the Insurer in preparing such additional agreements, certificates,
125 and other documentation on behalf of the county as shall be necessary or advisable in
126 providing for the Surety Bond.]

127 [E. Refunding and Redemption of Refunded Bonds.

128 1. Plan of Refunding. In accordance with Sections 16 and 28 of the
129 Bond Ordinance, the Finance Director has determined, in consultation with the county's
130 financial advisors, that proceeds of the Refunding Portion shall be used to refund the
131 following obligations of the county payable from sewer revenues pursuant to the plan of
132 refunding set forth below and ratified and confirmed hereby:

146 (a) the interest on the Refunded Bonds due and payable on and
147 prior to January 1, 20___; and

148 (b) the redemption price (___% of the principal amount)
149 payable on January 1, 20___, of the Refunded Bonds.

150 Any beginning cash balance and the Escrow Securities shall be irrevocably
151 deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds
152 in accordance with the ordinance(s) authorizing the Refunded Bonds. Any amounts
153 described above that are not provided for in full by such beginning cash balance and the
154 purchase and deposit with the Escrow Agent of the Escrow Securities shall be provided
155 for by the irrevocable deposit of the necessary amount out of the proceeds of sale of the
156 Refunding Portion or any other money of the county legally available therefor. The
157 proceeds of the Refunding Portion remaining in the Refunding Account after acquisition
158 of the Escrow Securities and provision for the necessary beginning cash balance shall be
159 utilized to pay expenses of the acquisition and safekeeping of the Escrow Securities and
160 the costs of issuing the Refunding Portion. The county may, from time to time, transfer,
161 or cause to be transferred, from the Refunding Account any money not thereafter required
162 for the purposes set forth in subparagraphs (a) and (b) above, subject to verification in
163 writing by an independent certified public accountant that such transfer will not result in
164 inadequate funds being available to make the required payments therefrom. The county
165 reserves the right to substitute other securities for the Escrow Securities in the event it
166 may do so pursuant to Section 148 of the Code and applicable regulations thereunder,
167 upon compliance with the conditions set forth in the Escrow Agreement.

168 The selection of _____ as Escrow Agent is
169 hereby ratified and confirmed.

170 2. Redemption of Refunded Bonds. The county hereby irrevocably sets
171 aside sufficient funds through the purchase of the Escrow Securities and an initial cash
172 deposit to make the payments, as specified in subparagraphs (a) and (b) above.

173 The county hereby irrevocably defeases and calls for redemption on January 1,
174 20__, the Refunded Bonds in accordance with the provisions of the ordinance(s)
175 authorizing the redemption and retirement of the Refunded Bonds prior to their fixed
176 maturities.

177 Said defeasance and call for redemption of the Refunded Bonds shall be
178 irrevocable after the final establishment of the Refunding Account and delivery of the
179 Escrow Securities and the requisite cash deposit, if any, to the Escrow Agent, except as
180 provided herein relating to the substitution of securities. The Finance Director is
181 authorized and requested to provide whatever assistance is necessary to accomplish such
182 defeasance and redemption.

183 The Escrow Agent is hereby authorized and directed to notify the fiscal agency of
184 the State of Washington to give notice of the redemption of the Refunded Bonds in
185 accordance with the applicable provisions of the ordinance(s) authorizing their issuance.
186 The Finance Director is authorized and requested to provide whatever assistance is
187 necessary to accomplish such redemption and the giving of notice therefor. The costs of
188 publication of such notice shall be an expense of the county.

189 The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or
190 agencies of the State of Washington sums sufficient to make, when due, the payments

191 specified in subparagraphs (a) and (b) above. All such sums shall be paid from the
192 money and the Escrow Securities deposited with the Escrow Agent pursuant to this
193 section, and the income therefrom and proceeds thereof. All such sums so paid shall be
194 credited to the Refunding Account. All money and Escrow Securities deposited with the
195 Escrow Agent and any income therefrom shall be held, invested and applied in
196 accordance with the provisions of the Bond Ordinance and with the laws of the State of
197 Washington for the benefit of the county and the owners of the Refunded Bonds.

198 3. Findings of Saving and Defeasance. This council hereby finds and
199 determines that the issuance and sale of the Refunding Portion at this time will effect a
200 savings to the county and ratepayers of the System. In making such finding and
201 determination, the council has given consideration to the interest on and the fixed
202 maturities of the Refunding Portion and the Refunded Bonds, the costs of issuance of the
203 Refunding Portion and the known earned income from the investment of the proceeds of
204 sale of the Refunding Portion pending redemption and payment of the Refunded Bonds.

205 This council hereby further finds and determines that the Escrow Securities to be
206 deposited with the Escrow Agent and the income therefrom, together with any necessary
207 beginning cash balance, are sufficient to defease and redeem the above-referenced
208 Refunded Bonds and will discharge and satisfy the obligations of the county with respect
209 to the Refunded Bonds under the ordinance(s) authorizing their issuance and the pledges
210 of the county therein. Immediately upon the delivery of such Escrow Securities to the
211 Escrow Agent and the deposit of any necessary beginning cash balance, the Refunded
212 Bonds shall be deemed not to be outstanding under their respective authorizing
213 ordinance(s) and shall cease to be entitled to any lien, benefit or security under such

214 ordinance(s) except the right to receive payment from the Escrow Securities and
215 beginning cash balance so set aside and pledged.]

216 F. Undertaking to Provide Ongoing Disclosure.

217 1. Contract/Undertaking. In accordance with Section 31 of the Bond
218 Ordinance, this Section F constitutes the county's written undertaking for the benefit of
219 the owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

220 2. Financial Statements/Operating Data. The county agrees to
221 provide or cause to be provided to the MSRB the following annual financial information
222 and operating data for the prior fiscal year (commencing in 20__ for the fiscal year
223 ended December 31, 20__):

224 **[For Parity Bonds:**

225 (a) Annual financial statements showing year-end fund balance
226 for the County's Water Quality Enterprise fund prepared in accordance with the Budget
227 Accounting and Reporting System prescribed by the Washington State Auditor pursuant
228 to RCW 43.09.200 (or any successor statute) and generally of the type included in the
229 official statement for the Bonds under the heading "Appendix __: Excerpts from the
230 County's 20__ Comprehensive Annual Financial Report";

231 (b) Amount of outstanding Parity Bonds; and

232 (c) Information regarding customers, revenues and expenses of
233 the System generally in the form set forth in the Official Statement for the Bonds in the
234 table labeled "Summary of Historical Sewer System Customers, Revenues and
235 Expenses."

236 Items (b) and (c) shall be required only to the extent that such information is not
237 included in the annual financial statements.]

238 **[For Parity Lien Obligations:**

239 (a) Annual financial statements prepared in accordance with
240 the Budget Accounting and Reporting System prescribed by the Washington State
241 Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type
242 included in the official statement for the Bonds under the heading "Appendix ____,
243 Audited 20__ Financial Statements";

244 (b) A summary of budgeted general fund revenues and
245 appropriations;

246 (c) A summary of the assessed valuation of taxable property in
247 the county;

248 (d) A summary of the ad valorem property tax levy and
249 delinquency rate;

250 (e) A schedule of the aggregate annual debt service on tax-
251 supported indebtedness of the county;

252 (f) A summary of outstanding tax-supported indebtedness of
253 the county; and

254 (g) Information regarding customers, revenues and expenses of
255 the System generally in the form set forth in the Official Statement for the Bonds in the
256 table labeled "Summary of Historical Sewer System Customers, Revenues and
257 Expenses."

258 Items (b) through (g) shall be required only to the extent that such information is
259 not included in the annual financial statements.]

260 Such annual information and operating data described above shall be provided on
261 or before seven months after the end of the county's fiscal year. The county's fiscal year
262 currently ends on December 31. The county may adjust such fiscal year by providing
263 written notice of the change of fiscal year to the MSRB. In lieu of providing such annual
264 financial information and operating data, the county may cross-refer to other documents
265 available to the public on the MSRB's internet website or filed with the Commission.

266 If not provided as part of the annual financial information discussed above, the
267 county shall provide to the MSRB the county's audited annual financial statement
268 prepared in accordance with the Budget Accounting and Reporting System prescribed by
269 the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute)
270 when and if available.

271 3. Material Events. The county agrees to provide or cause to be
272 provided, in a timely manner, to the MSRB notice of the occurrence of any of the
273 following events with respect to the Bonds, if material:

- 274 (a) Principal and interest payment delinquencies;
- 275 (b) Non-payment related defaults;
- 276 (c) Unscheduled draws on debt service reserves reflecting
277 financial difficulties;
- 278 (d) Unscheduled draws on credit enhancements reflecting
279 financial difficulties;

280 (e) Substitution of credit or liquidity providers, or their failure
281 to perform;

282 (f) Adverse tax opinions or events affecting the tax-exempt
283 status of the Bonds;

284 (g) Modifications to rights of Bond holders;

285 (h) Optional, contingent or unscheduled calls of any Bonds
286 other than scheduled sinking fund redemptions for which notice is given pursuant to
287 Exchange Act Release 34-23856;

288 (i) Defeasances;

289 (j) Release, substitution or sale of property securing repayment
290 of the Bonds; and

291 (k) Rating changes.

292 [For Parity Bonds: Solely for purposes of disclosure, and not intending to
293 modify this undertaking, the county advises with reference to item (j) above that no
294 property secures payment of the Bonds.]

295 [For Parity Lien Obligations: Solely for purposes of disclosure, and not
296 intending to modify this undertaking, the county advises with reference to items (c) and
297 (j) above that no debt service reserves or property secure payment of the Bonds.]

298 4. Notification Upon Failure to Provide Financial Data. The county
299 agrees to provide or cause to be provided to the MSRB, in a timely manner, notice of its
300 failure to provide the annual financial information described in subsection 2 above on or
301 prior to the date set forth in subsection 2 above.

302 5. EMMA; Format for Filings with the MSRB. Until otherwise
303 designated by the MSRB or the Commission, any information or notices submitted to the
304 MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic
305 Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org.
306 All notices, financial information and operating data required by this undertaking to be
307 provided to the MSRB must be in an electronic format as prescribed by the MSRB. All
308 documents provided to the MSRB pursuant to this undertaking must be accompanied by
309 identifying information as prescribed by the MSRB.

310 6. Termination/Modification. The county's obligations to provide
311 annual financial information and notices of material events shall terminate upon the legal
312 defeasance, prior redemption or payment in full of all of the Bonds. This section, or any
313 provision hereof, shall be null and void if the county (i) obtains an opinion of nationally
314 recognized bond counsel to the effect that those portions of the Rule that require this
315 section, or any such provision, are invalid, have been repealed retroactively or otherwise
316 do not apply to the Bonds; and (ii) notifies the MSRB of such opinion and the
317 cancellation of this section.

318 Notwithstanding any other provision of this motion, the county may amend this
319 Section F, and any provision of this Section F may be waived, with an approving opinion
320 of nationally recognized bond counsel and in accordance with the Rule.

321 In the event of any amendment or waiver of a provision of this Section F, the
322 county shall describe such amendment in the next annual report, and shall include, as
323 applicable, a narrative explanation of the reason for the amendment or waiver and its
324 impact on the type (or in the case of a change of accounting principles, on the

325 presentation) of financial information or operating data being presented by the county. In
326 addition, if an amendment relates to the accounting principles to be followed in preparing
327 financial statements, (i) notice of such change shall be given in the same manner as for a
328 material event under subsection 3, and (ii) the annual report for the year in which the
329 change is made should present a comparison (in narrative form and also, if feasible, in
330 quantitative form) between the financial statements as prepared on the basis of the new
331 accounting principles and those prepared on the basis of the former accounting principles.

332 7. Bond Owner's Remedies Under This Section. The right of any
333 Bond owner or Beneficial Owner of Bonds to enforce the provisions of this section shall
334 be limited to a right to obtain specific enforcement of the county's obligations hereunder,
335 and any failure by the county to comply with the provisions of this undertaking shall not
336 be an event of default with respect to the Bonds hereunder. For purposes of this section,
337 "Beneficial Owner" means any person who has the power, directly or indirectly, to vote
338 or consent with respect to, or to dispose of ownership of, any Bonds, including persons
339 holding Bonds through nominees or depositories.

340 G. Further Authority. The county officials, their agents, attorneys and
341 representatives are hereby authorized and directed to do everything necessary for the
342 prompt issuance and delivery of the Bonds and for the proper use and application of the
343 proceeds of such sale.

344 H. Severability. If any provision in this motion is declared by any court of
345 competent jurisdiction to be contrary to law, then such provision shall be null and void

346 and shall be deemed separable from the remaining provisions of this motion and shall in
347 no way affect the validity of the other provisions of this motion or of the Bonds.
348

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Robert W. Ferguson, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, _____.

Dow Constantine, County Executive

Attachments: A. Bond Purchase Agreement-Notice of Bond Sale, B. Winning Bid for the Bonds



KING COUNTY
Signature Report

Attachment 5
1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

June 14, 2010

Motion

Proposed No. 2010-0230.1

Sponsors Patterson

1 A MOTION of the county council approving a [bid/bond
2 purchase agreement] for the county's [Sewer Revenue [and
3 Refunding] Bonds, Series 20___/Limited Tax General
4 Obligation [and Refunding] Bonds (Payable from Sewer
5 Revenue), 20___], in the aggregate principal amount of
6 \$_____ and establishing certain terms of such bonds
7 [and a plan of refunding], all in accordance with Ordinance
8 _____.

9 WHEREAS, the county council by Ordinance _____ passed on _____,
10 2010 (the "Bond Ordinance"), authorized the issuance and sale of bonds of the county
11 payable from sewer revenues, as follows: (i) not to exceed \$475,000,000 principal
12 amount of bonds to pay costs of certain capital improvements to the county's sewer
13 system (the "System") in accordance with the county's comprehensive water pollution
14 abatement plan (the "Project Bonds") and (ii) not to exceed \$1,000,000,000 principal
15 amount of bonds to refund certain outstanding bonds payable from sewer revenues (the
16 "Refunding Bonds"), and

17 WHEREAS, the Bond Ordinance authorizes such bonds to be sold in one or more
18 series, as Parity Bonds or Parity Lien Obligations (as such terms are defined in the Bond
19 Ordinance), as Tax-Exempt Bonds, Tax-Benefited Bonds or otherwise, and by negotiated

20 sale or competitive bid, as determined by the county's director of finance and business
21 operations division (the "Finance Director") in consultation with the county's financial
22 advisors, and

23 WHEREAS, the Finance Director has determined that \$_____ principal
24 amount of Project Bonds (the "Project Portion") [and \$_____ principal amount of
25 Refunding Bonds (the "Refunding Portion")] be sold in a series of [Parity Bonds/Parity
26 Lien Obligations] in the aggregate principal amount of \$_____ to be designated as
27 the county's [Sewer Revenue [and Refunding] Bonds, Series 20__ /Limited Tax General
28 Obligation [and Refunding] Bonds (Payable from Sewer Revenue), 20__] (the "Bonds"),
29 structured as [Tax-Exempt Bonds/Taxable Build America Bonds-Direct
30 Payment/_____], and sold by [competitive bid/negotiated sale], and

31 WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement
32 dated _____, 20__, has been prepared for the sale of the Bonds, [the Official
33 Notice of Bond Sale (the "Notice") has been distributed, and bids have been received in
34 accordance with the Notice] [and the Finance Director has negotiated the sale of the
35 Bonds to _____ (the "Underwriter")], and

36 WHEREAS, [the attached bid of _____ (the "Purchaser") to
37 purchase the Bonds is the best bid received for the Bonds, and] it is in the best interest of
38 the county that the Bonds be sold to the [Purchaser/Underwriter] on the terms set forth in
39 [the Notice, the attached bid/the attached bond purchase contract], the Bond Ordinance,
40 and this motion, and

41 WHEREAS, in accordance with the Bond Ordinance, the council wishes to ratify
42 and confirm certain terms of the Bonds [and approve a plan of refunding certain

43 outstanding sewer revenue bonds of the county from proceeds of the Refunding Portion],
44 as set forth herein;

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

46 A. Definitions. Except as expressly authorized herein, capitalized terms used
47 in this motion have the meanings set forth in the Bond Ordinance.

48 B. [Ratification of Notice of Sale, Acceptance of Bid/Approval of Bond
49 Purchase Contract] and Authorization of Bonds. The issuance of the Bonds, designated
50 as set forth in the recitals of this motion, and the terms and conditions thereof as set forth
51 in the [Official Notice of Bond Sale, attached hereto as Attachment A (the
52 "Notice"),/Bond Purchase Contract attached hereto as Attachment A (the "Purchase
53 Contract")] are hereby ratified and confirmed, and [Purchaser's bid to purchase the
54 Bonds, as set forth on Attachment B (the "Bid"), is hereby accepted/the Purchase
55 Contract is hereby approved]. The Bonds shall bear interest at the rates set forth in [the
56 Bid/the Purchase Contract] and shall conform in all other respects to the terms and
57 conditions specified in the [Notice, Bid/Purchase Contract] and Bond Ordinance. The
58 Bonds shall be subject to redemption as set forth in the [Notice and Bid/Purchase
59 Contract].

60 [In accordance with the Purchase Contract, the council hereby accepts the
61 commitment from _____ (the "Insurer") to provide
62 a municipal bond insurance policy guaranteeing the scheduled payment of principal of
63 and interest on the Bonds (the "Bond Insurance Policy"). The council further authorizes
64 and directs all proper officers, agents, attorneys and employees of the county to cooperate
65 with the Insurer in preparing such additional agreements, certificates, and other

66 documentation on behalf of the county as shall be necessary or advisable in providing for
67 the Bond Insurance Policy.]

68 C. Satisfaction of Parity Conditions. In accordance with the provisions of the
69 ordinances authorizing the issuance of the currently outstanding [Parity Bonds/Parity
70 Lien Obligations], which permit the issuance of additional [Parity Bonds/Parity Lien
71 Obligations] upon compliance with the conditions set forth therein (the "Parity
72 Conditions"), the county council hereby finds and determines, as follows:

73 **[For Parity Bonds:**

74 (i) The Project Portion of the Bonds is to be issued for the purpose of
75 acquiring, constructing and installing portions of the Comprehensive Plan and for
76 acquiring, constructing and installing necessary renewals or replacements of the System.

77 (ii) The Refunding Portion of the Bonds is to be issued for the purpose
78 of refunding and retiring prior to their maturity certain outstanding obligations of the
79 county payable from Revenue of the System.

80 (iii) There is not now, and when the Bonds are issued there will not
81 then be, any deficiency in the Parity Bond Fund or any account therein.

82 (iv) The Bond Ordinance provides for payment out of the Parity Bond
83 Fund of the principal of and interest on the Bonds and this motion provides for
84 satisfaction of the Reserve Requirement, as required by the Parity Conditions.

85 (v) The county will have on file at the Closing of the Bonds a
86 certificate of the Finance Director or of a Professional Utility Consultant to satisfy the
87 revenue test for issuance of Future Parity Bonds required by the Parity Conditions.]

88 **[For Parity Lien Obligations:**

89 (i) The Project Portion of the Bonds is to be issued for lawful
90 purposes of the County relating to the Sewer System;

91 (ii) The Refunding Portion of the Bonds is to be issued for the purpose
92 of refunding and retiring prior to their maturity certain outstanding obligations of the
93 county payable from Revenue of the System.

94 (iii) There is not now, and when the Bonds are issued there will not
95 then be, any deficiency in the Parity Bond Fund, the Parity Lien Obligation Bond Fund or
96 any other bond fund or account securing Parity Lien Obligations.

97 (iv) The county shall have on file at the Closing of the Bonds a
98 certificate of a licensed professional engineer experienced in the design, construction and
99 operation of municipal utilities of scope similar to the System to satisfy the revenue test
100 for issuance of additional Parity Lien Obligations required by the Parity Conditions.]

101 The applicable Parity Conditions having been complied with in connection
102 with the issuance of the Bonds, the pledge contained in the Bond Ordinance of Revenue
103 of the System to pay and secure the payment of the Bonds shall constitute a lien and
104 charge upon such revenue equal in rank with the lien and charge upon the Revenue of the
105 System to pay and secure the payment of the outstanding [Parity Bonds/Parity Lien
106 Obligations].

107 D. Application of Project Bond Proceeds; Satisfaction of Reserve
108 Requirement. In accordance with Section 15.A of the Bond Ordinance, there is hereby
109 established a special subaccount within the Construction Account to be designated as the
110 Series 20__ Construction Subaccount (the "Construction Subaccount"). Proceeds of the
111 Project Portion (exclusive of accrued interest, if any, which shall be deposited into the

112 Debt Service Account in the [Parity Bond Fund/Parity Lien Obligation Bond Fund]) shall
113 be deposited in the Construction Subaccount and applied to pay costs of improvements to
114 the System and costs of issuance of the Project Portion, in accordance with Section 15.A
115 of the Bond Ordinance.

116 [In accordance with Section 9.C of the Bond Ordinance, proceeds of the Project
117 Portion shall be [deposited into the Bond Reserve Account/used to purchase Qualified
118 Insurance in the form of a surety bond (the "Surety Bond") from the Insurer] in an
119 amount sufficient to satisfy the Reserve Requirement with respect to the Bonds. [The
120 County agrees to the conditions for obtaining the Surety Bond, including the payment of
121 the premium therefor and the other requirements to be set forth in an agreement to be
122 approved and executed by the Finance Director on behalf of the county. The council
123 further authorizes and directs all proper officers, agents, attorneys and employees of the
124 county to cooperate with the Insurer in preparing such additional agreements, certificates,
125 and other documentation on behalf of the county as shall be necessary or advisable in
126 providing for the Surety Bond.]

127 [E. Refunding and Redemption of Refunded Bonds.

128 1. Plan of Refunding. In accordance with Sections 16 and 28 of the
129 Bond Ordinance, the Finance Director has determined, in consultation with the county's
130 financial advisors, that proceeds of the Refunding Portion shall be used to refund the
131 following obligations of the county payable from sewer revenues pursuant to the plan of
132 refunding set forth below and ratified and confirmed hereby:

146 (a) the interest on the Refunded Bonds due and payable on and
147 prior to January 1, 20___; and

148 (b) the redemption price (___% of the principal amount)
149 payable on January 1, 20___, of the Refunded Bonds.

150 Any beginning cash balance and the Escrow Securities shall be irrevocably
151 deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds
152 in accordance with the ordinance(s) authorizing the Refunded Bonds. Any amounts
153 described above that are not provided for in full by such beginning cash balance and the
154 purchase and deposit with the Escrow Agent of the Escrow Securities shall be provided
155 for by the irrevocable deposit of the necessary amount out of the proceeds of sale of the
156 Refunding Portion or any other money of the county legally available therefor. The
157 proceeds of the Refunding Portion remaining in the Refunding Account after acquisition
158 of the Escrow Securities and provision for the necessary beginning cash balance shall be
159 utilized to pay expenses of the acquisition and safekeeping of the Escrow Securities and
160 the costs of issuing the Refunding Portion. The county may, from time to time, transfer,
161 or cause to be transferred, from the Refunding Account any money not thereafter required
162 for the purposes set forth in subparagraphs (a) and (b) above, subject to verification in
163 writing by an independent certified public accountant that such transfer will not result in
164 inadequate funds being available to make the required payments therefrom. The county
165 reserves the right to substitute other securities for the Escrow Securities in the event it
166 may do so pursuant to Section 148 of the Code and applicable regulations thereunder,
167 upon compliance with the conditions set forth in the Escrow Agreement.

168 The selection of _____ as Escrow Agent is
169 hereby ratified and confirmed.

170 2. Redemption of Refunded Bonds. The county hereby irrevocably sets
171 aside sufficient funds through the purchase of the Escrow Securities and an initial cash
172 deposit to make the payments, as specified in subparagraphs (a) and (b) above.

173 The county hereby irrevocably defeases and calls for redemption on January 1,
174 20__, the Refunded Bonds in accordance with the provisions of the ordinance(s)
175 authorizing the redemption and retirement of the Refunded Bonds prior to their fixed
176 maturities.

177 Said defeasance and call for redemption of the Refunded Bonds shall be
178 irrevocable after the final establishment of the Refunding Account and delivery of the
179 Escrow Securities and the requisite cash deposit, if any, to the Escrow Agent, except as
180 provided herein relating to the substitution of securities. The Finance Director is
181 authorized and requested to provide whatever assistance is necessary to accomplish such
182 defeasance and redemption.

183 The Escrow Agent is hereby authorized and directed to notify the fiscal agency of
184 the State of Washington to give notice of the redemption of the Refunded Bonds in
185 accordance with the applicable provisions of the ordinance(s) authorizing their issuance.
186 The Finance Director is authorized and requested to provide whatever assistance is
187 necessary to accomplish such redemption and the giving of notice therefor. The costs of
188 publication of such notice shall be an expense of the county.

189 The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or
190 agencies of the State of Washington sums sufficient to make, when due, the payments

191 specified in subparagraphs (a) and (b) above. All such sums shall be paid from the
192 money and the Escrow Securities deposited with the Escrow Agent pursuant to this
193 section, and the income therefrom and proceeds thereof. All such sums so paid shall be
194 credited to the Refunding Account. All money and Escrow Securities deposited with the
195 Escrow Agent and any income therefrom shall be held, invested and applied in
196 accordance with the provisions of the Bond Ordinance and with the laws of the State of
197 Washington for the benefit of the county and the owners of the Refunded Bonds.

198 3. Findings of Saving and Defeasance. This council hereby finds and
199 determines that the issuance and sale of the Refunding Portion at this time will effect a
200 savings to the county and ratepayers of the System. In making such finding and
201 determination, the council has given consideration to the interest on and the fixed
202 maturities of the Refunding Portion and the Refunded Bonds, the costs of issuance of the
203 Refunding Portion and the known earned income from the investment of the proceeds of
204 sale of the Refunding Portion pending redemption and payment of the Refunded Bonds.

205 This council hereby further finds and determines that the Escrow Securities to be
206 deposited with the Escrow Agent and the income therefrom, together with any necessary
207 beginning cash balance, are sufficient to defease and redeem the above-referenced
208 Refunded Bonds and will discharge and satisfy the obligations of the county with respect
209 to the Refunded Bonds under the ordinance(s) authorizing their issuance and the pledges
210 of the county therein. Immediately upon the delivery of such Escrow Securities to the
211 Escrow Agent and the deposit of any necessary beginning cash balance, the Refunded
212 Bonds shall be deemed not to be outstanding under their respective authorizing
213 ordinance(s) and shall cease to be entitled to any lien, benefit or security under such

214 ordinance(s) except the right to receive payment from the Escrow Securities and
215 beginning cash balance so set aside and pledged.]

216 F. Undertaking to Provide Ongoing Disclosure.

217 1. Contract/Undertaking. In accordance with Section 31 of the Bond
218 Ordinance, this Section F constitutes the county's written undertaking for the benefit of
219 the owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

220 2. Financial Statements/Operating Data. The county agrees to
221 provide or cause to be provided to the MSRB the following annual financial information
222 and operating data for the prior fiscal year (commencing in 20__ for the fiscal year
223 ended December 31, 20__):

224 **[For Parity Bonds:**

225 (a) Annual financial statements showing year-end fund balance for the
226 County's Water Quality Enterprise fund prepared in accordance with the Budget
227 Accounting and Reporting System prescribed by the Washington State Auditor pursuant
228 to RCW 43.09.200 (or any successor statute) and generally of the type included in the
229 official statement for the Bonds under the heading "Appendix __: Excerpts from the
230 County's 20__ Comprehensive Annual Financial Report";

231 (b) Amount of outstanding Parity Bonds; and

232 (c) Information regarding customers, revenues and expenses of the
233 System generally in the form set forth in the Official Statement for the Bonds in the table
234 labeled "Summary of Historical Sewer System Customers, Revenues and Expenses."

235 Items (b) and (c) shall be required only to the extent that such information is not
236 included in the annual financial statements.]

237 **[For Parity Lien Obligations:**

238 (a) Annual financial statements prepared in accordance with the
239 Budget Accounting and Reporting System prescribed by the Washington State Auditor
240 pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included
241 in the official statement for the Bonds under the heading "Appendix ____, Audited 20____
242 Financial Statements";

243 (b) A summary of budgeted general fund revenues and appropriations;

244 (c) A summary of the assessed valuation of taxable property in the
245 county;

246 (d) A summary of the ad valorem property tax levy and delinquency
247 rate;

248 (e) A schedule of the aggregate annual debt service on tax-supported
249 indebtedness of the county;

250 (f) A summary of outstanding tax-supported indebtedness of the
251 county; and

252 (g) Information regarding customers, revenues and expenses of the
253 System generally in the form set forth in the Official Statement for the Bonds in the table
254 labeled "Summary of Historical Sewer System Customers, Revenues and Expenses."

255 Items (b) through (g) shall be required only to the extent that such information is not
256 included in the annual financial statements.]

257 Such annual information and operating data described above shall be provided on
258 or before seven months after the end of the county's fiscal year. The county's fiscal year
259 currently ends on December 31. The county may adjust such fiscal year by providing

260 written notice of the change of fiscal year to the MSRB. In lieu of providing such annual
261 financial information and operating data, the county may cross-refer to other documents
262 available to the public on the MSRB's internet website or filed with the Commission.
263 If not provided as part of the annual financial information discussed above, the county
264 shall provide to the MSRB the county's audited annual financial statement prepared in
265 accordance with the Budget Accounting and Reporting System prescribed by the
266 Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when
267 and if available.

268 3. Material Events. The county agrees to provide or cause to be provided, in
269 a timely manner, to the MSRB notice of the occurrence of any of the following events
270 with respect to the Bonds, if material:

- 271 (a) Principal and interest payment delinquencies;
- 272 (b) Non-payment related defaults;
- 273 (c) Unscheduled draws on debt service reserves reflecting financial
274 difficulties;
- 275 (d) Unscheduled draws on credit enhancements reflecting financial
276 difficulties;
- 277 (e) Substitution of credit or liquidity providers, or their failure to
278 perform;
- 279 (f) Adverse tax opinions or events affecting the tax-exempt status of
280 the Bonds;
- 281 (g) Modifications to rights of Bond holders;

282 (h) Optional, contingent or unscheduled calls of any Bonds other than
283 scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act
284 Release 34-23856;

285 (i) Defeasances;

286 (j) Release, substitution or sale of property securing repayment of the
287 Bonds; and

288 (k) Rating changes.

289 [For Parity Bonds: Solely for purposes of disclosure, and not intending to
290 modify this undertaking, the county advises with reference to item (j) above that no
291 property secures payment of the Bonds.]

292 [For Parity Lien Obligations: Solely for purposes of disclosure, and not
293 intending to modify this undertaking, the county advises with reference to items (c) and
294 (j) above that no debt service reserves or property secure payment of the Bonds.]

295 4. Notification Upon Failure to Provide Financial Data. The county agrees to
296 provide or cause to be provided to the MSRB, in a timely manner, notice of its failure to
297 provide the annual financial information described in subsection 2 above on or prior to
298 the date set forth in subsection 2 above.

299 5. EMMA; Format for Filings with the MSRB. Until otherwise designated,
300 by the MSRB or the Commission, any information or notices submitted to the MSRB in
301 compliance with the Rule are to be submitted through the MSRB's Electronic Municipal
302 Market Access system ("EMMA"), currently located at www.emma.msrb.org. All
303 notices, financial information and operating data required by this undertaking to be
304 provided to the MSRB must be in an electronic format as prescribed by the MSRB. All

305 documents provided to the MSRB pursuant to this undertaking must be accompanied by
306 identifying information as prescribed by the MSRB.

307 6. Termination/Modification. The county's obligations to provide annual
308 financial information and notices of material events shall terminate upon the legal
309 defeasance, prior redemption or payment in full of all of the Bonds. This section, or any
310 provision hereof, shall be null and void if the county (i) obtains an opinion of nationally
311 recognized bond counsel to the effect that those portions of the Rule that require this
312 section, or any such provision, are invalid, have been repealed retroactively or otherwise
313 do not apply to the Bonds; and (ii) notifies the MSRB of such opinion and the
314 cancellation of this section.

315 Notwithstanding any other provision of this motion, the county may amend this
316 Section F, and any provision of this Section F may be waived, with an approving opinion
317 of nationally recognized bond counsel and in accordance with the Rule.

318 In the event of any amendment or waiver of a provision of this Section F, the
319 county shall describe such amendment in the next annual report, and shall include, as
320 applicable, a narrative explanation of the reason for the amendment or waiver and its
321 impact on the type (or in the case of a change of accounting principles, on the
322 presentation) of financial information or operating data being presented by the county. In
323 addition, if an amendment relates to the accounting principles to be followed in preparing
324 financial statements, (i) notice of such change shall be given in the same manner as for a
325 material event under subsection 3, and (ii) the annual report for the year in which the
326 change is made should present a comparison (in narrative form and also, if feasible, in

327 quantitative form) between the financial statements as prepared on the basis of the new
328 accounting principles and those prepared on the basis of the former accounting principles.

329 7. Bond Owner's Remedies Under This Section. The right of any Bond
330 owner or Beneficial Owner of Bonds to enforce the provisions of this section shall be
331 limited to a right to obtain specific enforcement of the county's obligations hereunder,
332 and any failure by the county to comply with the provisions of this undertaking shall not
333 be an event of default with respect to the Bonds hereunder. For purposes of this section,
334 "Beneficial Owner" means any person who has the power, directly or indirectly, to vote
335 or consent with respect to, or to dispose of ownership of, any Bonds, including persons
336 holding Bonds through nominees or depositories.

337 G. Further Authority. The county officials, their agents, attorneys and
338 representatives are hereby authorized and directed to do everything necessary for the
339 prompt issuance and delivery of the Bonds and for the proper use and application of the
340 proceeds of such sale.

341 H. Severability. If any provision in this motion is declared by any court of
342 competent jurisdiction to be contrary to law, then such provision shall be null and void

343 and shall be deemed separable from the remaining provisions of this motion and shall in
344 no way affect the validity of the other provisions of this motion or of the Bonds.
345

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Robert W. Ferguson, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, _____.

Dow Constantine, County Executive

Attachments: A. [Bond Purchase Agreement/Notice of Bond Sale], B. [Winning Bid for the Bonds]

