

improvements to the county's sewer system (the "Project Bonds"); and

WHEREAS, the Bond Ordinance provided that such bonds be sold in one or more series as determined by the county's manager of finance and business operations (the "Finance Manager") in consultation with the county's financial advisors; and

WHEREAS, under the authority of the Bond Ordinance, the county issued its Sewer Revenue Bonds, Series 2002A, in the aggregate principal amount of \$100,000,000 under date of August 14, 2002, and its Sewer Revenue Refunding Bonds, Series 2002B, in the aggregate principal amount of \$346,130,000 under date of October 3, 2002; and

WHEREAS, the Finance Manager has determined that another series of refunding bonds in the aggregate principal amount of \$96,470,000 (the "Bonds") be sold by negotiated sale as provided herein; and

WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement dated March 13, 2003, has been prepared for the sale of the Bonds, and the Finance Manager has negotiated the sale of the Bonds to Morgan Stanley & Co. Incorporated, Salomon Smith Barney Inc. and Siebert Brandford Shank & Co., LLC (collectively, the "Underwriters"); and

WHEREAS, it is in the best interest of the county that the Bonds be sold to the Underwriters on the terms set forth in the attached bond purchase contract, the Bond Ordinance, and this motion; and

WHEREAS, in accordance with the Bond Ordinance, the council wishes to authorize and approve the final plan of refunding certain outstanding sewer revenue bonds of the county from proceeds of the Bonds, as set forth herein;

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

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

B. Approval of Bond Purchase Contract and Authorization of Bonds. The issuance of the Bonds, designated as the King County, Washington, Sewer Revenue Refunding Bonds, Series 2003A, in the aggregate

principal amount of \$96,470,000, and the terms and conditions thereof as set forth in the Bond Purchase Contract attached hereto as Attachment A (the “Purchase Contract”) are hereby ratified and confirmed, and the Purchase Contract is hereby approved. The Bonds shall bear interest at the rates set forth in the Purchase Contract and shall conform in all other respects to the terms and conditions specified in the Purchase Contract and Bond Ordinance. The Bonds shall be subject to optional and mandatory redemption as set forth in the Purchase Contract.

In accordance with the Purchase Contract, the council hereby accepts the commitment from Financial Guaranty Insurance Company (the “Insurer”) to provide a municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on the Bonds (the “Bond Insurance Policy”) and a surety bond to provide for the reserve requirement with respect to the Bonds (the “Surety Bond”). The county agrees to the conditions for obtaining the Surety Bond, including the payment of the premium therefor and the other requirements set forth in the Debt Service Reserve Fund Policy Agreement. The Debt Service Reserve Fund Policy Agreement is hereby approved and the Finance Manager is hereby authorized to sign the Debt Service Reserve Fund Policy Agreement on behalf of the county. The council further authorizes and directs all proper officers, agents, attorneys and employees of the county to cooperate with the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the county as shall be necessary or advisable in providing for the Bond Insurance Policy and the Surety Bond.

C. Refunding and Redemption of Refunded Bonds.

1. Plan of Refunding. In accordance with Section 24 of the Bond Ordinance, the Finance Manager has determined, in consultation with the county’s financial advisors, that proceeds of the Bonds shall be used to refund the following 1995 Bonds (the “Refunded Bonds”) pursuant to the plan of refunding set forth below and ratified and confirmed hereby:

**KING COUNTY LIMITED TAX GENERAL OBLIGATION BONDS
(PAYABLE FROM SEWER REVENUES), 1995**

<u>Maturity (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Redemption Price</u>
2006	\$340,000	5.500%	01/01/2005	102%
2007	355,000	5.500	01/01/2005	102
2008	375,000	5.625	01/01/2005	102
2009	395,000	6.700	01/01/2005	102
2010	420,000	5.750	01/01/2005	102
2011	450,000	5.800	01/01/2005	102
2012	470,000	5.875	01/01/2005	102
2013	500,000	5.875	01/01/2005	102
2014	1,985,000	5.875	01/01/2005	102
2015	2,110,000	5.875	01/01/2005	102
2023	20,120,000	6.000	01/01/2005	102
2027	15,345,000	6.000	01/01/2005	102
2033	31,325,000	6.125	01/01/2005	102
2035	13,270,000	6.250	01/01/2005	102

As provided in Section 13 of the Bond Ordinance, the King County Series 2003A Sewer Revenue Bonds Refunding Account (the “Refunding Account”) shall be established and maintained with the Escrow Agent (as identified below). Proceeds of the Bonds (exclusive of accrued interest, if any, which shall be deposited into the Debt Service Account in the Bond Fund) shall be deposited in the Refunding Account and used, together with other funds of the county, if necessary, to purchase certain “Government Obligations” as such obligations are defined in Chapter 39.53 RCW as now or hereafter amended (which obligations so purchased, are herein called “Acquired Obligations”), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of:

- (a) the interest on the Refunded Bonds due and payable on and prior to January 1, 2005; and
- (b) the redemption price (102% of the principal amount) payable on January 1, 2005, of the Refunded Bonds.

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

The selection of U.S. Bank National Association, as Escrow Agent is hereby ratified and confirmed.

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

The county hereby irrevocably defeases and calls for redemption on January 1, 2005, the Refunded Bonds in accordance with the provisions of the ordinance authorizing the redemption and retirement of the Refunded Bonds prior to their fixed maturities.

Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the Refunding Account and delivery of the Acquired Obligations and the requisite cash

deposit, if any, to the Escrow Agent, except as provided herein relating to the substitution of securities. The Finance Manager is authorized and requested to provide whatever assistance is necessary to accomplish such defeasance.

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

The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or agencies of the State of Washington sums sufficient to make, when due, the payments specified in subparagraphs (a) and (b) above. All such sums shall be paid from the money and Acquired Obligations deposited with said Escrow Agent pursuant to this section, and the income therefrom and proceeds thereof. All such sums so paid shall be credited to the Refunding Account. All money and Acquired Obligations deposited with said Escrow Agent and any income therefrom shall be held, invested and applied in accordance with the provisions of the Bond Ordinance and with the laws of the State of Washington for the benefit of the county and the owners of the Refunded Bonds.

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

This council hereby further finds and determines that the Acquired Obligations to be deposited with the Escrow Agent and the income therefrom, together with any necessary beginning cash balance, are sufficient to

defeas and redeem the above-referenced Refunded Bonds and will discharge and satisfy the obligations of the county with respect to such Refunded Bonds under the ordinance authorizing their issuance and the pledges of the county therein. Immediately upon the delivery of such Acquired Obligations to the Escrow Agent and the deposit of any necessary beginning cash balance, such Refunded Bonds shall be deemed not to be outstanding under the authorizing ordinance and shall cease to be entitled to any lien, benefit or security under such ordinance except the right to receive payment from the Acquired Obligations and beginning cash balance so set aside and pledged.

D. Reserve Account. In accordance with Section 9.C of the Bond Ordinance, and as provided in Section B above, proceeds of the Bonds shall be used to purchase Qualified Insurance in an amount sufficient to satisfy the reserve requirement with respect to the Bonds.

E. Undertaking to Provide Ongoing Disclosure.

1. Contract/Undertaking. In accordance with Section 27 of the Bond Ordinance, this Section E constitutes the county's written undertaking for the benefit of the owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

2. Financial Statements/Operating Data. The county agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2004 for the fiscal year ended December 31, 2003):

(a) Annual financial statements, which may or may not be audited, showing year-end fund balance for the County's Water Quality Enterprise fund prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type attached to the official statement as Appendix C;

(b) Amount of outstanding Parity Bonds; and

(c) Information regarding customers, revenues and expenses of the sewer system

generally in the form set forth in the Official Statement for the Bonds in the table labeled “Summary of Historical Sewer System Customers, Revenues and Expenses.”

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

Such annual information and operating data described above shall be provided on or before nine months after the end of the county’s fiscal year. The county’s fiscal year currently ends on December 31. The county may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the county may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

If not provided as part of the annual financial information discussed above, the county shall provide the county’s audited annual financial statement prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to each then existing NRMSIR and the SID, if any.

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

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

- (h) Optional, contingent or unscheduled calls of any Bonds other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the Bonds; and
- (k) Rating changes.

Solely for purposes of disclosure, and not intending to modify this undertaking, the county advises with reference to item (j) above that property secures payment of the Bonds.

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

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

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

In the event of any amendment or waiver of a provision of this Section E, the county shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for

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

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

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

G. Severability. If any provision in this motion is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provisions of this motion and shall in no way affect the validity of the other provisions of this motion or of the Bonds.